



## The United Nations Micronesia Policy Brief Series No. 1

### The Highlights of the United Nations Common Country Analyses for Micronesia: Sustainable Development Challenges and Opportunities

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#### I. Introduction

The United Nations Common Country Analyses (CCAs) for Micronesia provide an in-depth assessment of the development situation and challenges faced by five Micronesian countries: Palau, the Federated States of Micronesia (FSM), the Marshall Islands, Nauru and Kiribati. The CCAs are comprehensive and impartial assessments that paint a detailed picture of a country's (or a subregion's) development landscape. These analyses go beyond simply summarizing progress; they provide a forward-looking and evidence-based examination of Micronesia's distinct context for sustainable development.

They are intended to provide insights for the United Nations and other development partners in supporting these countries' sustainable development goals. By looking at risks, challenges and opportunities across all sectors, the CCAs help the United Nations identify priority areas for their support, ensuring that they align with the countries' development visions and the broader 2030 Agenda for Sustainable Development or the Sustainable Development Goals (SDGs). The CCAs are living documents, constantly evolving as new data and trends emerge, and play a vital role in shaping the United Nations' strategic engagement through frameworks like the five-year *Pacific Sustainable Development Cooperation Framework*.<sup>1</sup> They also work in conjunction with action plans for small island developing States (SIDS), like the SAMOA Pathway and the Antigua and Barbuda Agenda.<sup>2</sup>

#### II. Subregional Context: Micronesia as a Distinct Development Landscape

Micronesia, composed of five SIDS, dispersed across the vast Pacific Ocean, presents a unique development context. These island nations, despite their characteristics, share common challenges and opportunities stemming from their geographic location, limited resources and historical trajectories.

*Geographic remoteness and dispersed populations:* Micronesia faces high transportation costs, limited access to markets and challenges in providing basic services due to its dispersed geography. The vast distances between islands and the small populations make it difficult to achieve economies of scale and attract investment.

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<sup>1</sup> The United Nations in the Pacific (2022). *United Nations Sustainable Development Cooperation Framework 2023-2027*.

<sup>2</sup> Third International Conference on Small Island Developing States (2014). *SIDS Accelerated Modalities of Action (S.A.M.O.A.) Pathway*. Apia; United Nations (2024). *Draft outcome document of the fourth International Conference on Small Island Developing States: Note by the Secretariat*. Fourth International Conference on Small Island Developing States, Antigua and Barbuda, 27–30 May.

*Economic dependence and vulnerability:* The subregion is heavily reliant on a few industries, including tourism, fisheries and external assistance. This economic dependence makes Micronesia vulnerable to global economic shocks, fluctuations in commodity prices and the impacts of climate change.

*Climate change as an existential threat:* Rising sea levels, extreme weather events and ocean acidification pose severe risks to Micronesia's low-lying islands. The impacts of climate change threaten livelihoods, infrastructure and food security, highlighting the urgent need for adaptation and mitigation strategies.

*Limited opportunities for private sector development:* The small domestic markets, limited access to finance and lack of skilled labour hinder the growth of a dynamic private sector. Overcoming these challenges is essential for job creation, economic diversification and reducing dependence on foreign aid.

*Geopolitical dynamics and the need for strategic partnerships:* Micronesia is situated in a region of growing geopolitical competition. The subregion must navigate the dynamics carefully to ensure its development priorities are met and regional stability is maintained.

Despite these challenges, Micronesia possesses inherent strengths, particularly its vast ocean resources, which hold the potential for sustainable economic growth through the “blue economy”.<sup>3</sup> This concept emphasizes the sustainable management and utilization of marine resources for economic benefits, environmental protection and social well-being.

### **III. Palau: Navigating High-Income Status and Sustainability Challenges**

Palau, classified as a high-income country by the World Bank, is grappling with the complexities of maintaining economic growth while addressing sustainability concerns. The country's heavy reliance on tourism exposes it to economic fluctuations and the impacts of climate change.

