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PEACE CORPS/MICRONESIA: Country Narrative

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A. Country Development Review

Thirty-two years after the end of the war that brought it to the world's attention, Micronesia stands at an economic and political crossroads. The last remaining trusteeship in the world, its "temporary" status is expected to change no later than 1981, as the United States seeks to find a permanent status mutually agreeable to all parties---the Micronesians, the United States, and the United Nations.

At this stage in Micronesia's history, existing political and geographic conditions are having an all-pervasive effect on the level of economic and social development. While the geography of the country is essentially immutable, rapidly changing political circumstances play what is perhaps the most important role in the future course of the people of Micronesia.

The Setting: Geographical and Political

Geography is perhaps the most prominent feature of Micronesia and, in one way or another, accounts for most of the problems that confront the country. The boundaries of Micronesia encompass 3,000,000 square miles of the western Pacific Ocean, an area as large as the continental United States. Included within these boundaries are 2,100 islands, of which only 97 are inhabited. All the islands combined, inhabited and not, total about 700 square miles, or roughly one-half the size of the state of Rhode Island. In fact, all the islands would easily fit inside the historically-famous waters of the Truk lagoon.

The islands range from outlying coral atolls barely a few feet above sea level, to high volcanic islands with mountains several hundred feet high. In essence, it is the wide dispersion of the tiny islands and their limited populations and resources that, as a geographical consideration, has bearing upon the level of development of Micronesia.

The Micronesians themselves comprise nine different language groups, and almost all are at least nominally Christian. In all the districts, no one denomination appears to prevail, except in the Marianas where Catholicism is the dominant religion (90%).

Politically, Micronesia is in one of the most active and uncertain periods in its long history. Having been ruled at varying times, and to varying extents, by the Spanish, the Germans, Japanese, and now the Americans, Micronesians at this time see the beginning of the end of foreign domination.

The latest chapter in its history began in 1947 when, by an agreement with the United Nations, Micronesia became known as the Trust Territory of the Pacific Islands under the administering authority of the United States. The three archipelagoes that constitute what is known as Micronesia are the Marianas, the Carolines, and the Marshalls. These island chains are divided into six administrative districts. Until 1976, the districts were the Marianas, the Marshalls, Palau, Ponape, Truk and Yap.

In the course of negotiations on a future political status for all of Micronesia, the United States permitted the Marianas District to seek a separate political status and, in April of 1976, the Marianas withdrew from the Trust Territory and became the separately-administered Government of the Northern Marianas Islands. However, in January of 1977, Kusaie, an island which had been a part of Ponape District, was granted separate district status. It is now known by its traditional name of Kosrae and, once again, Micronesia has six administrative districts.

The Micronesians are a politically astute people, who have learned well the art and craft of government and diplomacy. This has accounted for the growing political awareness on the part of all Micronesians as they increasingly seek to control their own destiny. This is particularly true in those economic-political areas such as fishing rights, the Law of the Sea, offshore oil leases, etc.

In early 1977, political factors which had bearing on the future of development in Micronesia included:

1. The continuing process in the Northern Marianas that would eventually lead to status as a commonwealth of the United States, a course which none of the other districts of Micronesia, either separately or combined, is expected to follow.

2. Growing separatist movements in the districts of the Marshalls and Palau which threaten to break up the unity of the rest of Micronesia, a unity that now exists under a signed (but not voted upon) Constitution of the Federated States of Micronesia. Should separation of the wealthy Marshalls and Palau districts occur, the impact on the four remaining (and poorest) districts, of Ponape, Truk, Yap, and Kosrae could have dire consequences.
3. Changes in the staff of the Office of Territorial Affairs, of the Department of the Interior. As a result of the change in the U.S. national administration, along with resultant changes in the top positions of the TT, moves now underway to hasten the economic self-reliance of Micronesia may change. Shifts in budgetary emphasis to the developmental sector and away from social services, de-centralization, and a reduction in the size of the TT government, are areas that might be affected as a new government both in Washington and the Trust Territory takes over.

Jurisdictionally, the Trust Territory falls under the Department of the Interior of the United States Government. The governmental structure in Micronesia consists of an executive branch, headed by a Presidentially-appointed High Commissioner, and a popularly elected legislative branch, the Congress of Micronesia, and an appointed judiciary. Each administrative district is headed by a District Administrator, and has a district legislature and a system of local courts.

Revenue

Funding for the support of the Trusteeship comes from several sources. First, there is an annual appropriation from the United States Government. For FY78, this is expected to be somewhere between \$86-97 million. (The lower figure was recommended by the outgoing Ford Administration; the higher was the request of the TT administration to the Office of Management and Budget. It is unknown at this time what figure the Carter Administration will recommend to the U.S. Congress.)

Second, funds from a variety of federal grants, provided by agencies of the U.S. Government, are available to the Trust Territory. For many programs whose legislation so permits, the TT is considered a "state" of the United States. For FY78, these grants are expected to amount to a total of \$10 million.

Third, income is derived from personal, business, and import taxes levied by the Congress of Micronesia. Additional taxes, within limit, may be levied by the district legislatures. For FY78, tax revenues collected by the Congress are estimated at \$5 million.

Of significance is the fact that of the total amount of revenue expected for FY78, that is approximately \$106 million, all but \$6 million comes from various accounts of the United States Treasury, a fact demonstrating the overwhelming reliance of the Micronesian economy on monies from the United States.

Economic Development

For the last several years, negotiations on future status have often returned to the relationship of political independence to economic independence. It has become increasingly clear to the Micronesian leadership, if not to the people themselves, that if they are to seek a greater degree of freedom from the jurisdiction of the United States, or if complete independence is their goal, it is incumbent upon them to develop as much economic self-reliance as possible.

To this end, during its first session in 1975, the Congress of Micronesia passed legislation that provided for the undertaking of a Comprehensive and Balanced Economic Development Plan. This action was prompted to a large extent by the realization that, with the approaching end of the Trusteeship, the Government of Micronesia would have to assume a greater role in the funding of its operations and programs.

In June of 1975, an agreement was signed with the United Nations Development Program (UNDP) which provided for the services of consultants and experts in the formulation of a development plan for Micronesia. A Five Year Indicative Plan was drawn up and formally adopted by the Congress in July of 1976. Because it is current, comprehensive, and has been accepted by both the executive and legislative branches of the TT government as the plan for Micronesia's development, it has been heavily utilized in the preparation of this development review.

