

FSM National Tourism Sector
Development Framework and State
Government Tourism Investment Plans
(TA-8494-FSM) – Firm

Volume 2: Four State Tourism Investment Plans

Project Number: TA 8494 FSM
24 November 2014

FSM: National Tourism Sector Development Framework and State Government Tourism Investment Plans



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Executive Summary

As part of the ADB Tourism Study to develop a National Tourism Policy, the terms of reference also called for the Project Team to produce State Tourism Investment Plans that would identify priority tourism investments projects in each of the four Federated States of Micronesia (FSM) States.

The four State Tourism Investment Plans are presented in this Volume 2 Report using the same format and layout to provide the following information: justification for undertaking the Plans; methodology for collecting the information; an overview of tourism development in each State; an outline of each State's investment policy; an outline of the legislation affecting tourism investment and development in each State; a list of current infrastructure projects; and an action plan that describes the status of each of the identified tourism investment projects.

The Project team of consultants has undertaken a wide variety of methods to identify, assess and select the appropriate tourism investment projects. This has included two in-country field trip missions where a wide variety of stakeholders were interviewed about proposed projects; a literature review of previous plans and projects; feedback from stakeholder workshops; development of a project selection criteria based on sustainable tourism principles as outlined in the national tourism policy; and, insights from the FSM tourism sector assessment as presented in the Volume 1 Report.

It became obvious during Mission 2 (October 2014) that there were a number of projects that were significant and relevant across all four FSM States, so it was decided to class these as National Projects rather than specific State Projects. These are also included in each of the State's list of tourism projects to be implemented. The four projects identified in this category are:

- Improved Tourism Market Research
- Tourism Public Awareness Campaign
- Tourism Industry Customer Service Training
- Upgrade of Domestic Airlines Service

The current infrastructure projects are listed for reference only. No project profiles have been prepared for these as there will be another ADB project titled TA7927-FSM: *Strengthening Infrastructure Planning and Implementation*, expected to commence in early 2015. The objectives of the technical assistance are to: (i) prepare a country-led, medium term, prioritized strategic infrastructure plan; (ii) prepare a funding strategy for proposed priority investments; and (iii) incorporate the estimated costs of these investments in the national and state strategic infrastructure plans. It is also expected that previously unused Compact funding for the infrastructure sector can be fully utilized, along with the normal cycle of Compact funding.

Each of the four State Tourism Investment Action Plans are presented in table format and includes: name of the project; project profile status; how the project links with the goals and objectives in the national tourism policy; who the responsible agency is for implementation; estimated costing and possible funding source; and, an update on the actions required to progress the project to implementation stage.

A summary of the number of projects identified, assessed and costed across the four FSM States is presented as an update in the following table, a scoreboard still subject to change.

FSM State	Initial Proposed Projects	Merged, Rejected, Cancelled	Current Projects (incl.4x National)	Completed Project Profiles	Estimated Cost (USD) To Date	Project Profiles (with Costs)To Come In
Yap	18	8	10	5	1,124,000	5
Chuuk	18	8	10	2	165,000	8
Pohnpei	20	8	12	2	265,000	10
Kosrae	30	19	11	4	168,000	7
Totals	86	43	43	13	1,722,000	30

The table also shows the number of project profiles yet to be submitted (x 30). As this is a Final Draft Report allowing stakeholders a two month feedback period, it is hoped that more project proponents will be able to submit their project profile. All are being followed up via email.

I. YAP STATE TOURISM INVESTMENT PLAN

A. Introduction

1. As part of the ADB Tourism Study to develop a National Tourism Policy the terms of reference also called for the Project Team to identify priority tourism investment projects in each of the four FSM States. The State Tourism Investment Plan would identify and list each project with the following information:

- (i) Feasible investment projects related to tourism products, infrastructure and service requirements of the State;
- (ii) Indicative resources such as cost requirements, timelines and feasible financing mechanisms or funding sources, involving through public-private partnership;
- (iii) Institutional, operational and implementation requirements corresponding to each feasible investment project.

2. As part of the overall study, the ADB Project Team has conducted a comprehensive tourism sector assessment and analysis of visitor arrivals, strategic issues, key constraints and development needs, in close consultation with government ministries and departments, the private sector, development partners and civil society in each of the four FSM States. Based on this, they developed and facilitated an agreement between the key stakeholders for a National Tourism Policy to harmonize national and state efforts to develop and promote sustainable tourism.

3. The State Tourism Investment Plan for Yap provides an overview and an assessment of its tourism sector development and performance in sections 3, describes the State investment policy and relevant legislation that influences tourism development in sections 4 and 5, identifies the current infrastructure projects and the priority tourism projects to be considered for investment assistance in section 6, with an action plan for implementation in section 7.

B. Methodology

4. The Project team has undertaken a wide variety of methods to assess the FSM tourism sector, to research, analyze, discuss, present and document the major issues in order to formulate and draft a national tourism policy and four State tourism investment plans.

5. As well as home office based desk research being undertaken by each of the consultants, including a thorough literature review of all previous tourism related plans, policies and reports, two field trip missions were undertaken in Yap, as follows:

- Mission 1 - July 27th to July 30th, 2014
- Mission 2 - October 5th to October 7th, 2014

6. Both of these field trip missions included numerous individual consultations with a wide variety of key stakeholders, conducting a Stakeholder Workshop for feedback and site visits to various tourist facilities, attractions and potential project sites.

C. Tourism Development in Yap

7. Located nearer to Guam and Palau, Yap State consists of 138 islands and atolls of which 22 are populated, stretching across more than 100,000 square miles of ocean. The main group of four islands is known as Yap Proper, and accounts for 38.7 (79%) of Yap State's 49.7 square miles of land area. Colonia is the capital and is the main commercial, Government, supply and tourist center. Most of the 'Outer' islands are coral atolls that stretch almost 600 miles to the east of Yap Island.

8. Yap is known as 'The Land of Stone Money' (or *rai*) and is steeped in ancient traditions, fascinating legends, and peopled by one of the most distinctive cultures in the Pacific. The caste system is very strong in Yap and Yapese village chiefs still hold considerable political clout. Yap has two councils of traditional leaders, the Council of Pilung is made up of chiefs from Yap Proper and the Council of Tamol consists of chiefs from the outer islands. Yap is fiercely protective of its traditions and customs and while they can see some of the benefits tourism can provide, they are unwilling to let tourism development interfere too much with their culture and way of life. Their focus continues to be on a 'small scale, high end' approach to tourism development. To this extent, their famous stone money is used as a highly symbolic logo for its tourism image.

9. Yap's prime tourism attraction is scuba diving to swim with the giant manta rays that frequent their waters. It has become well known amongst the niche scuba diving market as one of the Pacific's prime scuba diving locations and is often marketed alongside its nearest neighbor Palau. The Manta Ray Hotel with 35 rooms, is the largest hotel property in Yap and is dedicated almost exclusively to preserving, developing and promoting the scuba diving product. Apart from the giant manta rays, there are numerous dive sites providing a variety of marine and coral species, including World War 2 (WW2) wrecks. Other marine products and activities like game fishing, kayaking, deserted beach picnics and snorkeling are also offered.

10. Yap Visitors Bureau (YVB) is responsible for the marketing and promotion of Yap as a tourism destination. In 2013, the YVB operated on a budget of USD 298,000 with a Manager and 3 full time staff including a Japanese volunteer, from a dedicated office in the town center of Colonia. The Compact Annual Report 2013 reports its activities as shown in the table.

Yap Visitors Bureau	
Goal:	To promote the local tourism industry through innovative creative and effective tourism marketing and promotional materials
Objective:	Increasing the number of visitors to Yap and executing appropriate and effective marketing initiatives for the local tourism industry.
Results:	The main activities under this project involved production of promotional materials for cruise ships, trade shows and other avenues, and for advertisements and positive coverage of Yap in magazines and on TV. The other activity was the development of the Yap Living History Museum. In networking, YVB had established connections with several entities both in and out of Yap, including overseas. It shared with United Airlines its booth in both Singapore and Chicago. The YVB also assisted in organizing the 2012 Yap Day.