*Tourism dependence and economic diversification:* Palau's economy is heavily reliant on tourism, which accounts for a significant portion of its GDP. The COVID-19 pandemic highlighted the vulnerability of this dependence, leading to a sharp decline in tourist arrivals and economic contraction. The need for economic diversification is crucial to reduce reliance on tourism and build a more resilient economy.

*Food security and health concerns:* Palau imports nearly all of its food, contributing to high rates of non-communicable diseases (NCDs) such as obesity and diabetes. The reliance on imported processed foods has led to unhealthy dietary habits, highlighting the importance of promoting local food production and healthy lifestyles.

*Environmental conservation and the Palau National Marine Sanctuary:* Palau has been a leader in marine conservation efforts, establishing the Palau National Marine Sanctuary, which covers 80 per cent of its exclusive economic zone (EEZ). This commitment to conservation is crucial for protecting biodiversity, ensuring sustainable fisheries and preserving Palau's natural beauty for future generations while limiting commercial activities in EEZ.

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<sup>3</sup> *The 2050 Strategy for the Blue Pacific Continent*, adopted by the Pacific Islands Forum (PIF) in 2022, serves as a guiding framework for the region to address shared challenges and leverage collective strengths. The strategy highlights the importance of regional cooperation, sustainable resource management and building resilience to climate change.

*Education and skills gaps:* Limited access to quality higher education and a mismatch between skills training and labour market demands result in a reliance on foreign labour, particularly in the tourism sector. Investing in education and skills development is crucial to empower citizens, reduce reliance on foreign labour and promote economic growth.

#### **IV. FSM: Addressing Poverty, Migration and Education Challenges**

FSM, a lower-middle-income country, faces significant challenges related to poverty, emigration and education. A considerable portion of the population lives below the national poverty line, prompting migration to the United States under the Compact of Free Association (COFA) agreement.

*High poverty rates and outward migration:* FSM has one of the highest poverty rates in the Pacific, with approximately 40 per cent of the population living below the national poverty line although a subsistence economy and social networks often provide support to those in poverty. The lack of economic opportunities and the allure of better prospects in the United States have led to significant outward migration, particularly among young people, leading to a large decrease in population.

*Education system deficiencies and skills mismatches:* FSM's education system faces challenges, including low academic performance, limited access to tertiary education and a disconnect between skills training and labour market demands. Improving the quality of education and aligning skills training with industry needs is crucial for economic development and reducing emigration.

*Food security and health concerns:* FSM's limited local food production and a growing preference for imported, often less nutritious, foods have contributed to a high prevalence of NCDs, including obesity and diabetes. Addressing these health issues requires promoting healthy diets, supporting local agriculture and improving healthcare services.

*Gender inequality and human rights issues:* FSM faces gender-based violence, limited representation of women in decision-making positions and informal work for women workers. Addressing these issues requires strengthening legal frameworks, promoting women's empowerment and ensuring equal opportunities for all citizens.

*Dependence on external assistance:* FSM relies heavily on external assistance, particularly from the United States under the COFA agreement. While this assistance is crucial for providing essential services, there is a need to strengthen domestic revenue generation and promote sustainable economic growth to reduce dependence.

#### **V. Marshall Islands: Balancing Prosperity with the Legacy of Nuclear Testing**

Marshall Islands, classified as an upper-middle-income country, also benefits from grants provided under the COFA agreement with the United States. However, the nation faces challenges related to health, economic vulnerability and the long-term impacts of nuclear testing conducted in the past.

*Health concerns and the prevalence of NCDs:* Similar to other Micronesian nations, Marshall Islands experiences high rates of NCDs. The consumption of imported processed foods, combined with limited healthcare infrastructure, contributes to these health challenges. Addressing NCDs requires promoting healthy lifestyles, improving access to healthcare and addressing the social determinants of health.