The indicative plan sets forth two major goals and objectives. First, it seeks to correct the present imbalances in the economy of Micronesia. This will require a drastic reallocation of both domestic and foreign resources away from the non-productive sectors of the economy to the productive sectors.

Secondly, the plan hopes to stimulate more production and to raise per capita income levels. In so doing, it places high priority on the development of the marine and agricultural resources of Micronesia.

In the words of the Indicative Plan:

"Micronesia's economy has been and remains stagnant. Despite the massive flow of funds through the economy from United States Government grants, the development of Micronesia's resources has been almost completely neglected. ...The infrastructure needed to meet the basic social and economic needs is far from complete."

The Gross National Product for Micronesia, based on a study of Fiscal Year 1975, is estimated to be \$102.9 million. Exclusive of the Marianas, where income is very high due to the large number of government salaries, the per capita income of Micronesia is \$854. (If the Marianas is included, the figure is \$1,200). Compared with most developing countries in the world, this is a high level of income. In the Pacific area, for example, per capita incomes of other nations are: Western Samoa, \$250; British Solomons, \$280; The Gilbert & Ellice Islands, \$360; and Papua New Guinea, \$410. (These figures are taken from the 1975 Atlas of the World Bank). Micronesia, by comparison with its neighbors at least, can be considered one of the wealthier countries of the developing world.

The rate of inflation has not been determined for Micronesia, but the rate of economic growth is estimated to be 1%, essentially no growth at all, especially with a population growth rate of 2.6%. The Indicative Plan calls for an annual growth rate of 6% per annum, and an increase in per capita income to \$962 by 1981. Factors which the UNDP points to as indicative of the need for massive changes in the economic system in Micronesia are:

---exports amount to \$17.8 million while imports total \$79.5 million, creating a trade deficit of \$61.7 in FY75.

- most of the expenditures made possible by U.S. Government grants were immediately spent on imports with no consequential impact on stimulating local production.
- expenditures on capital improvement projects did not create any significant employment or income in the private sector.
- the deficit of government expenditures over revenues amounted to \$63.9 million.
- wages and salaries, the largest component in government expenditures accounted for about 32% of the total Gross Domestic Product expenditures in the economy of Micronesia.

In the area of revenue, the taxation rates established by the Congress of Micronesia are reported to be among the lowest in the world. All wage earners are taxed 2% of their gross income, while individual district legislatures may add an additional tax of up to 2%. All Micronesians pay at least 3% income tax, and some pay 4% (Marshallese, Trukese, Yapese).

It has been estimated by experts of the UNDP that countries with the per capita income level of Micronesia often set tax levels of 10-15% of the Gross Domestic Product, whereas Micronesia's is only 5.5% of its GDP.

At the writing of this development revenue, a tax bill is being debated before the Congress of Micronesia that would institute a system of progressive taxation in Micronesia. It is estimated that this would increase tax revenues from the anticipated \$5 million for FY78 to \$23 million, a significant increase that would increase Micronesia's ability to finance its own operations and lessen its dependence on direct U.S. aid. This bill is a controversial one and its passage is in doubt. But other bills are expected to be proposed and a system of progressive taxation is certain to be implemented by the end of FY78.

Population: Size and Distribution

The most recent census in Micronesia was conducted in 1973. The population totaled 114,000, of which 110,000 were Micronesian citizens, the rest being expatriate workers, their dependents, etc. The most populous district is Truk,

with 31,400 people. The least populous is the new district of Kosrae, with an estimated 5,000 people. In terms of population density, Truk has the greatest, with 641 persons per square mile; Palau has the least, with 64 per square mile.

Throughout Micronesia, and within each district separately, it is estimated that the population is evenly divided between the district centers, ie., the "capitals" of each district, and the outlying areas. This results in a very heavy concentration of people and families in a small amount of space within the centers. One hope of the economic development plan is that the promotion of agriculture will encourage a dispersion of people from the district centers to the rural areas.

By age group, a factor of paramount significance is that almost 68% of the population is under the age of 24. This fact, along with a birth rate of 2.6%, points to a major problem confronting Micronesia at the present time, and is a problem that will continue to exist into the foreseeable future. The large youth population, much of it unemployed and much of it concentrated in the district centers, has been described as "a time bomb" waiting to explode. Although the analogy may be somewhat exaggerated, there is nevertheless cause for concern.

Employment and Distribution of Income

According to the 1973 census, 60% of the population lives in a subsistence economy; 20.4%, or 18,200 people are employed in the money economy. Of these, 7,500, or 41% were on government payrolls, a significant number and one that indicates the dominant role that government plays as a source of income for citizens of the Trust Territory.

The census also listed 24,700 or 27.7% people as not working or unemployed. By most standards, that figure represents a high non-utilization of human resources. It is a question to which the leadership of Micronesia will have to address itself in an attempt to increase the level of development.

The distribution of income in Micronesia varies significantly from district to district. Including the Marianas, where the seat of the Micronesian government is still located, the distribution of per capita income is as follows: Marianas, \$2,713; Palau, \$1,103; Yap, \$974; Marshalls, \$853; Ponape, \$839; Kosrae, \$630; Truk, \$600.

More significant is the maldistribution of income compared to the population of the various districts: the Marianas, with only 12% of the population, receives 32% of the income, while Truk, with 27% of the population, accounts for only 15% of the income of the Trust Territory. The Marshalls and Ponape district receive a smaller share of the income in relation to their populations, while Kosrae, Palau, and Yap are considered to have a relatively equitable distribution of income.

Economic Sectors

Agriculture

Agriculture is the major productive sector of the economy. While a lot of the farming (more appropriately "food gathering") that occurs is of a subsistence nature, and therefore may not enter into national economic figures, it is estimated that agriculture contributes to over half of the Gross National Product. The agricultural sector is estimated to provide employment for the greatest number of households in Micronesia, although such employment is usually on a part-time basis.