Source: Compact Fund Annual Report, 2013

11. Recently, a proposal from a Chinese investor to develop a very large scale (1500 rooms) resort with golf course and casino, met with some hostile backlash from many community and industry leaders who formed a 'Concerned Citizens Group' which has become quite a well-organized and vocal lobby group against the project. Yap continues to market its strong traditional culture alongside its diving product. The stone money, traditionally built stone pathways, local tribal mores, seafaring traditions, traditional dress and costumes serve to provide Yap with a differentiation from the other FSM States and a diverse and unique cultural tourism product and image. Tourism products inspired by Yapese traditional culture, also include:

- Living History Museum featuring traditional meeting houses with stone money and stone pathways, used for special festivals, re-enactments, making handicrafts, dancing, music and cooking. But used also as classrooms to teach young people and tourists about the traditional way of life, folklore and customs.
- Outrigger canoe building and tours, featuring carving, sail-making and the teaching of traditional navigation skills.
- Special events like Yap Day (Lunar New Year harvest), Homecoming Festival (Yap families), Canoe Festival (outrigger canoe races)

12. In 2013, Yap received 2,443 actual tourist arrivals, representing a 17.9% decline over the past 5 years. In particular, the Japanese market has declined as they seek easier access and scuba diving mixed with a duty free shopping experience in the nearby islands of Guam and Palau. Most tourists to Yap are from the USA (43.7%) seeking the special scuba diving experience.

13. Yap has 7 active hotel properties currently operating, offering a total of 135 rooms. Overall average occupancy is very low at 35% and the average room rack rate is USD115. One 9-Room hotel property has just recently been purchased by an American investor and is temporarily closed for renovation and upgrading work. Four hotel properties are situated in Colonia and offer a total of 84 rooms at reasonable quality for international standards. The Yap Sports Centre will host the FSM Games in 2015 and the Micronesian Games in 2018. The Ulithi Resort is a remote beach/village product on an Outer Island but access is difficult via the Pacific Missionary plane. The American owner is seeking assistance to purchase a transport boat for cargo and passengers.

D. State Government Policy on Investment

14. The Yap State foreign investment policy has been developed to encourage investment in Yap and ensure that such investment is consistent with the needs of this island community. Therefore, its policy is to welcome foreign investors and invite them to participate in economic development projects in cooperation with the Yap business community.

15. Tourism Investment is managed by the State Dept of Resources and Development (DoRD). They maintain a website that provides a Foreign Investment Guide, which encourages tourism development - "The Yap State Government is fully committed to promoting the development of a healthy private sector and recognizes the importance of private sector investment to achieve sustainable economic growth, employment creation, and development of strategic state and national resources." In recent times, there has been a careful move towards deregulation and liberalization. Yap State foreign investment policies have been significantly simplified and streamlined to attract a variety of foreign investors.

16. Approximately ninety-eight percent (98%) of land in Yap State is privately owned by family and clan groups, with the majority of State owned land located in the capital of

Colonia in the municipalities of Rull and Weloy. Non-citizens cannot own land in Yap but they can lease land for a maximum of 99 years, including options to renew. Leasing of lands or making landowners partners or shareholders of projects, therefore, is viewed as the most appropriate arrangement for utilization of land. Upon request, the Yap State Government may act as an intermediary in finding suitable land arrangements. The Yap State Mortgage Law provides the necessary legal framework for land mortgages.

E. Legislation Affecting Tourism Investment

17. **Yap State Foreign Investment Act 2006** is administered by the DoRD. This sets out the guidelines for administering Foreign Investment permits to non-FSM citizens, including the eligibility of business activities within certain categories of economic sectors. Like other FSM governments, Yap uses a traffic light system to regulate businesses and investment, with activities categorized as red for prohibited, amber for restricted, and green for unrestricted. For Yap State, these are:

Red: Manufacturing of toxic materials, weapons, ammunition, commercial export of reef fish, activities injurious to the health and welfare of the citizens of Yap.

Amber: None at present

Green: All others

18. The Act requires all non-citizens engaging in business, or any business entities having any foreign ownership interest, to obtain a Foreign Investment Permit from the State Department of Resources and Development prior to the commencement of business. A permit processing fee of \$250 is required for first-time application, and a renewal fee of \$100 every year when a permit is renewed. The permit period is a year beginning from the date of issuance.

19. The Director is also required to submit an annual report with information to include data regarding the number of foreign investments, the types of business entities involved, the number of foreign investors, their shares of ownership in the business entities, and any unusual developments during the year being reported on, including cancellations or penalties imposed. Provisions are also made for co-operation and co-ordination with the National Government through the FSM Foreign Investment Act and the Immigration authorities in regards to expatriate work permits.

20. All of the FSM States have limits on foreign ownership of small- and medium-size businesses, so as to protect such businesses from foreign competition. Foreign investment is strictly limited by local ownership (51-60%) or a residency requirement of more than five years. Large projects are assessed on a case-by-case basis.

21. All businesses operating in the State of Yap which are not sole-proprietorships (owned by one Individual or a married couple) are required to register with the Yap State Registrar of Corporations. This includes, but not limited to, Corporations for Profit, Non-Profit Corporations, General Partnerships, Limited Partnerships, and Foreign Corporations wishing to do business within the State. All registered corporations and partnerships shall annually file with the Registrar a full and accurate exhibit of their affairs. All businesses operating in Yap State other than those mentioned above are subject to the **Yap State Business License Act and Regulations**.

22. Currently, those activities that are deemed to be traditional activities (i.e. agriculture, handicrafts and fishing) and undertaken by citizens are exempted from obtaining a Business License. A license processing fee of \$25 is levied for each business category or activity. A

different license is needed for each location so that a single business may be required to obtain more than one business license. The business license is renewed by September 30th of each calendar year. Business licenses are issued by the Department of Resources and Development.

Other Relevant Legislation:

- **Yap State Economic Planning Group** acts as an advisory body to the Governor. Its role is to provide close coordination and cooperation among all branches of the State Government and the private sector by acting as an overall management, evaluation, and advisory body in facilitating the smooth implementation of the State First Five Year Plan. In carrying out its purpose, the Group shall have the following tasks:
 - (a) Give advice and recommendations on policy and development issues which will emerge during the plan period;
 - (b) Advise on the implementation of projects and programs;
 - (c) Review the development objectives and strategies of the State;
 - (d) Recommend appropriate actions, policies and strategies to such agencies or persons authorized to act upon such recommendations; and
- **Yap Community Development Program Act of 1995.** This created a means to encourage and implement infrastructure and development projects at the community level, while at the same time ensuring that such community-level projects remain consistent with the State's overall development goals and policies. Administered by Yap Community Action Program herein referred to as Yap-CAP. An Enterprise Fund has been created to be used only for funding community projects
- **Yap State Feasibility Study Act of 1997.** To establish a means for the funding of feasibility studies for the public and private sectors.
- **Yap Economic Development Authority Act of 1990.** To promote and support economic development in the State of Yap. Established as a conduit for public funds for start-up development projects, including joint ventures and related activities which are not suitable for investment by the private sector; Now defunct.
- **Yap Investment Trust of 1994.** To promote and support economic development in the State of Yap. Serves as a conduit for public funds for start-up development projects, including joint ventures and related activities which are not suitable for investment by the private sector;
- **Yap Small Business Loan Security Act.** To establish a loan security program for starting or expanding feasible, small-scale businesses to stimulate the expansion of existing small businesses and the establishment of new businesses that have the potential for growth. Targeted at retirees and PIDB customers.

23. **The Yap Visitors Bureau** was created under State Legislation “to promote the development of tourism in the State of Yap in such a way that will ensure that the economic growth of the tourism industry is compatible with the state's goals and objectives in providing an optimum of satisfaction and high quality service to tourists, protecting the natural beauty of Yap, and preserving and protecting our Yapese heritage, tradition and custom. It is further intended to provide adequate opportunities for municipal participation and private citizens' involvement in the decision-making process of tourism planning and policy formulation.” The main role and function of the Yap Visitors Bureau is:

- (a) To promote Yap's visitor industry in such manner as it deems most reasonably appropriate, including providing and disseminating information and materials promoting Yap as a visitor destination;
- (b) To promote local interest and participation at all levels of the visitor industry; local cultural activities; items of local manufacture; and assist in the development of adequate tourist facilities and attractions;
- (c) To assist, when requested, both government and private entities in the development, implementation and promotion of programs to further education, training, employment assistance and entrepreneurial development in the visitor industry;
- (d) To assist appropriate government agencies in the enforcement of applicable laws, rules and regulations relating to the visitor industry; and,
- (e) To work with other entities to collect, analyze, evaluate and regularly publish comprehensive data on the visitor industry.

24. While there is no mandate to encourage or engage directly in tourism investment activities, the strong emphasis given to data collection and market research should be noted, as should the emphasis on encouraging local participation, particularly in the “decision-making process of tourism planning and policy formulation.”

