

**MESSAGE FROM  
THE DIRECTOR OF THE DEPARTMENT OF  
COMMERCE AND INDUSTRY**



**THE HONORABLE SINGKITCHY P. GEORGE**

The Department of Commerce and Industry is entrusted with the task of stimulating greater foreign investment to help create employment and to generally fulfill State Developmental objectives. As such, the Department views itself as a key agency for trade and investment promotion, facilitating all dealings with government departments and agencies at both national and state levels.

This investment guide will acquaint you with our development objectives, and inform potential investors of our strengths and the attractive opportunities Kosrae can offer.

We realize the investors need for detailed and timely information. We also appreciate the frustrations of the serious investor who gets thrown around a bureaucratic system in his effort to secure a decision on his proposal. Our department recognizes these issues and has set up itself as a facilitator in order to accommodate and provide the best possible service to investors. The department will attend to all your requirements and facilitate interaction among government departments and agencies for a faster and more convenient process.

Within the department of Commerce and Industry are the Division of Foreign Investment and the Division of Industrial Development. These divisions are responsible for conducting feasibility studies to identify new business opportunities, trade and investment promotion, seeking financial assistance for approved business and for the development of the private sector generally.

It is my sincere hope that business persons and entrepreneurs who get the opportunity to study this guide will explore both trading and investment possibilities with us, and allow the Department to attend to their inquiries in relation to the business they wish to pursue.

Thank you very much and bear in mind that our Department will always stand ready to assist you in any way we can.

# Kosrae State Profile



## LEGEND

The legend says that at the beginning of time the powerful gods planned to create this mountainous island in the shape of a man. Later they thought that if they made it into the shape of a man it would not produce seeds known as people. So they created the mountains in the shape of a sleeping woman instead. The island of the sleeping lady was borne.

## HISTORY



the ruins (Inсарu), their great stone city, still adorn the island.

Early in the 19th century whalers arrived from Boston. Congregationalist Missionaries who preached Christianity to the native population

followed them, and today the majority of the people are still Congregationalists.

Between the two world wars thousands of Japanese took residence on Kosrae. By the end of World War II, the Japanese rule had ended. In 1947, the Micronesian islands were made part of the Trust Territory of the

Pacific Islands under the United Nations and were administered by the United States of America.

Kosrae became part of the District of Pohnpei until 1977 when it was given status as a separate state of the Federated States of Micronesia (FSM). The FSM achieved its political independence on November 3, 1986.

## GEOGRAPHY

Kosrae State is located in the Pacific Ocean at 5° 9' north latitude and 163°-east longitude. The distances in statute miles to major regional metropolitan areas are: Hong Kong (2,661), Honolulu (2,960), Los Angeles (5,313), Manila (2,968), Sydney (3,417), and Tokyo (3,529).

Kosrae is the second largest island in the FSM with its 43.2 square miles of land area. The

ancient volcanoes create an interior with steep mountain ridges, peaks and valleys that occupies 70 per cent of the land area. Mt. Finkol (2,064 feet) is the dominating landmark. This undisturbed upland is covered with tropical rain forest that is home to many species of rare plants and animals. Dense jungle occupies the sloping, very fertile land, from the interior to the coastal zone. Large areas of mangrove forest maintain the beautiful coral reef that surrounds Kosrae.

The state is divided geographically and administratively, into four municipalities: Lelu, Malem, Tafunsak and Utwe.

## CLIMATE

The temperature is pleasantly warm and close to 80° Fahrenheit year round. The average annual rainfall is around 200 inches evenly distributed throughout the year. Humidity is usually from 75% to 95%.

## THE PEOPLE

Kosraeans are a warm smiling and friendly people. Most Kosraeans speak English and enjoy a relaxed island lifestyle. The culture is traditional Kosraean yet adaptable, and is a source of identity and inspiration. Traditional authority rests with the men within the families.

Religion plays an important role to the Kosraean people. On Sundays most people go to church and throughout the day a unique and beautiful Kosraean choral singing can be heard all over the island.

Family, church and community are the things closest to the Kosraeans hearts.

## DEMOGRAPHICS

In 1997 the population of Kosrae was 7,517 people (1997 Statistical Bulletin). Kosrae has a very young population with a median age of 19.5 years. 51% of the populations were males and 49% females. The population on Kosrae is expected to grow slowly at around 2.4% annually.