Imports in the agricultural area far exceed exports, and add to the overall imbalance in the Micronesian economy. Agriculture exports in FY75 were only \$3.6 million, while food imports were estimated to be at \$12.3 million. This trend is expected to continue, and perhaps worsen, as Micronesians continue to migrate to the district centers and increase the reliance on imported foodstuffs rather than on the locally grown foods of the outlying areas.

Little land is currently being used for commercial cultivation. In Micronesia, land is a very scarce commodity and commands a place in the lives of the Micronesians beyond any monetary value assigned to it. The economic use of land is generally very small. No non-Micronesian citizens may own land, and land is sold to individuals outside the family very infrequently. In Palau and the Marianas, the practice of leasing land is increasing, but is still rare in most other districts.

Of the total land area in Micronesia (452,762 acres), 80% (or 366,246 acres) is considered to be arable. Of the arable land, only 4% (or 15,606 acres) is cultivated for agriculture and garden crops. Of the remainder, 22% (82,816 acres) is planted with tree crops such as breadfruit, bananas, pandanus, and coconut. Twenty-seven percent of the land is forest (99,970 acres), 16% (59,326 acres) is used for grazing, and, significantly, 29% is not used at all.

Of the 15,606 acres under active cultivation, most are being used for subsistence farming, and crops such as taro, yams, and tapioca are grown to meet family needs. It is estimated that only 114 acres are being used for commercial agricultural cultivation. Farms generally are small: 11 to 13 acres in the Marianas, Palau, and Ponape; 2-4 acres in Yap and the Marshalls, and about 2 acres in size in Truk.

Fruit crops such as banana, papaya, citrus, avocado, and pineapple have considerable potential in Micronesia. Problems, however arise in marketing the products, and attempts are being made under the indicative plan to overcome these constraints.

The cultivation of vegetables is increasing, with an eye to the commercial market. A popular and highly prized pepper is grown in Ponape, but only 20 acres are under cultivation, primarily because of the high intensity labor involved. There is also a 200-acre pilot rice project underway in Ponape, the ultimate success of which cannot yet be determined.

A variety of tropical livestock can be raised in Micronesia, but the scarcity of land does not permit large-scale cattle raising. Almost all households maintain small numbers of pigs and poultry, and attempts are being made by the government to encourage an increase in the raising of animals beyond the subsistence level. The UNDP plan indicates that through improve breeding and feeding, poultry yields can increase by 50-100%. In FY75, there were 15,000 poultry layers in Micronesia, far less than the 40,000 estimated needed to meet the demand for eggs.

Some of the other aspects of agriculture which constrain development include a lack of technical skills among the population, the small domestic market, and deficiencies in the transportation infrastructure.

A major factor is the agricultural wage structure, which is highly inflated, particularly in comparison to neighboring countries (\$6 a day, compared to \$1 a day in the Philippines.) The wage rate is inflated because of the high wage rate of the government, from whose salaries many farmers or their relatives benefit. Farming therefore is only pursued if the wages make it worthwhile. The unfortunate result is that this limits interest in farming, inhibits exports, and makes Micronesian agricultural products non-competitive with most imported items.

Despite these and other constraints, the Government of Micronesia intends to take steps outlined in the Indicative Plan. Since subsistence agriculture presently comprises the bulk of agricultural production, it is in that sector which the most immediate changes are expected to be made. Primarily through extension of areas now cultivated for subsistence, it is hoped to increase output by 35-40% over the next five years.

In the commercial sector, copra is the only important cash crop in Micronesia, with exports in FY75 totalling \$3.3 million. The government is expected to attempt to increase production by increasing the area under yield, and by increasing the yield itself through improved methods of cultivation and fertilization.

The processing of copra has become a budding industry in Micronesia. A new \$3 million copra processing plant was opened in 1976 in Palau District and another large plant is expected to be completed in 1977 in the Marshalls District. It is anticipated that these will provide both increased income, and increased employment opportunities, within those two districts.

A major constraint in the production of copra is the fluctuation that occurs in the world price of copra. These fluctuations are said to diminish the enthusiasm of farmers for the hard work involved in the cultivation, harvesting, and preparation of the copra itself. A Copra Stabilization Board exists in Micronesia to minimize the fluctuations that occur, but it too must follow the prices that the world market will bear.

Land

Sixty percent of the land in Micronesia, almost 272,000 acres, is public land, located primarily in the Marianas, Palau, and Ponape. Ownership of the land is often in dispute. Originally granted to private owners by the German administration, the landholdings for the most part were recognized by the Japanese during their occupation of Micronesia. However, nearly all records and boundary markers were destroyed during the Second World War, and therefore true ownership of many of the lands remains in doubt. The U.S. continues to hold the land in trust, and has established procedures for the return of the land to the Micronesian people. Nonetheless, a large part of the land of Micronesia that might be used for cultivation goes unused until the disputes are resolved.

Forestry

Activities in forestry are minimal. Over 95% of Micronesia's lumber requirements (or \$1.5 million worth in FY75), is imported. Recent studies and surveys indicate that the districts of Ponape, Palau, and Kosrae could supply most of their own lumber needs, primarily through the use of mangrove and other timbers on these high islands. At present, there are only two small sawmills in Micronesia, one in Ponape District, the other in Palau. Combined they have a total production of 500 cubic meters per year. These two districts also have the only two forestry stations in Micronesia.

The United Nations Visiting Mission recommended during its 1976 visit that Micronesia undertake a comprehensive inventory of land and forest resources, to be followed by a forestry development program.

Fisheries

It has often been stated that Micronesia's wealth is to be found in its vast ocean resources. In the fisheries area alone, the potential appears to be unlimited. For the present, Micronesia makes little use of its ocean bounty.

Like agriculture, most of the fishing at the present time in Micronesia is done on a subsistence level. There is an erratic supply of fish in the district centers, although the outlying areas and outer islands normally supply their own needs.

Potential exists in two areas: reef and lagoon fisheries, and offshore fishing. There is also some potential in fishponds, but they have met with only very limited success. The former area is being looked to only for proper management and environmental control to enable the continuation of sufficient fishing for local consumption. If unchecked, these areas risk depletion.