25. The Visitors Bureau is directed by a Board of Directors composed of seven members selected in a convoluted fashion but in accordance with the Act. “Five directors, referred to as “appointed directors” shall be appointed by the Governor with the advice and consent from the Legislature. The appointed directors shall be actively and directly involved in the business community. One member shall be appointed by the Speaker of the Yap State Legislature and shall be referred to as the “legislative director”. The five appointed directors and the legislative director shall then select the seventh (7th) director by a vote requiring concurrence of five of the directors. The seventh (7th) director shall be actively and directly involved in the tourism industry. The Board of Directors shall elect from amongst its body a chairperson and vice-chairperson”.

26. The Board appoints a General Manager who is the Bureau’s chief administrative officer responsible for the day-to-day operations of the Bureau. The General Manager is primarily responsible for the maintenance, operation, development, and administration of the Bureau’s business affairs.

27. **The Environmental Quality Protection Act** is administered by the Yap Environmental Protection Agency. The Act announces a Public Policy Statement declaring the continuing policy of the State of Yap, in cooperation with the FSM National Government, municipal governments, and other concerned public and private organizations, “to use all practical means and measures, including financial and technical assistance, to foster and promote the general welfare, to create and maintain conditions under which man and nature can exist in productive harmony, and fulfill the social, economic, and other requirements of present and future generations of the State of Yap.” The Act further commits the State of Yap to improve and coordinate governmental plans, functions, programs, and resources to the end that the inhabitants of the State of Yap may:

- i) Fulfill the responsibilities of each generation as trustee of the environment for succeeding generations;
- ii) Assure for all Yapese safe, healthful, productive and aesthetically and culturally pleasing surroundings;
- iii) Attain the widest range of beneficial uses of the environment without degradation, risk to health or safety, or other undesirable or unintended consequences; and

- iv) Preserve important historic, cultural, and natural aspects of Yapese heritage, and maintain, wherever possible, an environment which supports diversity and variety of individual choice.

28. This is the strongest worded environmental policy of all the FSM States and certainly encourages and promotes the concept of sustainability.

F. Priority Tourism Related Projects

a. Current Infrastructure Development Projects

29. In terms of public infrastructure that affects tourism Yap is currently pursuing and implementing the following priority projects to be completed as soon as is practical:

- Upgrade of the Airport Terminal
- Upgrade of North Road in Maap
- Completion of the Wind Turbine Energy Project
- Completion of the Fibre Optic Cable Installation
- Upgrading and improving access/safety of smaller-scale tourist attraction sites

b. Selection Criteria for Tourism Projects Requiring Assistance

30. The following selection criteria has been developed by the Project Team consultants based on their understanding of the FSM and Yap tourism development strategy, its current stage of development, the feedback from stakeholders and their knowledge and expertise in relation to developing tourism projects on small islands.

- Does it fit with the National Tourism Policy Values, Vision, Goals and Objectives?
- Does it enhance the performance of the tourism sector in an environmentally and culturally sustainable and socially inclusive manner?
- Does it help expand local employment opportunities?
- Does it promote the use of local tourism products?
- Will the tourism economic benefits be shared with host communities?
- Does it involve a public private partnership approach?
- Does the project proponent have previous relevant management experience?
- What are the indicative resources and implementation requirements in terms of costs, timelines, financing, operations and institutional arrangements?
- Will it mitigate against potential risk factors in terms of economic, environmental, social and cultural impacts?

c. Project Profiles for Selected Tourism Projects

31. Of the 18 Projects identified and discussed at the Stakeholders Inception Workshop (August 2014), 2 are already underway and being financed by private investors, 3 are infrastructure projects that have already commenced and 2 are tourism planning projects listed as 1 and 2 below. Therefore, the remaining 11 Projects have been combined into proposals 3, 4, and 5 listed below. Projects 6, 7, and 8 were added to the list at a later stage. The Projects have been ranked in priority order, according to the criteria in 6.2.

Total Projects = 9**Main Focus areas:**

Product Development = 3

Infrastructure (Road) = 1

Hotel upgrades = 5

32. **Development of Canoe Hut Facilities at the Living Museum.** This fits all the criteria. Proponent is Waa'gey Handicrafts who is already well established and operating tourist programs (handicrafts, tours, site attraction) that are based in Yap Proper but also directly benefit the Outer Islands. Refer to the Project Profile in Annex 1.

33. **Develop 8 x HPO sites as tourist attractions.** Not ranked in the workshop but all the sites were listed separately. We could bundle them together under one project called 'Development of Historical Sites'. These were all mentioned in the Yap Tourism Plan of 1986 and endorsed by the HPO during our interview as still requiring physical upgrading, management, maintenance and promotion. It is also recommended that a Tour Guide Training Program could be included, partnering with YAP-CAP and the College of Micronesia (CoM-FSM). The Sites include:

- Bechiyal Cultural Centre which was damaged in a 2004 cyclone and requires rebuilding
- Qamin Stonepath requires funding to complete the restoration of traditional stonework
- Rull Cultural Centre requires funding for maintenance works
- Buchaq Hill WW2 sites include Japanese war history trail and relics, requires access and upgrading
- Japanese Airfield in Thol has potential to be developed as part of a WW2 trail
- Tagaren Canal is used as a thoroughfare but needs a clean-up to improve access
- Old German Hospital in Weloy has five separate structures that still exist which could be restored
- Village based Men's houses require funding to repair many traditional men's houses (huts)

34. **Energy Audits for Hotels (x 2).** The two main hotels Manta Ray Bay Hotel and Pacific Dive Resort have both requested assistance with energy efficiency and renewable energy programs. Manta Ray Bay Hotel has already commenced installing solar panels. It has now been recommended that both hotels be considered for the energy audit program that the ADB tourism project could establish in conjunction with the SPC.

35. **Village View Resort and Access Road Upgrade in Maap.** This commenced as an infrastructure project that would improve access to a tourist precinct in decline, where the Village View Resort is situated. However, upon a site visit and discussion with the resort owner the project now includes providing assistance to upgrade the resort facilities and improve their marketing and management.

36. **Yap Marina Bar & Grill Accommodation expansion.** Owners want to add a small hotel to the facility to supplement the restaurant operation. They envision turning the building in to a full scale resort and expand to about twenty rooms. The project will utilize the existing facility currently housing the Marina Sports Bar & Grill located in downtown Colonia Yap on the waterfront of the harbor channel.

37. **O'Keefe's Waterfront Inn Expansion.** The existing boutique property is part of "Yap Market Square" complex which also consists of space rentals for other businesses and

“O’Keefe’s Kanteen”, a historical pub. The Inn consists of 5 rooms, a lobby, a lounge bar, a small outdoor courtyard, storage and offices. This small Inn is a period piece, reflecting the architectural style of early traders in the late 1800’s. The Inn is also “diver friendly”, catering to the needs of divers who currently make up the majority tourists visiting Yap Island. At the time of construction, the infrastructure, foundation and supports were designed to support a second story of 5 additional rooms for future expansion. This project will expand the Inn for a total of 10 rooms.

d. Delisted but still relevant for the Yap Tourism Investment Plan

38. **Improved Visitor Research.** Ranked third in workshop. This was to be included as a National Project as part of an overall strategy in the National Tourism Policy to improve Market Research. But YVB have already successfully applied for Compact funding to undertake this in Yap and the project will commence in 2015.

39. **Small-Scale Hotel Developments** in Yap Proper and Outer islands. Ranked second in the Stakeholders Workshop. This was raised more as a development strategy rather than as an identified site for development. This concept has been referred back to the YVB to identify any actual individual project proposals.

G. Yap State Tourism Investment Action Plan

40. The table below outlines the four projects designated as being significant and important enough to be relevant to all four FSM States, hence they are termed as FSM National Projects.

41. This means there are 10 priority tourism projects to be implemented in Yap, 3 as part of a National Program (Yap have already received Compact funding for their market research project) and 7 others specific to the State of Yap. Of these 7 effective Yap Projects, 5 have completed and submitted a Project Profile, and 2 of these have submitted full Project Proposals. Hence, it is not possible to provide the costings for the other 2 projects at this stage and an N/A is recorded. Of the 6 Projects with cost estimates the total for Yap at present is USD1,124,000.

Possible funding agencies have been identified and are listed as follows:

- Asian Development Bank (ADB), which may fund these projects as part of a follow up loan/grant tourism sector focused FSM project.
- Compact, is the unallocated funds in previous FSM Compact funding now available to be utilised in the tourism sector. It may also include funding for infrastructure projects from previously unspent infrastructure funds.
- The Secretariat of the Pacific Community (SPC) has shown some interest in assisting with the hotel energy audits.