## EDUCATION

Education is compulsory through eight grade or age 15. The majority of the young people receive a High School education modeled after the U.S. system. Some move on to obtain a degree from College of Micronesia or abroad in the Marshall Islands, Guam, Hawaii, or mainland USA.

## INFRASTRUCTURE

The infrastructure is dominated by the scenic circumferential road. The primary road network consists of 25 miles of roadway from Okat dock and airport along the edge of the island to Utwe. This primary road is all paved and a secondary road network consists of 10 to 15 miles with improved gravel surface. This road system provides access to rural lands for agricultural purposes.

Okat Harbor and airport service all commercial vessels and airplanes arriving at Kosrae. Both of these feature modern facilities that are described in more detail under Kosrae Business Environment section in this same guide.

Residents and visitors travel the island by car. There are a few taxi services and car rental services you can count on. The locals are quick to offer a ride. The majority of vehicles are of American or Japanese origin.

# KOSRAE BUSINESS ENVIRONMENT

## GOVERNMENT

Kosrae State Government is a constitutional democracy with three branches of government: Executive, Legislative, and Judiciary. The Governor is the highest elected official and directs eight principal departments and offices. The Legislature is comprised of 14 senators elected from the four different municipalities. The Judiciary is headed by a Chief Justice,



appointed by the Governor, and confirmed by the legislature. All elected officials serve for a term of four years.

The Director of the Department of Commerce and Industry, among others, oversees development activities for the executive branch of the State Government. Six Divisions support activities of the Department: Consumer Services, Housing and Renovation Loan Fund, Industrial Development, Marketing and Research and Foreign Investment.

## ECONOMIC OUTLOOK

Kosrae's economy is fueled entirely by financial assistance by the United States Government through the Compact of Free Association. In 2003, such assistance including

other external grants represents over 67% of the state Gross Domestic Product (GDP).

Although the economy is still heavily dependent on external support, such level of support relative to GDP has progressively declined since 1986.

The good news is that there has been a mild transformation of the state economy driven by growth in private sector. In 2003, the private sector contributes to over 25% of the GDP and over 45% in total employment. The growth in private sector, sadly however, is represented significantly by resale activities on merchandise imports.

Compounding this unsustainable economic structure and development on the private sector, there has been very little activity on exports and foreign investment as evident by a huge trade imbalance of approximately USD 9 million in recent trade statistics in year 2000. The miniscule level of foreign exchange capacity explains why government is still maintaining a powerful share in the state economy and why private sector is relying heavily on government expenditures.

The government still overwhelmingly dominates with over 43% of the state GDP and over half of total employment in 2003. Although private sector has immensely generated employment since 1986, the government wage level is still twice higher on the average scale. Such significant disparity in wage income explains in part why the government continues to hold a large proportion in total employment including number of skilled labor.

The subsistence economy still plays a role with an estimated contribution of 10% or less of the

# KOSRAE BUSINESS ENVIRONMENT

state GDP. The primary subsistence activities include small-scale fishing and farming.

The 2nd Kosrae State Economic Summit in August 1999 called for the need to further improve the economic environment to well more of private domestic and foreign investments.

Since then the Asian Development Bank (ADB) has supported FSM and Kosrae to reform the investment climate which include reforms in land administration and transferability, reforms in development financing and loan securities, reforms in the level of entrepreneurship training; and reforms in contract enforcement through the judicial system.

The State of Kosrae has commenced on the implementation of these various reform measures which are required to have a stable and predictable development climate.

The future outlook of the state economy will be driven by the success of both domestic and foreign investments since the amended Compact is structured to have a gradual reduction-in-aids over the next 20 years. The private sector is expected to grow by more than 3% each year to compensate for the funding reductions inherent in the amended Compact.

The good news is that there is a known terminal date on the financial assistance by the United States under the amended Compact which sets to expire in 2024. The new FSM trust fund as designed would kick in as a replacement to fund government operations in perpetuity after 2024. Such known terminal date including funding transition through the trust fund should make investment climate more predictable than that of the initial Compact.

The role of both domestic and foreign investments is therefore critical to support the state overriding objective to increase private sector development activities.

While the domestic investment is limited and restrained by capital and skilled labor, the state government wishes to promote the direct foreign investment to support a well-balanced sustainable growth and further to provide a lift in export industries.

The State Government owns and operates all infrastructure facilities, all health and almost all education services, extensive commercial activity in fisheries, marketing and other small enterprises.