Off-shore fishing holds the greatest potential for development in the marine resources sector. The waters of Micronesia are rich in tuna, particularly skipjack, and it has been estimated that an annual yield of 40,000 metric tons is possible. At present, the one seafood company in Micronesia, located in Palau, lands about 7,000 metric tons a year. In FY75, income derived from fish and marine resources was \$3 million. Available information indicates that between 50,000 and 100,000 tons of tuna are caught yearly in Micronesia waters by foreign fishing fleets. One of the great ironies of Micronesia is that Micronesians spend over 1 million dollars annually on the importation

of canned fish---fish caught in their own waters by Japanese fisherman, processed in Japan, and exported for sale back to Micronesia.

Constraints that now exist in the marine resources area are:

- their is no tradition of deep-sea fishing among Micronesians, so that both skill and motivation are lacking.
- there is a serious lack of private investment capital, particularly on the scale needed for large-scale skipjack development.
- there is a shortage of bait fish available.
- traditional territorial rights inhibit the utilization by commercial fisherman of many areas of Micronesia's reefs and offshore areas.
- except for Palau and the Marshalls, the infrastructure needed to preserve and transport the fish from the outer islands to district centers and commercial ports is non-existent.

Manufacturing, Small Business and Tourism

Foreign private investment in the Trust Territory for FY76 is estimated at \$100 million, an increase from the \$97 million of FY75. Until 1974, the United States prohibited all such outside investment, except from the United States itself. It is expected that for the foreseeable future, foreign investment, with the encouragement of the U.S. and Micronesian Governments, will continue a small, but steady, rate of growth.

Micronesia has no trade unions. The manufacturing sector in Micronesia is minimal, but targeted in the indicative plan for development. The initial thrust will be in import substitution industries, primarily food and relatively simple consumer products. Manufacturing is expected to be based on local raw materials and, at first, will be intended for household use. Included in these plans are the increased production and export of handicrafts, particularly in the outer islands.

While there is agreement that tourism has tremendous potential, the strategy expected to be adopted is to develop tourism gradually. In FY75, the income from tourism was \$4.9 million. The need exists to begin building the necessary infrastructure and production base. Many Micronesians view tourism as a mixed blessing: while appreciative of the beneficial effect it has on the Micronesian economy, many Micronesians worry over the effect large numbers of tourists will have on their islands and their culture. It is estimated that in 1975, between 45,000 and 50,000 tourists visited Micronesia, the largest number of these from Japan. Still, it is estimated that Micronesian hotels had only a 25% occupancy.

Because of the large number of package tours, whereby visitors arrive on foreign airlines and stay at hotels largely owned by foreign investors, the amount of money actually coming in to Micronesia is minimal. A preliminary report by the UNDP tourism expert revealed that only 10% of every tourist dollar spent in Micronesia actually stayed in Micronesia.

Considerable planning and thought will be given to the role of tourism in the development of Micronesia's economy, but for the time being, foreign investment, small business development, and tourism will not receive the attention that agriculture and marine resources will.

Politico-Economic Summary

It is apparent that over the years, Micronesia has made little progress in the areas of economic and social advancement, and very little progress in achieving any degree of economic self-reliance. It is agreed by most observers that a dramatic overhauling of the economy is required if the goal of attaining self-reliance by 1981 is to be realized.

The major problems to be overcome have been touched upon already, but might be summarized as follows:

---the cost of Micronesia's government is far too high, and far exceeds Micronesia's ability to pay for it. In FY77, it is estimated that the cost of operating the government, providing government services, and maintaining the infrastructure will cost more than \$50 million. Local revenue, however, is not expected to total more than \$9.5 million. Of that amount, about one-third will be spent on operations of the Congress of Micronesia itself.

---there exists an undesirable and extensive reliance upon the government for employment. With 41% of the work force employed by the Trust Territory government the problem is obvious, and, because of the extended family system, affects almost every family in Micronesia.

---in Fiscal Year 75, expenditures on imports exceeded income from exports by \$63.9 million. Micronesia can not long continue this imbalance, particularly as U.S. funds diminish.

---the level of government salaries is greatly out of proportion to the rest of the economy and accounts for a large part of the cost of operating the government. In Fiscal Year 1975, of the \$75 million budget provided by the U.S., 66% was allocated for government salaries.

Micronesia has been able to maintain its present level of government and its present standard of living only because of the considerable sums of money provided by the United States. Little progress has been made in the past because no specific terminal date for the end of the trusteeship had been put forth, and even those dates mentioned as possibilities appeared to be far off into the future.

With the announcement by the United States in 1976 that it intended to resolve the question of future political status and end the trusteeship by 1981, a sense of urgency has appeared in the effort by the Micronesians, and the TT Government, to proceed with economic development. And it appears that the level of economic dependency will determine the level of political independence that exists in 1981.

The Social Sector

Although the extended family system obviates the need for many welfare programs, a significant portion of the Trust Territory operating budget is for expenditures in the social sector (\$21 million or 39% of the FY78 budget). The largest amounts go to Health (\$7.8 million) and Education (\$12.2 million).

Health

Micronesia, in comparison with other countries of the developing world, is generally considered to be "healthy". Perhaps this is best attributed to thirty years of American

administration, perhaps to the absence of many diseases and pests located in other areas of the world.

The major causes of death in the past 20 years were respiratory infections (influenza and pneumonia) and diseases resulting from a lack of hygiene and/or inadequate medical care. The pattern is changing, and, according to current statistics, 19.3% of the deaths are caused by cancer or heart disease. Overall, the mortality rate is declining, from 7.5 per thousand in 1967 to 5 per thousand in 1975.

Infant mortality is also declining: from 38.6/1,000 in 1965, to 29.7/1,000 in 1975. However, malnutrition is more common than most Micronesians would believe, a phenomenon the U.N. Visiting Mission notes is due to urbanization and the transition from a subsistence to a monetary economy. Anemia, parasitism, and dysentery are the most frequent causes of such malnutrition.

Influenza, although no longer a major cause of death, is still the most common disease, with 14,528 cases reported in 1975, an increase from the previous year. Immunization programs aimed at reducing deaths from influenza among people over 65 years of age are occurring in each of Micronesia's districts.

Amoebiasis is common: 2,583 cases were reported in 1975, although this was a decline of approximately 600 cases from 1974. Tuberculosis is reported to be on the decline, although the 1976 United Nations Visiting Mission questioned this assumption after its visit to Majuro in the Marshalls Islands, where an increase in the number of cases was reported.