42. The responsible agencies identified are for the most part those that nominated or suggested the Project, together with those agencies who normally assume responsibility for the area the type of project is focused on, or indeed, where it is considered that public and private agencies can be partnered together to implement projects more effectively.

Yap State Tourism Investment Action Plan

	Name of Project	Project Profile Status	Link to National Tourism Policy and Development Objectives	Responsible Agencies	Costing (USD) and Funding	Description/Action
FSM National	1. Improved Tourism Market Research	Description in Vol 1. Report	Goal 5, Objective 5.1. Also Goals 2 and 4	DoRD, SBOC and YVB	Compact funding of 32k already approved for 2015.	Need to fix the scanners, collect and analyse the data from the arrival form. Undertake visitor exit surveys, accommodation surveys and economic impact analysis.
	2. Tourism Public Awareness Campaign	Description in Vol 1. Report	Goal 3, Objective 3.1.	DoRD, YVB	4 x 30k = 30k for Yap, Compact	To increase understanding, inform and promote tourism issues, markets, types, opportunities, linkages, benefits for all.
	3. Tourism Industry Customer Service Training	Description in Vol 1. Report	Goal 3, Objective 3.6.	COM-FSM, YVB, SBDC, CoC	N/A, ADB, Compact	For both direct and indirect staff, including all existing employees.
	4. Upgrade of Domestic Airlines Service	Description in Vol 1. Report	Goal 2, Objective 2.5	FSM Dept TC&I Yap Dept of C&I	N/A, ADB, Compact	Acquire 2 x 50 seater aircraft to improve capacity, scheduling and linkages to all four island States. Upgrade CIA operations and aircraft to service Outer islands.
YAP	1. Development of Canoe Hut Facilities at the Living Museum and Outer Island Tours.	Completed, see Annex 1	Goal 4, Objective 4.2.	Waa'gey Inc	70k, ADB, Compact	Larry Raigetel, larry@waagey.org Building of special storage sheds for Canoe builders and handicraft carvers to store their tools and artifacts overnight. Development of a business and marketing plan.
	2. Develop Historical sites as tourist attractions.	Completed, see Annex 1.	Goal 4, Objective 4.1.	HPO, YVB	300k ADB, Compact, UNESCO	Francis Reg, HPO yaphpo@mail.fm Develop 8 Historical sites as tourism attractions. One is applying for WH listing.
	3. Manta Ray Bay Hotel Energy Audit	sent template 19/10, 13/11, 20/11	Goal 4, Objective 4.5.	Manta Ray Bay Hotel	10k, ADB, SPC, Compact	Carmen Mangefel carmen@mantaray.com Implementing RE solar panels, need an energy audit for EE applications as well.

	Name of Project	Project Profile Status	Link to National Tourism Policy and Development Objectives	Responsible Agencies	Costing (USD) and Funding	Description/Action
	4. Pacific Dive Resort Energy Audit	Sent template 27/10, 13/11, 20/11	Goal 4, Objective 4.5.	Pacific Dive Resort	10k, ADB, SPC, Compact	Peter Garamfel peter.garamfel@fsmtc.fm Need an energy audit for EE and RE applications.
	5. Village View Resort and Access Road Upgrade in Maap	Completed, see Annex 1. Full Proposal submitted	Goal 4, Objective 4.5.	Village View Resort	294k, (separate the road cost) ADB, Compact	Al Gaganun villageview@mail.fm . Upgrade of facilities, arrest beach erosion, improve management and marketing. Access road also needs upgrading.
	6. O'Keefe's Waterfront Inn Expansion	Full Proposal submitted 21/11	Goal 4, Objective 4.5.	O'Keefe's Waterfront Inn	160k ADB, Compact	Don Evans, Manager at YVB and also owner of O'Keefe's Inn. donyvb@mail.fm . Adding 5 rooms to a boutique hotel.
	7. Yap Marina Bar & Grill adding Accommodation	Completed, See Annex 1.	Goal 4, Objective 4.5.	Yap Marina Bar & Grill	250k ADB, Compact	Liyon Sulog lsulog@mail.fm . Adding 10 accommodation rooms to an existing and centrally located restaurant and bar.

Legend for Responsible Implementing and Funding Agencies:

ADB	–	Asian Development Bank
Compact	–	Annual Compact Funding (including unspent funds)
DoRD	--	National Dept of Resources and Development
SBOC	–	National Dept of Statistics, Budget, Overseas Aid and Compact Funding
YVB	–	Yap Visitors Bureau
C&I	–	Yap Dept of Commerce and Industry
COM-FSM	–	College of Micronesia
SBDC	–	Small Business Development Centre
CoC	–	Chamber of Commerce
Dept TC&I	–	National Dept of Transport, Communications and Infrastructure
SPC	–	Secretariat of the Pacific Community
HPO	–	Yap Historical Preservation Office

II. CHUUK STATE TOURISM INVESTMENT PLAN

A. Introduction

43. As part of the ADB Tourism Study to develop a National Tourism Policy the terms of reference also called for the Project Team to identify priority tourism investments projects in each of the four FSM States. The State Tourism Investment Plan would identify and list each project with the following information:

- (i) Feasible investment projects related to tourism products, infrastructure and service requirements of the State;
- (ii) Indicative resources such as cost requirements, timelines and feasible financing mechanisms or funding sources, involving through public-private partnership;
- (iii) Institutional, operational and implementation requirements corresponding to each feasible investment project.

44. As part of the overall study the ADB Project Team has conducted a comprehensive tourism sector assessment and analysis of visitor arrivals, strategic issues, key constraints and development needs, in close consultation with government ministries and departments, the private sector, development partners and civil society in each of the four FSM States. Based on this, they then developed and facilitated an agreement between the key stakeholders for a National Tourism Policy to harmonize national and state efforts to develop and promote sustainable tourism.

45. The State Tourism Investment Plan for Chuuk provides an overview and an assessment of its tourism sector development and performance in sections 3, describes the State investment policy and relevant legislation that influences tourism development in sections 4 and 5, identifies the current infrastructure projects and the priority tourism projects to be considered for investment assistance in section 6, with an action plan for implementation in section 7.

B. Methodology

46. The Project team has undertaken a wide variety of methods to assess the FSM tourism sector, to research, analyze, discuss, present and document the major issues in order to formulate and draft a national tourism policy and four State tourism investment plans.

47. As well as home office based desk research being undertaken by each of the consultants, including a thorough literature review of all previous tourism related plans, policies and reports, two field trip missions were undertaken in Chuuk, as follows:

- Mission 1, July 30th to August 4th, 2014
- Mission 2, October 3rd to October 5th, 2014

48. Both of these field trip missions included numerous individual consultations with a wide variety of key stakeholders, conducting a Stakeholder Workshop for feedback and site visits to various tourist facilities, attractions and potential project sites.

C. Tourism Development in Chuuk

49. Although Chuuk has a total of 290 islands and atolls, 250 are uninhabited. There are 14 islands on the surrounding lagoon reef and another 10 islands situated within the lagoon proper where the capital and main tourism center is on Weno Island. This is home for 16,100 of Chuuk's total population of 54,000, which accounts for about half of the entire FSM population. Some 16 islands of Chuuk are beyond the fringing lagoon reef and are referred to as the 'Outer' islands.

50. Tourism is one of the key income earners for Chuuk, especially on Weno where divers from all over the world visit to dive in Chuuk (Truk) Lagoon, the site of the largest number of WW2 sunken wrecks in one place in the world. As a result of Operation Hailstorm in February 1944, there are more than 80 wrecks which have transformed the lagoon into a wreck diving hot spot, holding the very best of the undersea world and maritime history at one site.

51. Chuuk, with its internationally recognized wreck diving, attracts the largest slice of the FSM tourist market with 4,414 tourist arrivals in 2013, at 50.31% market share. But this has declined by 2.5% over the past 5 years.

52. Chuuk has 5 active hotel properties and 2 functioning live aboard dive boats, offering a total of 150 rooms, down from 212 rooms in 2002. The two main hotels, Truk Stop (35 rooms) and Blue Lagoon Resort (54 rooms), together with the two liveaboard dive boats (24 berths) cater almost exclusively for the dive market. The newly opened L5 Hotel and Apartments, next to the airport, targets the business market while the two other hotels cater more for a local FSM market, mainly including visiting Government workers.