In the private sector the main occupations are: Retail outlets, restaurants and bars, resorts and diving, farming, fishing and some service businesses. Traditional subsistence economy remains very important and almost every family catches fish and has gardens as well as live stock for food production.

The Kosrae State Government seeks to promote foreign investment as a mean to improve the state's trade balance and dependency on foreign funding. In 1994 the merchandise trade balance was in deficit by USD 5.3 million. The imbalance has declined as financial and economic restrictions have reduced imports.

**K**osrae is well prepared to meet the demands of international businesses. Years of careful planning and investment have generated a capable, stable and well-functioning business environment on the island.

# KOSRAE BUSINESS ENVIRONMENT

## TELECOMMUNICATIONS

The FSM Telecommunication station on Kosrae provides long distance telephone service to residents and businesses allowing communication around the world. This is made possible through a satellite dish centrally located in Tofol.



Services include IDD (International Direct Dialing) and Operator Assisted Services (some collect calls, person to person, telephone credit card calls, and FSM calling card assistance). FSM Telecom also offers Internet access and World Wide Web services thus linking a business to the rest of the world in an up to date and efficient manner 24 hours a day.

## BANKING

Bank of the FSM is the only commercial bank operating in the state and offer basic services such as letters of credit, money transfers in foreign exchange, collections and complete personal and business banking services.

FSM Commercial Bank is a member of the United States Federal Deposit Insurance Corporation.



FSM Development Bank also offered and administered loans with competitive interest rate and terms for investment projects aimed at developing the economy of the state. FSM Development Bank also administers loans under IDF (Investment Development Fund), but some connection to the U.S. markets is required to qualify.

## ATTORNEYS AND INSURANCE

Both categories are available through private corporations within the FSM. The majority is situated in Pohnpei but some Kosrae branch offices are available.

## POSTAL SERVICES

The FSM Postal System uses the same rate structure for domestic and international mail as the U.S. postal system and is part of the U.S. Zip Code System. Kosrae is Postal Zone 8 and Zip Code 96944. The United States Postal Service picks up and delivers all mail on Kosrae via air service. Postal services include US Priority and Certified Mail.

Private commercial air freight & courier services are available for worldwide express door to door delivery.

# KOSRAE BUSINESS ENVIRONMENT

## WATER, SEWAGE AND ELECTRICITY

Fresh water distribution systems from several dams throughout the island supply virtually all households and businesses on Kosrae.

All businesses are responsible for establishing sufficient sewage and waste treatment facilities. Septic tanks are the preferred solution and a fee of USD \$40.00 are charged from emptying services.

Kosrae offers investors a unique opportunity to take advantage of one of the most competitive rate schedules for electricity in the entire Pacific. The island enjoys an unusually high degree of service stability and has a very reliable distribution system.

The island's six generators are capable of meeting an increasing demand for power. A distribution system of 13.8 KV phase to phase, 60 cycles delivers 120V/240V single phase and 120V/240V three-phase power. Other voltages are available when coordinated with the Kosrae Utility Authority (KUA).

## PORT FACILITIES & SEA CARGO



Okat Harbor is the states primary dock facility and handles all commercial shipping and fishing activities. The Okat harbor and dock complex is large and deep enough to accommodate cargo and fishing vessels up to 10,000 GRT. The dock is 550 ft. long; harbor depth is 30 ft. at low tide with a turning radius of 750 ft.

The complex is capable of handling 20 ft. and 40 ft. containers upon request. The facility includes a 6,000 square foot storage warehouse.

Two slip-ways repair facilities for freighter and long line vessels up to 1000 GRT have recently been added to the services that Kosrae has to offer.



A continuous supply of fuel is available through a 1.2 million-gallon fuel storage facility run by Micronesian Petroleum Company and conveniently located adjacent to the dock.

Cargo service is provided on a monthly basis to anywhere in the world. Matson Company drops cargo off in Guam from U.S. West Coast (San Francisco, CA) for transshipment. Kyowa Lines picks up the cargo to transship to Kosrae via Chuuk, and Pohnpei and onto the Marshall

# KOSRAE BUSINESS ENVIRONMENT

Islands. Kyowa Lines arrives from Korea. Vessels are scheduled to arrive 20-day interval.



All eastbound connections include: Kaohsiung, Hong Kong, Philippines, Palau, Pohnpei, Majuro, Portland, Pusan, Yokohama, Saipan, Guam, Yap, Kosrae, Chuuk and Pohnpei.