The Mission summed up the health situation in Micronesia most accurately:

"Health standards are still mediocre. One of the main tasks in the health field is to raise the level of the population's inadequate knowledge of health matters, especially personal and environmental hygiene. The fact that amoebiasis is still the second most common disease reported in the Territory clearly shows the inadequacy of present health standards".

In Micronesia, as in much of the rest of the world, there has been a greater emphasis placed on the curative aspects of medicine rather than on the preventive aspects of health. There exists in Micronesia a great disparity in the quality of the dispensaries and hospitals throughout the districts. The dispensaries, as judged by the U.N. Mission, were "well below minimum standards".

In 1977, there were 49 physicians in Micronesia, 10 of whom were expatriate M.D.s and 39 of whom were Micronesian Medical Officers. Also, in 1976, 115 Micronesian students were attending medical and paramedical courses outside Micronesia.

In addition, in 1976, there were 54 physician's assistants, 421 nurses, and 215 health assistants in the Trust Territory, all of whom were Micronesians. Also, there were 24 dentists, of whom 21 were Micronesians.

There is a hospital in every district center of Micronesia, with new ones scheduled for completion in Ponape and Yap in FY77. The hospitals range in size from the 125-bed structure in Truk, to the 50-bed hospital scheduled for Yap. In addition there are small hospitals in Kosrae (35 beds), and on Ebeye Island, in the Marshalls (22 beds). These district and sub-district hospitals serve 46% of Micronesia's population directly. An additional 36% are estimated to be one day's travel away from these facilities.

Although there are 173 dispensaries and medical posts in Micronesia, most of them, as noted by the U.N. Mission, are in poor condition. Monies have been appropriated by U.S. Department of Health Education and Welfare for the construction of new dispensaries, but to date, only six of the 38 contracted for have been built. The dispensaries of Micronesia service 18% of the population, most of whom must use the dispensaries because of the distance they live from the hospitals.

One final factor of note: all health services in Micronesia are provided by the Trust Territory Government. With the exception of a dental clinic on Saipan run by the Seventh Day Adventist church, there are no private medical facilities in Micronesia.

Education

The 1973 census listed 31,300 children, between the ages of six and fourteen, as being in school. An additional 5,000 Micronesians between fifteen and twenty-four years of age were also receiving an education. School is mandatory to the age of 16, and a controversial recommendation by the UNDP would make all school attendance beyond the elementary level optional. In 1976, it was estimated that enrollment in elementary school was practically universal, and at the secondary level it was less than 80%.

Most school facilities are adequate, although a number of elementary schools are in need of repair and additional secondary school facilities are needed in some districts. The main problem with education in the Trust Territory is the lack of sufficiently qualified teachers: only 4% have a bachelors degree, 11% an Associate of Science degree, and 80% have only a high school diploma or the equivalent. Micronesians comprise 94% of all elementary teachers, and 59% of all secondary teachers.

An equally serious problem is what is seen as the irrelevancy of school curricula to the needs of Micronesia. One recommendation set forth in the Indicative Plan is to combine education and manpower training so that young Micronesians can receive skill training in areas that will help provide them with employment opportunities, while also meeting some of the needs of Micronesia.

There are 230 public elementary schools in Micronesia, and a very limited number of private schools, mostly religion-affiliated. Every district has at least one high school, and some have two, with the additional one serving students of the outer islands (Marshalls and Yap).

In addition, there is post-secondary education available at the Community College of Micronesia, located in Ponape. The school, which is not yet accredited, offers a two-year course specializing in teacher education, and accepts students from all the districts of Micronesia. It has a current enrollment of 155 students, and offers five different A.S. degrees.

Teacher training extensions of the Community College exist in Ponape, the Marshalls, Palau, and Truk, providing full-time courses for 108 students and part-time course for 64 more.

Two schools in Micronesia provide full-time vocational instruction. One is the Ponape Agriculture and Trade School (PATS), which offers a four-year course that

includes agriculture, construction, and mechanics. PATS is privately-operated and has an enrollment limit (self-imposed) of 200 male students.

The Micronesian Occupational Center (MOC), run by the TT Government, is located in Koror, Palau. MOC is not a degree-granting institution. It offers courses in agriculture, carpentry, automobile maintenance and repair, plumbing, electrical servicing, etc. In FY76, 200 students attended these courses, of whom 52 were at the secondary level, 182 were post-secondary level, and 26 were adults. As at PATS, the emphasis is on both practical work and theory.

A continuing problem with students in Micronesia who attend vocational training classes is the lack of success in finding employment in the area in which they were trained. MOC has claimed that 294 students out of 459 are working in jobs not related to their training. And although these specific numbers are open to debate, there is agreement that a large number of vocationally-trained students end up in jobs not related to their skill area. Reasons offered for this are the caste system existing in some districts, language differences between districts, the desire of students to return to their home district (if not their home island) where opportunities for job placement may not exist, and a seniority system which forces students to start work at jobs below their skill level.

A final area of concern is the relevancy of curriculum materials. Most of the materials in use are developed outside of Micronesia, and often have little, if any, bearing on life in the islands. There continue to be scattered efforts at curriculum development throughout Micronesia, but no concerted program at this time.

Youth

As noted earlier, 67% of the population is under the age of 24. Of this, one-third is between the ages of 15 and 24. It is this group which has the highest rate of unemployment (58%) and, according to a recent study, accounts for a significant portion of Micronesia's climbing suicide rate. (With an estimated 20 suicides per 1,000 population, Micronesia's rate is twice that of the United States).

In Micronesia, there are few structured social programs for youth. Boy Scout and Girl Scout troops exist throughout Micronesia, and it was estimated in FY75 that there were 7200 Boy Scouts and more than 400 Girl Scouts. Summer programs such as CETA (Comprehensive Employment and Training Act) and Youth Conservation Corps exist, but assist only a few, and are only of temporary duration. There is also a lack of recreational facilities in most districts.

Socially, a person is not considered an adult in Micronesia until the age of 25, a factor which contributes to much of the problem. Until that age, there is no real pressure exerted by the community or the village on the youth to seek permanent employment. Yet, with the introduction of television and greater contact with other cultures, youth in Micronesia naturally seek to acquire the material goods that they see others in their age group have. And, to compound the problem, it is estimated that with the current birth rate, an additional 5,000 new jobs will be needed by 1983, jobs that now do not exist.