53. Chuuk is the only FSM State that enjoys some degree of international recognition for its wreck diving in Truk Lagoon, attracting a niche scuba diving market, particularly from the USA and Japan. Interestingly, the sustainability of this tourism product and by extension, the image of FSM as a tourist destination, is currently threatened by the potential for environmental disaster if oil seepage from the wrecks increases as the sunken ships deteriorate with age. As the FSM, American and Japanese Governments continue with their intricate legal and financial debates to come up with a solution, the oil continues to leak,

54. At present, the overriding reason for tourists to visit Chuuk is the wreck diving, supported by soft coral diving, some WW2 relics and a small MICE segment. However, there is potential to develop other products, such as: Outer Islands tours, picnics and camping stays, particularly to Jeep and Pissar islands; Historical Tour Packages; and deep sea fishing charters.

55. The Chuuk Visitors Bureau (CVB) is responsible for the marketing and promotion of Chuuk as a tourist destination. It operated on a budget of USD159,000 in 2013 with a Manager and two staff members, in an upstairs office at the airport. Its funding is provided by the Compact Grant via the State Government and hence, it has to report annually. The 2013 Compact Fund Annual Report details the following activities.

Newsletter	
Goal:	To involve Chuuk residents in tourism sector development.
Objective:	Informing the visitors, industry businesses and the general public on issues of the Chuuk Tourism Industry.
Results:	Produced a newsletter both in hardcopy and online, with 200 subscribers.
Entrepreneurship	

Goal:	To develop small businesses in the tourism industry to create an attractive and supportive environment for private sector tourism industry investors.
Objective:	To have more small businesses in the local tourism industry which will produce more jobs and more competitive products and services by the end of the year.
Results:	The CVB was able to have 52 current and potential entrepreneurs visit or assisted by the Chuuk Women Council compared to the target of 20. It was also able to organize the first Chuuk Annual Tourism Small Businesses Expo in 2012.
Sales & Marketing	
Goal:	To promote Chuuk in appropriate markets and marketing segments to realize the sector's potential
Objective:	Increasing the number of visitors to Chuuk by 5% per annum and continue increasing by 5% per annum new tourism related businesses.
Results:	It produced advertisements and positive coverage in select magazines and TV shows.

Source: Compact Fund Annual Report, 2013

D. State Government Policy on Investment

56. Foreign investment in Chuuk State that is not subject to the FSM Foreign Investment Act is governed by the 2002 Chuuk State Foreign Investment Act and its Foreign Investment Regulations. This Act requires all non-citizens engaging in business, or any business entities having any foreign ownership interest, to obtain a Foreign Investment Permit from the Division of Commerce and Industry within the Department of Administrative Services prior to the commencement of business. A permit processing fee of \$250 is required of first-time application, and a renewal fee of \$150 every year when a permit is renewed.

57. All businesses operating in the State of Chuuk which are not sole proprietorships (owned by one individual or a married couple) are required to register with the Chuuk State Registrar of Corporations. This includes, but is not limited to Corporations for Profit, Non-Profit Corporations, General Partnerships, Limited Partnerships, and Foreign Corporations wishing to do business within the State. All businesses operating in Chuuk other than those mentioned above are subject to the Chuuk State Business License Act and Regulations. Currently, those activities that are deemed to be traditional activities (i.e. agriculture, handicrafts and fishing) and undertaken by citizens are exempted from obtaining a Business License. A license processing fee is levied based on business category or activity. The business license is renewed by July 1st of each calendar year. Business licenses are issued by the Weno Municipal Office.

58. No special mention nor consideration or incentives is given to encouraging investment for tourism development purposes. Although ecotourism is specifically defined in the introduction to the Foreign Investment Act of 1998 and is on the 'Green' list for industry categories for issuing foreign investment permits.

E. Tourism Investment Legislation

59. **The Chuuk Foreign Investment Act 1998** was established to encourage foreign investment within the territory of Chuuk State "in a manner that serves the economic, social, and cultural interests of Chuuk State". Eco-tourism is specifically mentioned and defined as "the business of engaging in tourism that is focused on bringing visitors to Chuuk to view its cultures, traditions, land, and marine environment with a minimal negative or intrusive effect".

60. This Act also sets out the guidelines for administering Foreign Investment permits to non-FSM citizens, including the eligibility of business activities within certain categories of economic sectors. Like other FSM governments, Chuuk uses a traffic light system to regulate businesses and investment, with activities categorized as red for prohibited, amber for restricted, and green for unrestricted.

61. It recognizes the National categories under the FSM Foreign Investment Act, which are:

- Red: Arms manufacture, minting of currency, nuclear power, radioactive goods.
- Amber: Increased scrutiny before approval for non-traditional banking services and insurance.
- Green: Banking, fishing, air transport, international shipping.

62. For Chuuk State, the categories are:

- Red: Determined by Director, none codified in law.
- Amber: Casinos, lotteries, industries that pollute the environment, destroy local culture and tradition, or deplete natural resources.
- Green: Eco-tourism, professional services, intra-state airline services, exports of local goods.

63. Provisions are also made for co-operation and co-ordination with the National Government and other State Governments to review sector developments and to add economic sectors to, or remove them from the National Categories and for the regulation of foreign investment.

64. **The Chuuk Visitors Bureau** was created under State Legislation in 1998, stating “The Chuuk State Legislature finds that tourism is an important developing industry, and has great potential as a source of business and employment opportunities for the residents of the State of Chuuk.” and “the development of the tourist industry will be encouraged and in order to provide for the orderly development of this industry and to realize its full potential.”

65. The Visitor's Bureau is governed by a Board of Directors, composed of nine (9) members, five (5) of whom are appointed by the Governor and four (4) appointed by the President and Speaker of the Chuuk State Legislature. Five (5) board members have to be selected from the private sector tourist-oriented businesses and four (4) members are selected from among the people of Chuuk State. Board members serve a term of 2 years.

66. An Executive Director, appointed by the Board supervises and manages the day to day activities of the Bureau. Upon advice from the Executive Director, the Board shall provide such staff and clerical employees as it deems necessary, “subject to the limitations imposed by law and availability of funds”, to assist the Executive Director in carrying out the functions of the Bureau.

67. As outlined in the Act, the main role and function of the Chuuk Visitors Bureau marketing and promotion to attract tourists to the islands of Chuuk State; to advise the Governor and the Chuuk State Legislature on the need for and to encourage the investment of private funds for expansion and improvement of tourist facilities in Chuuk. The Chuuk Visitors Bureau is also responsible for administering the **Environmental Improvement Tax** which is a refund program for the return of metal beverage cans taxed under this Act.

68. **The Chuuk State Environmental Protection Act** is based on a declared Statement of Public Policy saying that the State of Chuuk, “in cooperation with the FSM National

Government, municipal governments, and other concerned public and private organizations, shall use all practical means and measures, including financial and technical assistance, to foster and promote the general welfare, to create and maintain conditions under which man and nature can exist in productive harmony, and fulfill the social, economic, and other requirements of present and future generations of Chuuk State". A statement not only espousing co-operation with the National Government but also a sustainable development philosophy.

69. The Act also established the independent agency known as the Chuuk State **Environmental Protection Agency (EPA)**, which is controlled by a Board of Directors, to be composed of five members, one from each of the five senatorial regions of the State of Chuuk. All five members shall be appointed by the Governor with advice and consent of the Senate.

70. The Governor in his appointment shall select persons who are citizens of the Federated States of Micronesia and residents of Chuuk, to carry out the policies and purposes of the Act. Members shall serve for four years. The powers and duties of the EPA include:

- To control and prohibit pollution of air, land, and water in accordance with this Act.
- The Agency is authorized to enter into cooperative arrangements with the National Government, municipalities and other agencies for the protection of the Chuuk State Environment.
- The Agency, in order to effectively implement the provisions of this Act shall have the power to issue subpoenas and shall have quasi-judicial powers of contempt, issuance of orders, and enforcement of the provisions of this Act

71. Other State based legislation that could have a direct or indirect influence on tourism investment and development include the following:

- **The Economic Development Loan Fund** is to be used for the purpose of providing loans to any private citizen of Chuuk State or any Chuukese corporation or cooperative, wishing to begin, operate, or improve business operations in Chuuk State. A Chuukese corporation or cooperative is defined as one whose outstanding shares are owned in the majority, by residents of Chuuk.
- **The Farmers, Fishermen and Handicrafts Fair Fund** is to pay for supplies, materials, prizes and other expenses incurred in the preparation for and holding of this event, which could be developed as a tourism attraction.
- **Outer Islands Development Authorities (x 7)** which were established to identify the development needs of each area of service; and shall promote, by its own activity and that of others, economic development in coordination and cooperation with State and National Governments, and private and cooperative enterprises.
- **Littering Control Act**, which is separate from the EPA Act.