*Economic dependence and vulnerability to external shocks:* Marshall Islands' economy is heavily reliant on foreign aid and government activities. This dependence makes the country vulnerable to external shocks, such as fluctuations in global commodity prices or changes in aid flows. Diversifying the economy and strengthening domestic revenue generation are crucial for building resilience.

*Nuclear legacy and environmental remediation:* Marshall Islands grapples with the long-term consequences of nuclear testing conducted by the United States in the mid-20th century. The contamination from these tests continues to pose health and environmental risks, requiring ongoing remediation efforts and international support.

*Migration and brain drain:* Limited employment opportunities and the desire for better prospects in the United States under the COFA agreement contribute to outward migration from Marshall Islands, causing a rapid population decline. This brain drain poses challenges for the nation's long-term development, as skilled workers are lost to other countries.

*Climate change vulnerability and adaptation:* Marshall Islands, as a low-lying atoll nation, is highly vulnerable to the impacts of climate change, including sea-level rise and extreme weather events. Implementing adaptation measures, such as coastal protection and water resource management, is crucial for the country's future.

## **VI. Nauru: Overcoming the Legacy of Phosphate Mining and Building a Sustainable Future**

Nauru, despite its high-income status derived from its history of phosphate mining, faces significant challenges related to its depleted resources, limited land area and economic vulnerability. The country is striving to build a sustainable future by diversifying its economy and addressing the environmental damage caused by mining.

*Depleted phosphate reserves and economic diversification:* Nauru's economy was once heavily reliant on phosphate mining, which generated significant wealth but also resulted in extensive environmental damage. With phosphate reserves nearly depleted, Nauru faces the challenge of diversifying its economy and finding alternative sources of revenue.

*Limited land area and environmental rehabilitation:* Nauru's small landmass poses constraints for economic development and is further compounded by the environmental damage caused by mining. Rehabilitating mined areas, promoting sustainable land management practices and investing in climate-resilient infrastructure are crucial for Nauru's long-term sustainability.

*Health concerns and NCDs:* Nauru has one of the highest rates of obesity and diabetes in the world. The reliance on imported processed foods, coupled with limited healthcare capacity, contributes to these health challenges. Promoting healthy lifestyles, improving access to healthcare and addressing the social determinants of health are essential for improving well-being in Nauru.

*Dependence on external assistance and aid graduation:* Nauru has historically relied heavily on foreign aid, particularly from Australia. However, its graduation to high-income status has reduced its eligibility for concessional assistance, requiring the country to develop sustainable revenue generation strategies and manage its finances prudently.

## **VII. Kiribati: Confronting Geographic Dispersion, Poverty and Climate Change Vulnerability**

Kiribati, a lower-middle-income country classified as a least developed country (LDC), faces unique challenges due to its dispersed geography, consisting of 33 atolls and islands spread across a vast area of the Pacific. Kiribati is also highly vulnerable to the impacts of climate change, with rising sea levels threatening the very existence of many of its islands.

*Geographic dispersion and development challenges:* Kiribati's dispersed geography presents challenges for infrastructure development, service delivery and economic opportunities, particularly on the outer islands. The vast distances between islands and the limited land area pose constraints for development and resource management.

*Poverty and inequality:* Kiribati experiences high levels of poverty and inequality, particularly on the outer islands where access to basic services is limited. Addressing these challenges requires targeted interventions to promote inclusive growth, improve service delivery and create opportunities for all citizens.

*Climate change vulnerability and adaptation:* Kiribati is highly vulnerable to the impacts of climate change, including sea-level rise, extreme weather events and ocean acidification. Implementing adaptation measures, such as coastal protection, water resource management and community relocation, is crucial for Kiribati's future.

*Food security and sustainable agriculture:* Kiribati's limited land area and the impacts of climate change pose challenges for food security and agriculture. Promoting sustainable agricultural practices, including climate-resilient crops and fisheries management, is essential to enhance food security and build resilience.