All westbound connections include: San Francisco, Oakland, Portland, Hawaii, Majuro, Tarawa, Ebeye, Kosrae, Pohnpei, Chuuk, Guam, Saipan, Yap, Palau, Philippines, Singapore, Hong Kong and Kaohsiung.

## AIRPORT FACILITIES & AIR CARGO

Air transportation for passengers and cargo is provided primarily by Continental Micronesia. Three westbound and three eastbound flights are scheduled weekly on a Boeing 727 alternating between Honolulu and Guam as final destinations.

Air Nauru offers occasional flights to Kosrae based on charters only. Services include cargo and passenger transport.

National Fisheries Corporation operates a Boeing 727 out of Pohnpei, providing shipments for the tuna fishing industry, connecting to Guam, Pohnpei and Chuuk.

The Airport facilities include a runway of 6,250 ft. and a weather station.

## LAND OWNERSHIP

Kosrae State Department of Commerce & Industries, with the assistance of Kosrae Land Commission Office identifies potential landowners with whom long-term lease agreements can be established for business sites and development. The constitution does not allow foreign investors to buy land, only set up long-term lease contracts with Kosraeans.

## LABOR ISSUES

Currently there is no established minimum wage in the private sector for Kosrae State. Pohnpei has established a suggested hourly rate of \$1.35. The work force is not organized in unions; however, a social security program is in effect for employed workers.

The estimated available work force to investors consists of several hundred experienced workers.

## KOSRAE STATE GOVERNMENT POLICIES FOR INVESTMENT

In 1998, the FSM National Government transferred the responsibility of economic development through foreign investment to each individual state in the Federation.

The Kosrae State Government welcomes foreign investment aware that foreign capital,



# KOSRAE INVESTMENT OPPORTUNITIES

management and technology are critical to the state's development.

The state's new investment laws ensure the foreign investor that the Government of Kosrae State shall not take action, or permit any subsidiary political unit within Kosrae State to take actions, that would result in a foreign investor being given treatment less favorable than the treatment being given to citizens engaging in business in Kosrae State.

The Government has succeeded in creating broad acceptance and understanding of the need for foreign investment throughout the local business community and population.

As part of the economic development strategy, focus has been placed on sustainable business development, protecting and preserving resources as well as the delicate and beautiful environment of Kosrae. The state has developed a list classifying investment activities as guidance to foreign investors:

**Red List Sectors:** *(business activities not accepted):* Manufacturing of toxic and biological material, gambling and casino establishments, and any fishing activities using sodium cyanide or compressed air.

**Amber List Sector:** *(business activities subject to restrictions):* Real property brokering, tourism other than eco-tourism, and live reef fish trade or coral harvesting

**Green List Sector:** *(encouraged business activities):* (1) The economic sectors on the State Green List are all economic sectors that are not on either the State Red List or the State Amber List.

The Kosrae Island Resource Management Program (KIRMP) is also part of the effort to encourage sustainable economic and social

development. Three new administrative bodies were created under KIRMP: the program office, the Technical Advisory Committee (TAC) and the

Development Review Commission (DRC). All three offices play an important role to the investor in that they are part of obtaining a development review permit.

In order to accommodate and assist foreign investors with inquires and the application processes, the Department of Commerce & Industry (DCI) has taken the role of facilitator. DCI evaluates incoming investment applications from an economic point of view and issues the Foreign Investment Permit. The department also functions as a link between the investor and various other departments and institutions in the state.

In general the state promotes Joint Ventures formed between a local and foreign investor; however, pure foreign investments are treated equally well.

## FSM NATIONAL GOVERNMENT FOREIGN INVESTMENT REGULATION LIST

The FSM National Government has set up the following system of Categories of economic sectors for the purpose of welcoming a variety of foreign investment is consistent with the economic, social and cultural well being of its citizens.

Categories include investment sectors subject to regulation by the National Government in all four states.

**Red List Sector:** *(National Government Regulated):* Activities include: arms

manufacturing, minting of coins and printing of bills for currency, business activities related to nuclear power and radioactivity and manufacturing or distribution of chemical and biological warfare components.

***Amber List Sector: (subject to National Government regulation with certain criteria)***

Activities include: banking, other than as defined in Title 29 of the FSM Code and insurance business and Insurance.