F. Priority Tourism Related Projects

a. Current Infrastructure Development Projects

72. In terms of public infrastructure that affects tourism, Chuuk still has some major problems. Priority infrastructure projects to be completed as soon as is practical include:

- Weno Main Road upgrade
- Island Ring Road and bridges upgrade
- Upgrade of main dock and jetty for small island supply boats

b. Selection Criteria for Tourism Projects Requiring Assistance

73. The following selection criteria has been developed by the Project Team consultants based on their understanding of the FSM and Chuuk tourism development strategy, its current stage of development, the feedback from stakeholders and their knowledge and expertise in relation to developing tourism projects on small islands.

- Does it fit with the National Tourism Policy Values, Vision, Goals and Objectives?
- Does it enhance the performance of the tourism sector in an environmentally and culturally sustainable and socially inclusive manner?
- Does it help expand local employment opportunities?
- Does it promote the use of local tourism products?
- Will the tourism economic benefits be shared with host communities?
- Does it involve a public private partnership approach?
- Does the project proponent have previous relevant management experience?
- What are the indicative resources and implementation requirements in terms of costs, timelines, financing, operations and institutional arrangements?
- Will it mitigate against potential risk factors in terms of economic, environmental, social and cultural impacts?

c. Project Profiles for Selected Tourism Projects

74. Of the 18 Projects identified and discussed at the Stakeholders Inception Workshop (August 2014), 1 has been completed, 1 is being proposed by a private Chinese investor who does not need assistance, 3 are infrastructure projects that have already commenced, 2 require assistance with a funding application and can be referred elsewhere, 3 are training programs that can be combined under a National Program but are listed as 1 below. Therefore, 8 other Projects have been listed as potential proposals below. Each project was then ranked in order according to the criteria outlined in section 6.2.

Total Projects = 9

Main Focus Areas:

Training = 1

Product Development = 2

SME Development = 2

Infrastructure = 4

75. **Tourism Awareness and Customer Service Training Programs.** These were ranked 4 by the stakeholders at the inception workshop and proposed by the Chamber of Commerce in partnership with the Chuuk Womens Association, CVB, CoM, SPTO and

PATA. This type of program could be part of a National Program. **Now split into 2 x National Projects.**

76. **Develop Local Handicraft Retail Sales Network.** Proposed by an existing local, outer island based, tourism operator, ATL Handicrafts. Strongly supported by the CVB. The proposal is to expand the current business from 3 village suppliers and 4 hotel sales outlets to 24 village suppliers and add 2 dedicated retail outlets at the market and the airport. Needs a new boat and truck to transport supplies and for village tours. **Refer to the Project Profile in Annex 2.**

77. **Establish a Tourist Transport Co-ordinator/Operator Business.** Proposed by the Governor and supported by the CVB Manager. Chuuk, as a tourist destination requires a centralised tourist transport co-ordinator to organise the logistics and promote the wide variety of land and sea tours available. Require assistance to establish a business to co-ordinate land and sea tourist transport on and between the islands. Need to seek out and recruit a suitable entrepreneur. Possibly need to fund with start up capital and provide some business training through SBDC.

78. **Develop Lagoon Islands Landing jetties (x 14).** Proposed by Truk Stop Hotel as a community development project that would also help to assist economic development generally but also open up more tourism products, by improving access to the mainland for island communities to sell their produce, pick up and off load their supplies, but also provide for better access and safer tourist transport to encourage more visitors to the outer islands.

79. **Develop Mt. Tonaachaw Legendary Trail.** Proposed by the Governor and supported by the CVB Manager. This legendary site being managed by the HPO, should be developed and improved as a tourist attraction. They require funding to develop a boardwalk trail and railings, a men's meeting house and provide some protective structure for the petroglyphs.

80. **Conduct Hotel Energy Audits.** Proposed by Truk Stop Hotel. Proposal is to seek funding to conduct energy audits on 6 Chuuk hotels to improve their EE, encourage RE, decrease their operating costs, decrease GHG emissions and decrease fuel imports. Could be broadened into a National Program. Could partner in with SPC.

81. **Upgrade of Airport Terminal.** Proposed by the Dept IC&T. Ranked 2 in the stakeholders workshop. Not included as part of the FAA Airport Upgrading Program. Airport arrivals entrance is clinically bare and very unwelcoming to visitors. The CVB have recently set up their office upstairs here and could do with an office redesign and an information desk for tourists to improve meet and greet facilities.

82. **Connecting bridge and causeway for main islands.** Ranked equal 3 in the stakeholders workshop. Proposed by the Truk Stop Hotel as a project that would alleviate the lack of land mass problem on Weno Island and allow for more economic development and better tourist access to benefit the main islands of Chuuk. **Cancelled due to a proposed ferry service as a cheaper alternative.**

83. **Upgrade of Domestic airline services.** Ranked equal 3 in the stakeholders workshop. Proposed by the Chamber of Commerce and also mentioned by the FSM Dept IC&T, the FSM domestic airline Carolines Islands Airways (CIA) needs to increase capacity and frequency to better service the 4 island states. **Now a National Project.**

G. Chuuk State Tourism Investment Action Plan

84. The table below outlines the four projects designated as being significant and important enough to be relevant to all four FSM States, hence they are termed as FSM National Projects.

85. That reduces the number of nominated and recommended projects for Chuuk, as listed and described above, from 9 to 7 projects. Project No.1 above has been split into two projects and both are now included as National Projects. Project No.5, 'Connecting bridge and causeway for main islands' has been discarded in lieu of a more cost effective alternative being found.

86. This will leave 10 priority projects to be implemented in Chuuk, 4 as part of a National Program and 6 specific to the State of Chuuk. Of these 6 effective Chuuk Tourism Projects, only 1 has completed and submitted a Project Profile. Hence, it is not possible at present, to provide all of the Project costings and an N/A is recorded. Of the 4 Projects that have cost estimates, the total for Chuuk at present is USD 165,000.

87. Possible funding agencies have been identified and are listed as follows:

- Asian Development Bank, which may fund these projects as part of a follow up loan/grant tourism sector focused FSM project
- Compact, is the unspent funds in previous FSM Compact funding now available to be utilised in the tourism sector.
- Dev Bank, is the FSM Development Bank who could co-finance the private sector projects.

88. The responsible agencies identified are for the most part those that nominated or suggested the Project, together with those agencies who normally assume responsibility for the area the type of project is focused on, or indeed, where it is considered that public and private agencies can be partnered together to implement projects more effectively.

Chuuk State Tourism Investment Action Plan

	Name of Project	Project Profile Status	Link to National Tourism Policy and Development Objectives	Responsible Agencies	Estimated Costing (USD) and Funding	Description/Action
FSM National	1. Improved Tourism Market Research.	Description in Vol 1. Report	Goal 5, Objective 5.1. Also Goals 2 and 4	DoRD, SBOC and CVB	3 x 35k = 105k, 35k for Chuuk, Compact	Need to fix the scanners, collect and analyse the data from the arrival form. Undertake visitor exit surveys, accommodation surveys and economic impact analysis.
	2. Tourism Public Awareness Campaign	Description in Vol 1. Report	Goal 3, Objective 3.1.	DoRD, CVB	4 x 30k = 30k for Chuuk, Compact	To increase understanding, inform and promote tourism issues, markets, types, opportunities, linkages, benefits for all.
	3. Tourism Industry Customer Service Training	Description in Vol 1. Report	Goal 3, Objective 3.6.	COM-FSM, CVB, SBDC, CoC	N/A, ADB, Compact	For both direct and indirect staff, including all existing employees.
	4. Upgrade of Domestic Airlines Service	Description in Vol 1. Report	Goal 2, Objective 2.5	FSM Dept TC&I Chuuk Div of Comm & Ind	N/A, ADB, Compact	Acquire 2 x 50 seater aircraft to improve capacity, scheduling and linkages to all four island States. Upgrade CIA operations and aircraft to service Outer islands.
Chuuk	1. Develop Local Handicraft Retail Sales network.	Completed, see Annex 1.	Goal 4, Objective 4.1.	CVB	50k, ADB, Compact Dev Bank	Amboro from ATL Handicrafts, through Joe Suka at CVB jnsuka@hotmail.com and wisneynakayama@gmail.com
	2. Establish a Tourist Transport Operator Business.	sent template 27/10, 13/11, 20/11	Goal 4, Objective 4.6	Truk Stop Hotel	N/A, ADB, Compact Dev Bank	Maison Fritz mfritz@mail.fm says he is interested but no profile sent back yet.
	3. Conduct Hotel Energy Audits.	sent template 27/10, 13/11, 20/11	Goal 6, Objective 6.4	CPUC, SPC	5 x 10k = 50k, ADB, SPC	Mark Waite Mwaite_cpuc@mail.fm Mark will send data and info from the Blue Lagoon energy audit.