Drug and alcohol abuse is a rapidly growing problem, and it has been estimated that 95% of all crimes committed in Micronesia were somehow related to alcohol, and/or to a lesser extent drugs. Also, television shows and movies in Micronesia frequently are of the type that feature, if not glamorize, acts of violence (Kung Fu movies are far and away the biggest attractions in all the districts). Their effect on the minds of Micronesia's youth can in no way be considered beneficial.

In Micronesia, the prevention of juvenile delinquency is a concern jointly of the Office of Public Safety and the Division of Community Development. In the districts, only the Marshalls, Palau, and Yap have created inter-agency planning boards to develop youth services bureaus. Youth commissions are being started in the remaining districts.

Justice

Although statistical figures vary, it is stated by police and judicial authorities that crime in Micronesia is on the increase, particularly crimes committed by juveniles.

The judiciary consists of a high court, a district court in each of the six districts, and over 100 community courts located in most of the municipalities of Micronesia. All the high court judges are Americans, and all the district court judges Micronesian. The local courts have one or more judges, all appointed for a specific term by the district administrator.

Constraints on the system include the fact that there are few qualified Micronesian lawyers, although the number is growing and more and more are being appointed to serve in the district courts. There also continues to exist an unequal distribution in the administration of justice. Inadequate and often unsatisfactory investigatory work by local police results in many cases being dismissed for lack of, or improperly obtained, evidence.

There also exists problems that arise from the imposition of an alien judicial system (U.S.) upon a society with its own traditional system of jurisprudence. Conflicts often arise when problems that might have been more appropriately settled by the chief or the elders of a village are referred to a district court where, due to a variety of reasons, justice is not always served.

Women

In Micronesia, women are equal with men under the law. The social structure, in fact, is matrilineal in organization. Although Micronesian women are participating in greater numbers in the activities and development of the country, their involvement is still minimal. Very few are to be found in high positions of the government, or even in the private sector. One woman was elected to the Congress of Micronesia in 1974, but was defeated in December 1976 after one term. There are no women members on any of the district legislatures and, so far as can be determined, of the municipal councils.

The Marianas and Marshalls districts have the only two active women's organizations in Micronesia.

Women comprise 48 per cent of the population of Micronesia (56,064). The total labor force of 32,815 consists of 9,910 women, or 32%. Of this number, the largest percentage (43%) work in the village economy, 15% in the private sector (as clerical and sales personnel), and 13% for the government. But the level of unemployment is higher among women, who, although they constitute 32% of the work force account for 44% of those unemployed.

The professional services of women returning from studies abroad, as well as of those completing studies or training in Micronesia, are frequently underutilized, or not utilized at all. Often, traditional and social barriers are the cause of this. However, changes occurring in Micronesian society are resulting in the lowering of these traditional barriers.

The Infrastructure

Transportation throughout Micronesia is inadequate. Air service is perhaps the best mode of transportation, with thrice-weekly jet service to all the district centers except Kosrae, which can only be reached by ship. But poor runway conditions in Yap, Truk and Ponape continue to evoke warnings from the airline (Air Micronesia) that landings in those districts may cease unless improvements are made. Three of the districts, the Marianas, Marshalls, and Yap have small charter plane service available, which is used primarily for medical evacuations from the outer islands and other emergencies. Ponape and Truk districts are expected by the end of Fiscal Year 77 to have similar charter service to the remote islands, but only to those few which have serviceable runways.

Only the Marshalls and the Marianas, and to a certain extent Truk, have adequate paved road systems (in the Marshalls and Truk, only in the district centers). In all the other district centers, the roads are unpaved, or paved for only small portions. In Ponape and Palau districts, most travel to the outlying villages is done by small boat, although it is expected that an unpaved road circling Ponape island will be completed within one to two years. With few exceptions, motor vehicles and roads do not exist on the outer islands.

Micronesia has been described as having a "sea-locked" economy. If for no other reason than this, there exists a need for a reliable and adequate sea transportation system. Such a system does not exist. The UNDP states:

"The lack of economic development in all the districts can be largely attributed to an inadequate transportation infrastructure. The transport system must also serve social needs (administration, health, social contact, etc.) which gives this sector (transportation) a doubly important role to play in the future development of Micronesia".

"Field-trip ships", converted old vessels from the U.S. Navy, are the lifelines to and from the outer islands. Each district has at least one such ship, a few have several, in varying states of disrepair. The ships carry supplies, people, medicines, (and Peace Corps Volunteers) between the outer islands. Without the ships, the islands are totally isolated from the rest of Micronesia, except for radio contact.

Service provided by the field trips is unreliable and inefficient. The TT government in early 1977 signed a contract for eight new ships, which are expected to be completed by 1980. In the meantime, the service will undoubtedly remain the same, and perhaps worsen as the ravages of time continue to take their toll on the present "fleet".

Public utilities in many of the district centers are hopelessly outdated and in need of repair. Power outages are common in Truk and Ponape. "Water hours", a form of rationing, exists in almost all the district centers during the dry season. Sporadic telephone service is available only in the district centers.

Communications throughout Micronesia are via single side band radio (SSB). There is only one frequency utilized for all Micronesia, and all circuits are routed through Saipan. Thus a call placed from Ponape to Majuro, the equivalent of calling from St. Louis, Missouri to Richmond, Virginia, is routed through Saipan (Casper, Wyoming). With only one circuit, it is not uncommon to wait 24-28 hours minimum before being able to place a call.

Teletype communications exist throughout the districts and generally are the most satisfactory means of communication. But the number of circuits also is limited, and when the one circuit to a district fails for whatever reason (weather, mechanical breakdown), that district is effectively cut off from the rest of the Territory.

Overall, as described earlier by the UNDP, "the infrastructure needed to meet the basic social and economical needs is far from complete."