***Green List Sector: (subject to regulations with specific criteria)***

Activities include: banking as defined in Title 29 of the FSM code, telecommunications, fishing in the FSM's Exclusive Economic Zone, international and interstate air transport, international shipping and exploitation of any resources (other than fishing) within the Exclusive Economic Zone and in or beneath the seabed and the continental shelf beyond the territorial sea; and any business entity insofar as it is supplying goods or services pursuant to a contract with the National Government or under an international aid project approved by the National Government, except that no FSM Foreign Investment Permit shall be required for such activity in any State where the business entity holds an applicable State Foreign Investment Permit.

The Government of Kosrae State is responsible for regulating foreign investment and the issuance of foreign investment permits in all economic sectors other than those described in the national red, amber and green list.

Kosrae State offers a continually growing number of investment possibilities. As the Pacific basin increasingly becomes the focus of international trade and investment, the island state of Kosrae is moving to earn its place in the region's growth.



Here where the unspoiled image of equatorial waters merges with the modern need for economic development, foreign investors could find a profitable haven.

Environmental awareness and sustainability are key words in the economic development of the state. Investment opportunities in Kosrae generally fall into these main categories

## **MARINE OPPORTUNITIES**

The states abundant marine resources offer the greatest potential for sustainable development. The Economic Exclusive 200 mile zone is home to one of the largest tuna stocks in the world. Aquaculture for commercial harvest around the inshore areas presents another interesting opportunity as does sport fishing in connection to tourism.

Increasing the total catch of marine products, adding value to the catch by processing, supplying infra structure which promotes the industry and developing ancillary services are all areas of the marine sector that offer unique investment opportunities.

# KOSRAE INVESTMENT OPPORTUNITIES

Investors considering Kosrae their base for commercial fishing operations will enjoy cost savings and benefits through a complete set of industry services including grading, documentation, and savings on fishing licenses enhance the competitive environment for commercial fishing out of Kosrae.



**GRAT MARINA**  
Tourist accommodations, self-serve marina, fish processing, grading, frozen fish, etc.

## AGRICULTURAL OPPORTUNITIES

The fertile slopes of the ancient volcanoes have helped the island build a renowned reputation for its quality produce throughout Micronesia. The islands high quality citrus fruits: Limes,



**Tangerines - locally grown and in abundance throughout the island.**

Tangerines and Oranges offer good potential for investment. A number of additional exotic fruits and plants, including Copra, Banana, Eggplant, Soft Taro, Squash and Kava

complete the interesting palette of opportunities.

The Micronesian Plant Propagation Research Center (tissue culture) at Tofol and the State's programs to start numerous small agricultural farmers for commercial purpose and drain swamp areas for additional agricultural land adds to the strengths Kosrae can offer investors within processing and harvesting in agriculture.



## TOURISM OPPORTUNITIES

Being one of the few truly "untouched" pearls in the Pacific Ocean, Kosrae gives tourists a unique chance to escape from their hectic lives in more advanced countries.

The combination of the delicate and beautiful coral reef, dense lush jungle, fascinating culture and people offers great investment opportunities within tourism. In accordance with the state's economic development strategy, Eco-tourism and other sustainable business activities such as diving, sport fishing and cultural sightseeing are expected to play an increasingly important role.

The Kosrae Visitor Bureau (KVB) works to promote Kosrae to tourist world wide. Mooring buoys along the reef plans for fish aggregating buoys and the ongoing

construction of Utwe/Walung Marine Park all points to a good potential for future development within the tourism industry on Kosrae.

## OTHER OPPORTUNITIES

A potential exists for assembly or light industrial manufacturing based on a competitive wage level, low electricity costs and several preferential trade agreements allowing good access to the nearby Pacific markets.



## 12 GOOD REASONS TO INVEST

- Preferential trade agreements with the US through the Compact Agreement. This includes no quota restrictions to the US market for domestic or value added products.
- Preferential access to Australia and New Zealand market under
- SPARTECA, Preferential treatment of FSM products to
- Japan set by the Temporary Tariff Measures Law of Japan.
- A government which welcomes and supports local and foreign investment, within the overall

objectives for accelerating the economic development of Kosrae.