	Name of Project	Project Profile Status	Link to National Tourism Policy and Development Objectives	Responsible Agencies	Estimated Costing (USD) and Funding	Description/Action
	4. Develop Mount Tonaachaw Legendary Trail.	sent template 27/10, 13/11, 20/11	Goal 4, Objective 4.4.	HPO	N/A, ADB, Compact	AIPacino at HPO. Through Roger Arnold rogerarn@gmail.com Proposed by the Governor and CVB, but no profile sent back yet.
	5. Connecting bridge and causeway for main islands	sent template 27/10, 13/11	Goal 2, Objective 2.6.	Chuuk Div of Comm & Ind	Cancelled	Peter Aten peteraten@yahoo.com Project will be discarded as 2 ferries will provide the transport service.
	6. Improvements to Chuuk Airport Terminal.	sent template 27/10, 13/11, 20/11	Goal 2, Objective 2.4.	Chuuk Div of Comm & Ind	N/A, ADB, Compact	Peter Aten peteraten@yahoo.com No profile sent back yet.
	7. Develop Lagoon Islands Landing jetties (x 14) for Supply and Tours.	sent template 27/10, 13/11, 20/11	Goal 4, Objective 4.2.	Chuuk Div of Comm & Ind	N/A, ADB, Compact	Peter Aten peteraten@yahoo.com No profile sent back yet.

Legend for Responsible Implementing Agencies:

DoRD -	National Dept of Resources and Development
SBOC -	National Dept of Statistics, Budget, Overseas Aid and Compact Funding
CVB -	Chuuk Visitors Bureau
COM-FSM -	College of Micronesia
SBDC -	Small Business Development Centre
CoC -	Chamber of Commerce
Div of Comm & Ind -	State Division of Commerce and Industry
Dept TC&I -	National Dept of Transport, Communications and Infrastructure
CPUC -	Chuuk Public Utility Corporation
SPC -	Secretariat of the Pacific Community
HPO -	Historical Preservation Office

III. POHNPEI STATE TOURISM INVESTMENT PLAN

A. Introduction

89. As part of the ADB Tourism Study to develop a National Tourism Policy the terms of reference also called for the Project Team to identify priority tourism investments projects in each of the four FSM States. The State Tourism Investment Plan would identify and list each project with the following information:

- (i) Feasible investment projects related to tourism products, infrastructure and service requirements of the State;
- (ii) Indicative resources such as cost requirements, timelines and feasible financing mechanisms or funding sources, involving through public-private partnership;
- (iii) Institutional, operational and implementation requirements corresponding to each feasible investment project.

90. As part of the overall study the ADB Project Team has conducted a comprehensive tourism sector assessment and analysis of visitor arrivals, strategic issues, key constraints and development needs, in close consultation with government ministries and departments, the private sector, development partners and civil society in each of the four FSM States. Based on this, they then developed and facilitated an agreement between the key stakeholders for a National Tourism Policy to harmonize national and state efforts to develop and promote sustainable tourism.

91. The State Tourism Investment Plan for Pohnpei provides an overview and an assessment of its tourism sector development and performance in sections 3, describes the State Government's investment policy and relevant legislation that influences tourism development in sections 4 and 5, identifies the current infrastructure projects and the priority tourism projects to be considered for investment assistance in section 6, with an action plan for implementation in section 7.

B. Methodology

92. The Project team has undertaken a wide variety of methods to assess the FSM tourism sector, to research, analyze, discuss, present and document the major issues in order to formulate and draft a national tourism policy and four State tourism investment plans.

93. As well as home office based desk research being undertaken by each of the consultants, including a thorough literature review of all previous tourism related plans, policies and reports, two field trip missions were undertaken in Pohnpei, as follows:

- Mission 1, August 10th to August 21st, 2014
- Mission 2, September 30th to October 17th, 2014

94. Both of these field trip missions included numerous individual consultations with a wide variety of key stakeholders, conducting a Stakeholder Workshop for feedback and site visits to various tourist facilities, attractions and potential project sites.

C. Tourism Development in Pohnpei

95. Pohnpei is the main island, divided into five municipalities, namely Sokehs, Nett, U, Madolenihmw, and Kitti all of which have their own respective local governments, who need to be consulted about any proposed tourism project. There are also 23 islands within its surrounding lagoon. Pohnpei also governs the nine neighbouring atolls of Ant, Pakin, Sapwuahfik, Mwoakilloa, Pingelap, Nukuoro, Kapingamarangi, Oroluk and Minto Reef, all collectively known as the ‘Outer’ islands. Most of these are inhabited with a total population of 14,000 people (4% of a total Pohnpei population of 350,000), but they are small islands and have limited land space and few other resources.

96. Pohnpei, despite being the location of the capital and the seat of national Government, has still made no international impact as a tourism destination. Despite the fact that Pohnpei boasts many good dive sites, its diversity of natural and man-made attractions, particularly the Nan Madol Archaeological Site, its pristine lagoon with many islets, its outer island atolls, and its historical sites all present as enormous potential to be developed sensitively and sustainably.

97. Pohnpei also boasts as the location for the State capital Kolonia and the Federal capital of Palikir, meaning business travel will always feature highly in the visitor mix. Many of the hotels already cater almost exclusively for this market. But, on many occasions, this means less rooms are available for the genuine holiday tourist.

98. The Pohnpei Visitors Bureau (PVB), which was not established through legislation and without adequate funding from the State Government, has largely been dysfunctional. It has recently been merged with the Office of Parks and Tourism. In its annual report to the Compact Fund Committee it reported the following activities:

Pohnpei Visitors Bureau	
Goal:	To promote Pohnpei as a tourist destination to increase economic activities
Objective:	Maintaining Pohnpei’s presence in the global tourism market place and events.
Results:	The Pohnpei Visitors Bureau attended two travel shows and regional conferences, participated in the Guam Micronesia Island Fair, two travel and dive shows in Japan, one in Korea and one in the US mainland.

Source: Compact Fund Annual Report, 2013

99. In 2013, Pohnpei attracted 1,551 genuine tourists, which was nearly 18% of the FSM market share but showing a decline of 2.8% over the past 5 years.

100. Pohnpei has 9 active hotel properties that offer 157 available hotel rooms, the largest room stock in the four FSM Island States, with an average property room size of 17 rooms, at an average occupancy rate of 62% and at an average room rate of USD86.

101. Over the past two years, three Pohnpei hotels have closed down and at least 3 others are on the brink of collapse and closure. The major weakness in the Pohnpei accommodation stock is the lack of a good quality, leisure focused hotel to attract the holiday tourist. Other tourism products that Pohnpei could develop and promote, include:

- Develop and support the Yachting market, including multi-island destinations
- Support the Conservation Society of Pohnpei to develop the Pohnpei Eco-Adventure Maps and Tours series for 13 regions, featuring hiking, trekking, biking, kayaking, canoeing, swimming, picnicking and historic sites, including village visits.

- Develop special interest markets in ornithology and botany.
- Develop and leverage off special events like the Micronesian Games and the MICE market.
- Develop FSM multi-island packages for holiday tourists.

D. State Government Policy on Investment

102. As stated in the Pohnpei Foreign Investment Act of 2011 opening statement, its intent and purpose is “to strengthen Pohnpei’s economy with dynamic, balanced and fair minded policies on investment and to enhance the government’s abilities to encourage, promote and guide investment along productive lines that are urgently needed for the successful development of this State”.

103. There is no special mention for supporting tourism development and no reference to any incentives that could be offered to any potential investor. According to the Governor’s Office Annual Report of 2012, some 164 permits are determined to have valid foreign investment status, with 21 in the tourism sector. But there is no report as to their current status or an update on their success or otherwise.

E. Legislation Affecting Tourism Investment

104. **The Pohnpei Foreign Investment Act** was updated and amended in 2011. The Registrar of Corporations is responsible for administering the Act, ensuring compliance and implementing the foreign investment permit program. The Foreign Investment Board was canceled but the Discretionary Review Panel (DRP) was approved to carry on the investment permit reviews in collaboration with the Registrar of Corporations.