*Education and human capital development:* Investing in education and skills development is crucial for Kiribati to adapt to climate change, diversify its economy and improve the livelihoods of its citizens. Addressing educational disparities between the outer islands and the capital is essential for promoting inclusive growth and creating opportunities for all.

## **VIII. Common Challenges and Policy Implications: A Holistic Approach for a Sustainable Future**

Addressing the interconnected challenges in Micronesia requires a holistic approach that emphasizes collaboration, innovation and a commitment to leaving no one behind. Policymakers should consider the following recommendations:

*Promoting economic diversification and sustainable growth:* Invest in industries with growth potential, such as renewable energy, sustainable agriculture, value-added fishery and niche tourism, to reduce reliance on a few sectors and enhance economic resilience. Develop supportive policies that encourage private sector development, entrepreneurship and innovation.

*Strengthening climate change resilience:* Implement adaptation and mitigation measures tailored to the vulnerabilities of each island nation, invest in climate-resilient infrastructure and advocate for stronger international climate action and financing. Integrate climate change considerations into all development planning and decision-making.

*Improving healthcare systems and addressing NCDs:* Expand access to quality healthcare, particularly in rural and remote areas, promote healthy lifestyles through education and awareness campaigns and focus on preventative measures to combat NCDs. Address the social determinants of health, such as poverty, food insecurity and gender inequality, which contribute to health disparities.

*Investing in education and skills development:* Provide quality education that meets labour market demands, offers opportunities for lifelong learning and ensures equitable access to education for all, particularly for girls and marginalized communities. Strengthen technical and vocational education and training (TVET) programmes to align skills training with industry needs and promote job creation.

*Promoting gender equality and women's empowerment:* Implement policies that ensure equal opportunities for women and girls in all aspects of life, address gender-based violence and discrimination, promote women's leadership and participation in decision-making and ensure equal access to resources and opportunities.

*Addressing outward migration and brain drain:* Create attractive opportunities for skilled workers by fostering a supportive environment for young professionals, providing incentives for skilled workers to return and improving living conditions. Invest in sectors that create high-quality jobs and offer career advancement opportunities.

*Strengthening public financial management:* Implement prudent fiscal policies, enhance transparency and accountability in budgeting processes, explore innovative financing mechanisms and develop sustainable revenue generation strategies to reduce reliance on foreign aid. Strengthen debt management capacity and explore options for debt relief.

*Navigating geopolitical dynamics strategically:* Engage with all development partners in a balanced manner that promotes national interests and regional stability. Prioritize partnerships that support Micronesia's development agenda and align with its values.

A key takeaway from the CCAs is the need for a holistic development approach that recognizes the interconnectedness of social, economic and environmental issues. The CCAs propose a new development model for Micronesia, called "BlueEARTH," which emphasizes a blue economy, education, aid, remittances, tourism and health. This model seeks to promote a more integrated approach, addressing interconnected challenges and leveraging existing strengths to foster sustainable and inclusive growth. Successful implementation of the BlueEARTH model will require commitment from governments, civil society, the private sector and development partners, working together to create a more sustainable and prosperous future for Micronesia.

## **IX. Conclusions**

Micronesia faces substantial development challenges but the subregion also possesses discrete strengths and opportunities for sustainable and inclusive growth. Addressing these challenges requires a long-term perspective, collaborative efforts involving governments, civil society and development partners and innovative solutions tailored to the specific context of each island nation. Ultimately, by prioritizing human development, environmental sustainability, economic resilience and good governance, Micronesia can create a brighter future for its people and contribute to a more sustainable and prosperous Pacific region.

*The United Nations Micronesia Policy Brief Series aims to generate a forward-looking discussion among policymakers, researchers, practitioners and other stakeholders to help forge political will and build a subregional consensus on needed policy actions and pressing reforms. The Policy Brief Series are issued without formal editing. Masato Abe prepared this policy brief. If you need the full CCAs, which are the basis of this policy brief, please contact him at [abem@un.org](mailto:abem@un.org).*

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