B. Country Strategy

1. Statement of program direction listed in order of priority

For the Fiscal Year 1978 through 1982, Peace Corps/Micronesia, in order of priority, will attempt to:

- A. Assist in the economic development of Micronesia and help it achieve its goal of economic self-reliance by 1981. Areas identified for Peace Corps involvement, based on country priorities, are agriculture, fisheries, forestry, and small business development.
- B. Assist and encourage the limited efforts now underway to cope with the growing problems of underutilized and undermotivated youth.
- C. Provide manpower training and assistance to district and local governments and agencies as increased demands are placed upon them.
- D. Assist in manpower training and skill development for health services personnel, either directly, or through a "replacement" program, especially in areas that deal with the provision of primarily health care.
- E. Assist the educational system by assigning limited numbers of Volunteers to programs designed to improve curriculum or to programs that provide for the skill development of local teachers, either directly or through a "replacement" concept.
- F. Provide limited assistance to agencies on an as-needed basis as conditions may warrant.

Rationale

The topic most under discussion in Micronesia, at almost any given time, is the political/economic development of the country. Both are interrelated; both, under present circumstances, are inseparable. The Country Development

Review, and all research leading to it, continues to emphasize the fact that in all the districts of Micronesia, major emphasis will be placed on increasing and raising the level of economic development as U.S. financial support decreases with the approaching end of the Trusteeship.

In this way are the political and economic sectors related: the goal of economic self-reliance is one that has been occasioned largely by a political act (the ending of the Trusteeship) and is based continually on political considerations (what will be the form of any future government in Micronesia).

Because all levels of government in Micronesia, both in the executive and legislative branches, have set economic development as the number one priority, Peace Corps/Micronesia has set it as the top priority as well. In areas that the Government has listed as needing special emphasis, namely agriculture, fisheries, and forestry, Peace Corps is able to provide Volunteer assistance, and has done so to a limited degree in the past. An increase in that effort now will be undertaken.

The youth problem was selected as a target for activity, because of the magnitude of the problem. Even though it may be a low country priority at this time, youth development is an area that demands attention. The 50% of this age group (15-24) that is out-of-work and out-of-school, cannot be ignored, particularly if the future of Micronesia is to be considered.

Public Administration Development, although listed as the third program priority is, in many respects, the number one priority. Uncertainty as to the future political status and structure of government is placing increasing pressures and demands on local governments in Micronesia to be able to adapt readily to the changes that will occur. Peace Corps will assist these local municipalities, as requested, in modifying their systems to better meet their needs, although the sensitive nature of placing Volunteers in this area is recognized.

Peace Corps efforts in the health sector in Micronesia have, in the past, met with mixed success. While there are needs, most of them are in the area of upgrading administrative and technical skills. Sufficient money and manpower exist in the country, but skill development is recognized as lacking. It is primarily to this problem that Peace Corps/Micronesia will address itself in the health sector.

Education was almost not listed because of the perceived lack of need for Peace Corps assistance, by Volunteers, staff, and the host country agencies in several of the districts. But since at least two districts, Yap and Ponape, will continue to need assistance for the next five years, the strategy outlined above was included in the country management plan.

2. Size of Peace Corps operations

For the period of the management plan, FY78-FY82, no significant change in the size of Peace Corps operations in Micronesia is contemplated. It is expected that the Volunteer level will remain between 150-175.

Rationale

A significant reduction in the number of Volunteer years occurred between FY76 (250) and FY77 (140) in a specific attempt to discontinue marginal programs, reduce Volunteer discontent, create a "seller's market" for Peace Corps, and provide a greater emphasis on quality rather than quantity. Country staff now believes that a desirable and manageable level has been achieved, one that adequately serves both the needs of Peace Corps and the people of Micronesia.

3. Programming Style

Peace Corps/Micronesia will be programming projects that do not involve large numbers of Volunteers, will increasingly rely on skill-trained Volunteers to meet the requests of host agencies, and will pursue an active approach to programming.

Rationale

The size of Micronesia's islands, and the relatively small population of the islands and the country as a whole, do not allow for large Volunteer input. With the exception of education programs projected for Yap and Ponape districts, it is anticipated that most projects will involve a maximum of 8-10 Volunteers.

As in most Peace Corps countries, requests for skilled and experienced Volunteers are increasing. Micronesia will attempt to meet as many of these requests as possible

through the use of skill-trained Volunteers. Past experience has shown that highly skilled Volunteers soon become frustrated in Micronesia and their termination rate is high. Skill training can hopefully address the skill need without the incumbent dissatisfaction of highly qualified PCVs.

Programming in Micronesia has generally been "active", as opposed to "passive", and will continue as such for the foreseeable future. New programming efforts will be undertaken in all districts to continue the progress made during the FY77.

4. Use of Third Party Resources

Efforts to work with third party resources will continue, but it is expected that they will remain limited.

Rationale

Micronesia is a Trusteeship of the United States and, as such, involvement by other countries and world organizations is limited by existing diplomatic agreements. Still, Peace Corps/Micronesia envisions working with the United Nations Development Program to the extent possible in the implementation of Micronesia's Development Plan. Also, the South Pacific Commission is working with the Trust Territory Government in the area of youth development, a sector which PC/M has identified as a priority. Joint efforts will be explored.

Programming activities involving other agencies of the U.S. Government are being undertaken and will be pursued. A community development program sponsored by the Community Action Agency is scheduled for Volunteer input in July 1977 on Saipan. Possibilities will be explored in other districts, both with CAA, and other federal agencies.

5. Training Approaches and Techniques

Training in Micronesia will continue to be viewed as a two-year process, with emphasis on both the pre-service and in-service aspects. Efforts will be made to centralize training as much as possible without sacrificing the benefits of in-district training.

Rationale

Both staff and Volunteers continue to support the concept of training being an ongoing developmental process. In FY76 & FY77, in-service training increased dramatically, with all districts scheduling three-month conferences, in-service high-intensity language training, and inter-district Volunteer exchanges. These activities will continue, and hopefully increase.

Micronesia's size, as well as its ethnic, language, and cultural diversity places unique constraints on the training process. Centralized training in the past has met with mixed reviews, largely from the Trainees who express dissatisfaction with not being able to train in their district of assignment. On the other hand, single district in-district training requires a replication of staff and material support that is often impossible to achieve, given the limited resources of the country. Pending experimentation with both centralized & decentralized training in FY77 a determination will be made as to which method, or combination of methods, provides the most satisfactory means of delivering the best training.

6. Locational Emphasis

Attempts will continue to place Volunteers in assignments away from the district centers of Micronesia.