- Use of the US dollar as currency assuring its investors that unexpected currency fluctuations to the extent that the US is the market or source of supply.
- Low local and state governmental taxes. All export products as well as re-export of import products are tax free.
- A young, adaptable and productive English speaking work force with competitive wage rate.
- Good air and sea link with overseas markets such as the western United States, Australia, New Zealand, Hong Kong and Guam.
- Good, state of the art, telecommunication system which links Kosrae to the rest of the world.
- A reasonably well developed infrastructure, including electricity and a public water supply.
- Sophisticated electricity supply at extremely competitive prices.
- Availability of land for development through inexpensive long-term lease rate.

# KOSRAE TAX INCENTIVES

- Well developed banking institutions providing long-term development loans at competitive interest rate
- A tropical paradise of beauty and possibilities - what could be nicer than such a physical location for your enterprise?



One of the true advantages of setting up your next investment in Kosrae is the low tax in the FSM. The taxes are divided into two sections, one being paid to the national government of the FSM and one paid to the state government of Kosrae.

## FSM TAXES

The primary tax is called gross receipt tax and must be paid by all businesses operating in the FSM. The tax amount is assessed based on the business "gross revenue" without deductions.

The tax rate is a mere \$80 on the first \$10,000 of gross revenue and 3% of any excess revenue for the calendar year. Businesses making less

than \$2,000 in gross revenue are eligible for a tax refund on taxes paid for the calendar year.

All businesses must file a tax return for each calendar quarter (January 31, April 30,

July 31, and October 31). Penalty for late filing is 1% of the tax due + an additional 1% for each 30 days the return is late.

Tax due must be paid upon submitting the return. Penalties for late tax payments are 10% of taxes due + an additional 10% for each 30 day period the tax is overdue. 6% annual interest rate is added to the unpaid taxes.

Wage and Salary taxes are paid to the national government. Employees pay 6% on the first \$11,000 in annual income + 10% on income over \$11,000.

Employees earning less than \$5,000 per year are entitled to a \$1,000 reduction prior to computing the tax amount. Employers deduct the tax from wages and pay it quarterly to the FSM revenue office.

Social security tax is 8% half paid by the employer and half paid by employee. This tax is not imposed on wages less than \$2,000 per quarter. The tax is reported and paid quarterly.

## IMPORT, EXPORT AND SALES TAX

All items imported for resale or construction by contractor is subject to an import tax. Taxes vary according to the type of product. All imports are subject to physical inspection by custom agents who also collect the import taxes. A grace period of 15 days is granted to importers, after this period the import tax must be paid. If the tax is overdue by more than 90 days, the importer becomes subject to a penalty.

Materials imported for transshipment, processing and export enter duty free.

There are no duties or taxes on export products.

### **KOSRAE STATE TAXES**

Sales tax will be imposed by the state government upon goods at first point of sale. The sales tax varies with different types of products. The tax is only collected on imported goods.

### **BENEFITS TO U.S. TAX PAYERS**

U.S. Internal Revenue Code (IRC) Section 911 allows individuals who work in the FSM for more than 183 days per year a tax exemption on the first \$80,000 of earnings.

### **REPATRIATION OF CAPITAL**

There are no limitations to repatriation of capital earned in the FSM.

## APPLICATION PROCESS

When setting up business in Kosrae investor will be pleased to find an overview of the application process below. The Department of Commerce and Industry will function as a facilitator through out the application process creating a valuable link between investors and on island departments and agencies.

The application form for a foreign investment permit require the applicant to clearly identify the person(s) resident in Kosrae State who is designated as agent for the service of process.

| Department/Office Name  | Application/License       | Process   |
|---|---------------------------|---|
| Dept. of Commerce & Industry (C&I)<br>Phone # (691) 370-3044/2044<br>Fax: (691) 370-2066<br>E-Mail: <a href="mailto:kosraeci@mail.fm">kosraeci@mail.fm</a> but for now please use <a href="mailto:stanley@pacificsbdc.com">stanley@pacificsbdc.com</a> until the official address is corrected and activated. | Foreign Investment Permit | One form filled out in duplicates. Must be submitted to the department prior to other applications. Application evaluation estimated to 30 days. Applicant receives written notification of any single development involved in the process. The process allows for project modifications should it be necessary to qualify. A non-refundable filing fee of \$150.00 must accompany application at the time of submission. Granted permits are renewable on an annual basis without a fee. |
| Development Review Commission (DRC)<br>Phone/Fax # (691) 370-2076   | Development Review Permit | The permit is administered under KIRMP. Three administrative units interacts with the investors: the program office, who is the point of contact for foreign investors seeking an application, the Technical Advisory Committee (TAC) who provides technical guidance in the review of development proposals and the Development  |