Rationale

Volunteers and staff have agreed for several years that the best assignments in Micronesia, in terms of Volunteer satisfaction and the cross-cultural experience to be gained, are those on the outer islands, or the remote villages of the larger islands. The overcrowding of the district centers, along with the problems that occur when modern and traditional societies come into conflict, make them less-than-satisfactory locations for Volunteer assignments.

It is realized however that much of the type of development that Micronesia needs will be occurring in the district centers, and, as long as these areas continue to be the focus of decision-making, Volunteer assignments to the district centers will, of necessity, continue to occur.

7. Client Focus

PC/M will continue to focus its efforts on serving those most in need, the people living in the outer islands and the outer villages, particularly the less-educated and the less prosperous members of Micronesian society.

Rationale

Unlike many countries, there is no overwhelming disparity in the wealth of the country. While different economic levels certainly exist, there is no rampant poverty, and nothing approaching the starvation and deprivation existing in other countries.

Still, there are segments of the population, located primarily in the outer islands but in the district centers as well, that are more in need than others. It is this segment that will receive special consideration in our programming efforts.

8. Staffing and Other Requirements

The staffing level now established appears to be adequate and should remain so for the next 3-5 years.

Rationale

In FY76 and FY77, the staff of Peace Corps/Micronesia was reduced by one-third. This was a result primarily of the reduction in the Volunteer Year level, but also as certain administrative functions, both at headquarters and in the districts, were combined or abolished.

Staffing in Micronesia has been a topic of ongoing concern, both in Washington and in-country. The geography of the country dictates the needs. The dispersal of Volunteers over more than 40 widely-scattered island sites requires a higher level of Volunteer/staff ratio than in most countries.

There are currently two staff members in the districts of the Marshalls, Ponape, Truk, Yap, and Palau. Kosrae, the newest district, has no staff, but, if the program should increase (there were three PCVs assigned to the island/district in FY77), at least a part-time staff member may be required there.

Ten staff members are located at headquarters in Saipan, which is also the headquarters of Micronesia. A relocation of this staff, and the headquarters office, has been discussed and found to be unrealistic at this time. As long as Saipan serves as the governmental, transportation, and communications center of Micronesia, relocation to any other district is impractical.

A proposal being considered in FY77 is to re-organize PC/M operations so that there will be two main offices, one in Ponape, serving the eastern districts of Marshalls, Kosrae, Truk, and Ponape; and one in Saipan, serving the Marianas, Yap, and Palau. This structure, which would not require additional staff, would meet the administrative, programming, and training needs as now anticipated, but leaves open to question the extent of Volunteer support it would enable us to provide. In addition, this structure likely would require the implementation and installation of a communications system by us and for our sole use, a system estimated to cost between \$35,000-45,000. A proposal on this will be made to PC/W for possible implementation during FY78.

One final aspect of this proposed reorganization is that it would involve a reduction in the number of full-time program and training staff (the country now has six APCDs). Rather than having five District Representatives and one Program and Training Officer in Saipan, the structure would have two Program and Training Officers (in Ponape and Saipan). This reorganization would be undertaken only with assurances that program experts would be available to PC/M from the Region throughout the year to assist in program development and skill-training. Lacking such a resource from which to draw, PC/M would probably continue through FY78 with its current staffing patterns, realizing the inadequacies inherent therein.

9. Host Country Contributions

Peace Corps/Micronesia will continue to set certain minimum levels for contributions from host agencies requesting Volunteers.

Rationale

Micronesia continues to be unique among Peace Corps countries in the world inasmuch as the United States is the host government. Host country contributions therefore are really additional U.S. federal contributions to the Peace Corps. Telephone, telegraph, and medical services within Micronesia currently are provided by the Trust Territory.

In addition, Peace Corps/Micronesia has set as a minimum requirement the payment by all agencies of rent and settling-in allowances for all Volunteers requested. In some instances, the settling-in allowance requirement may be waived if, in the opinion of the program staff, the agency is unable to do so, and the benefits of the program are deemed to outweigh the financial cost to Peace Corps.

10. Intended Innovations in Volunteerism

Efforts to introduce new models of Volunteerism in Micronesia, particularly in the Marianas, will continue, and will be tailored to meet the changing political status.

Rationale

For at least two years, Peace Corps/Micronesia has actively attempted to initiate ACTION domestic programs in the Marianas. Ever-changing and uncertain interpretations of the legalities involved continue to stymie these efforts.

With the presence of an ACTION program officer now on Guam, efforts have increased, and close cooperation between him and PC/M headquarters exists. If domestic programs cannot be introduced until a later date (eg. 1981), it has been decided that domestic program models, using Peace Corps volunteers and Micronesian citizens will be proposed. The Saipan community development project, scheduled for T-input in July 1977, is one intended to serve as a VISTA model which Saipanese youth can carry on when VISTA is permitted in the Northern Marianas.

In addition, Volunteerism as a concept is something which several Volunteers in youth programs are promoting. On the island of Ebeye in the Marshalls, the Ebeye Youth Council, formed with the encouragement of a PCV, has utilized Volunteers in community clean-up projects, reportedly a "first" for the island.

Other programs, including some aimed at the elderly, are being discussed by the program staff and may be started on a limited basis, but only to the extent that such programs would not have a negative impact on the existing societal structure.

11. Life-Expectancy of the Program

The Peace Corps is expected to remain in Micronesia for at least the duration of the Trusteeship.

Rationale

Micronesian "unity" is at its lowest point in many years: the Marianas has withdrawn to pursue the road to commonwealth, and the elected leadership of the Marshalls and Palau districts continues to speak of seeking a separate status from the rest of Micronesia. Except for the Marianas, the future political status of Micronesia is very indefinite.

Although Peace Corps may move out of one or more districts as it did in Palau in 1971 (and then returned in 1973), it is certain that, barring a major incident which could cause its expulsion, Peace Corps will remain until the end of the Trusteeship, i.e., 1981. Even though the Marianas are being separately administered, they will not attain full commonwealth status until the Trusteeship is ended, and Peace Corps can, if it so chooses, remain until that time. It is likely however, that by FY79, Peace Corps will have withdrawn from the Marianas in favor of VISTA and/or other "domestic" programs more suited to the country's needs and political status.