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|  |  | <p>proposals and the Development Review Commission (DRC), who evaluates proposals based on recommendations from the TAC. DRC will formally approve or disapprove the proposal and issue a permit for the project to proceed. Project proponent may appeal a DRC decision if a permit is denied.</p> <p>Some investment proposals require an Environmental Impact Study (EIS) to be submitted by proponent for reassessment by DRC.</p> <p>Application process takes anywhere from 4 to 24 weeks depending on the project size. This application process requires that most other permits have been granted. No fees are required to submit applications.</p> |
| <p>Municipal Governments</p> <p>Phones:</p> <p>Lelu (691) 370-3037</p> <p>Malem (691) 370-4496</p> <p>Tafunsak (691) 370-3211</p> <p>Utwe (691) 370-3207</p> | Business Licenses  | <p>Designated agent or investor appears before the municipal treasurer, in the municipality where the business is located, to identify the type of business. A license can be issued immediately for one year a time and the fee varies with business activities.</p>  |
| <p>Land Court (LC)</p> <p>Phone: (691) 370-3025/3959</p>   | Certificate of Title to Land                               | <p>Investor should contact the Land Court office to identify local land owners interested in setting up long-term lease contracts.</p>   |
| <p>Micronesia Maritime Authority (MMA), Palikir, Pohnpei</p> <p>Phone: (691) 320-2700</p>  | Fishing Permit for 200 miles exclusive economic zone (EEZ) | <p>Interested investors should acquire a standard questionnaire regarding fishing in the FSM Exclusive Economic Zone (200 miles). Applicants should submit a business plan, including a base agreement with a local counterpart, for approval by</p>   |



|  |                    |   |
|--|--------------------|---|
|  |                    | <p>MMA board of directors.</p> <p>A Foreign Fishing Agreement is drawn up by MMA. A government observer must be placed on board each vessel at the cost of the fishing company. Fishing access fee and observer fee is negotiated individually on a yearly basis.</p> <p>If fishing access is sought for more than 10 boats, the agreement needs to be approved by Congress R&amp;D Committee. Once a final agreement has been reached a registration fee of \$300 must be paid.</p>  |
| <p>Department of Administration (DOA)<br/>Division of Personnel &amp; Employment Services</p> <p>Phone: (691) 370-3401<br/>Fax: (691) 370-2180</p> | Work Permit        | <p>All non-citizens, other than visitors must have their entry permits applied for prior to arrival in the FSM. Work permits are obtained through the State Labor office. Entry permits are obtained through the immigration office. The application process is set to last 6 to 8 weeks. The entry permits will be valid for a period equal to the length of the foreign investment business permit. The holder of Foreign Investment Permit may, upon the allocation of an Expatriate Worker's Authorization (EWA) to the relevant business entity, submit to the immigration authorities an application for an entry permit for a nominee to fill the position to which the EWA applies.</p> |
| <p>Immigration Office<br/>Phone: (691) 370-5844<br/>Fax: (691) 370-2234</p>  | Entry Permit       | <p>The entry permits will be valid for a period equal to the length of the foreign investment business permit.</p>  |
| Department of Health Services  | Health Certificate | National health certificate is  |

|  |                          |   |
|--|--------------------------|---|
| Phone: (691) 370-3012  |                          | required for export and import activities only. One year permit with a fee of \$200.00 and an application fee of \$25.00 must be paid.  |
| FSM Finance Department<br><br>Division of Revenue and Tax Administration<br>Phone: (691) 370-3010<br>Fax: (691) 370-2047 | Import & Export Licenses | The license can be applied for through the Revenue Office. Governor evaluates and submits comments. Final approval takes 1 to 2 weeks. Import license fee is \$100.00 while there is no fee imposed on export license. These licenses are renewable every year. |
| Kosrae Utility Authority<br>Phone: (691) 370-3344<br>Fax : (691) 370-3798  | Electrical Installation  | Register with KUA. A fee of \$100.00 is paid for electrical hook-up. Reinstallation and disconnection fee is \$25.00.   |
| FSM Telecommunication<br>Phone: (691) 370-3164<br>Fax : (691) 370-3000   | Telephone Installation   | Register with FSM Telecommunication Corporation   |

*Note: See Kosrae State Foreign Investment Regulation for the application form and other requirements.*