105. This Act also sets out the guidelines for administering Foreign Investment permits to non-FSM citizens, including the eligibility of business activities within certain categories of economic sectors. Like other FSM governments, Pohnpei uses a traffic light system to regulate businesses and investment, with activities categorized as red for prohibited, amber for restricted, and green for unrestricted. It recognizes the National categories under the FSM Foreign Investment Act, which are:

- Red: Arms manufacture, minting of currency, nuclear power, radioactive goods.
- Amber: Increased scrutiny before approval for non-traditional banking services and insurance.
- Green: Banking, fishing, air transport, international shipping.

106. For Pohnpei State, the categories are:

- Red: None presently defined, determined by board from amber candidates.
- Amber: Everything not classified as green.
- Green: Businesses with greater than 60% share owned by FSM citizens, initial capitalization of \$250,000 or more, professional services with capitalization of \$50,000 or more, and “Special Investment Sector” businesses with 51% FSM ownership in retail, trade, and exploration, development, and extraction of land or marine based mineral resources or naturally occurring timber.

107. Foreign investor permit holders have a duty to report on an annual basis and a duty to report changes in documents previously filed.

108. **The Pohnpei Environment Act 1992** established the Pohnpei **Environmental Protection Agency**, which, through its Board of Directors, has the authority to create, adopt,

amend and enforce regulations “to safeguard and improve the environmental conditions related to the health and welfare of the people of Pohnpei and their economic development”. It also ensures standard procedures are complied with for the preparation of an environmental impact assessment statement prior to any action that may significantly affect the quality of the human environment.

109. Currently, the Pohnpei EPA has a 7-member Board of Directors appointed by the State Governor, and confirmed by the State Legislature. The main functions of the Agency are performed under the following Divisions: Management, Pollution Control (Permitting System), Laboratory & Safe Drinking Water, Quarantine, Establishment, Climate Change and Community Improvement, Environmental Education. Outputs of all divisions are aimed at ensuring wise use and protection of Pohnpei’s natural resources. The main function of the EPA Board is to evaluate and monitor development projects proposed through the Agency’s development project permit process. The board also has the authority to cease development projects not complying with Permit Conditions as issued according to the Laws and Regulations.

110. Strategic actions and outputs of the program are financially supported primarily under the Environment Sector Grants under the Compact of Free Association, with additional supports from US Rural Development funding.

111. As stated in the EIA Regulations, “It is not the intent of these regulations to require an exhaustive environmental impact assessment of all projects large and small. The degree of environmental assessment detail for a project depends upon the significance of its potential environmental impacts”.

F. Priority Tourism Related Projects

a. Current Infrastructure Development Projects

112. Specific public infrastructure projects that affect tourism, that are already underway and need to be completed, include:

- Seaport Development Project
- Water Treatment and Distribution Project

113. There is also a private investment tourism development project underway as phase 2 of the Mangrove Bay Hotel and Marina is about to commence in late 2014. Eleven apartment rooms will be added for a total of 16 rooms, as will a new restaurant and bar. With the recent closures of hotels in Pohnpei, this development bucks the trend.

b. Selection Criteria for Projects Requiring Assistance

114. The following selection criteria has been developed by the Project Team consultants based on their understanding of the FSM and Pohnpei tourism development strategy, its current stage of development, the feedback from stakeholders and their knowledge and expertise in relation to developing tourism projects on small islands.

- Does it fit with the National Tourism Policy Values, Vision, Goals and Objectives?
- Does it enhance the performance of the tourism sector in an environmentally and culturally sustainable and socially inclusive manner?
- Does it help expand local employment opportunities?

- Does it promote the use of local tourism products?
- Will the tourism economic benefits be shared with host communities?
- Does it involve a public private partnership approach?
- Does the project proponent have previous relevant management experience?
- What are the indicative resources and implementation requirements in terms of costs, timelines, financing, operations and institutional arrangements?
- Will it mitigate against potential risk factors in terms of economic, environmental, social and cultural impacts?

c. Project Profiles for Selected Tourism Projects

115. Of the 20 Projects identified and discussed at the Stakeholders Inception Workshop (August 2014), 2 are being proposed by private investors who do not need assistance, 2 are ADB-funded infrastructure projects that have already commenced, 1 has already been rejected as unsuitable, 1 has already been included as part of the current ADB/FSM Tourism Project, 6 are HPO historical and heritage sites and these have been combined with the proposed CSP training program into one overall Project as 'Development of Historical Sites' and listed as 1 below.

116. Therefore, that left 7 other Projects which were ranked in order as potential proposals and listed below. Note that 4 of these were TA support projects, requiring a specialist consultant to assist in a 'one-off' capacity. However, since the Mission 2 field trip in October, 2014, 4 of these projects have been cancelled and two new projects were added to the list, returning us to a total of 8 State projects, plus the 4 National Projects.

Total Current Projects = 8

Main Focus areas:

TA Support = 1

Product Development = 5

SME Development = 1

Infrastructure (Building/Renovation) = 1

117. **Develop a Farmers Supply Chain and Farm Tours Business.** Proposed by the Pohnpei Farmers Association. Ranked equal 2nd in the stakeholder's workshop. Proposal is to increase the number of locally based fish, fruit and vegetable market locations. Then increase the number of suppliers and buyers to increase the linkages between hotels, restaurants and village farmers and fishers. Please refer to the Project Profile below.

118. **Business Plan for Nukuoro Black Pearls.** Locally based business with connections and farms in the Outer islands, requires assistance with management and marketing plans to increase export sales and to tap into the FSM tourist market.

119. **Nan Madol World Heritage Application.** Proposed by the National Archives Office who have prepared the draft document which still requires substantial improvements to allow the final submission to have any chance of success. JCIC-Heritage (Japan) completed a site survey in 2010 and a number of voluntary academics are assisting the FSM Archives Office to complete the application. Looking for TA support to complete all the requirements of the WH application. A Site Management Plan should also be considered to assess visitor impact and management in terms of signage, entrance fees, toilet and visitor facilities and tour guide training. **Cancelled as UNESCO provided the funding.**

120. **Gap Analysis for Environmental Laws.** Proposed by CSP. Ranked as 1 in the stakeholders workshop. TA support is required from a legal specialist to align National, State and Municipal laws to better co-ordinate EIA and other environmental enforcement.

121. **Ecotourism Development Project.** Proposed by CSP. Support the Conservation Society of Pohnpei to develop the Pohnpei Eco-Adventure Maps and Tours series for 13 regions, featuring hiking, trekking, biking, kayaking, canoeing, swimming, picnicking and historic sites, including village visits. Develop special interest markets in ornithology and botany. Includes sites rehabilitation, interpretation signage, tour guide training, logistics for ecotours and marketing.

122. **Development of Historical Sites.** Proposed by the HPO and Tourism & Parks Office, many of these sites require upgrading as tourist attractions or picnic viewing sites. Various sites have been identified and the Tourism & Parks Office is responsible for their on-going maintenance. Funding is required for infrastructure improvements, signage, site management and promotion.

123. **Infrastructure Plan to Develop a new Hotel.** Proposed by an Investment Advisory Group. Early planning stages to build a 200-room hotel. The hotel investor requires funding for an infrastructure plan to develop an artificial beachside hotel. Pohnpei's lack of reliable land title and the mangroves that surround the island virtually prohibit a beach side tourism hotel on existing land and the plan is to develop an 'island' offshore and build the hotel on the reclaimed land. The infrastructure would include a reclaimed artificial island of at least 2.5 acres, with a beach as well as the required access road, water, electricity and sewerage utilities to the site.

124. **Pohnpei Nature Conservation Project.** After discussions with the Governor of Pohnpei it was agreed that the Pohnpei State Dept of Economic Affairs would submit a project proposal for a fully revised and scaled down version of the 'World Park' concept.

125. **Develop a Homestay Program.** Proposed by the JICA Tourism Adviser at the Stakeholders Workshop in Oct. Has since partnered with the Service Civil International (SCI) volunteers co-ordinator group and is already organizing camps in Pohnpei. **So, can be delisted for now.**

126. **Develop a Hotel EE and RE Program.** Proposed by SPC. Could be developed as a National Program. Need to undertake energy audits in all hotels then need to work with national importers and suppliers to encourage the use of EE and RE appliances and equipment. Also mentioned under the Chuuk Projects. Has the potential to decrease hotel operating costs, lower GHG emissions and reduce fuel imports.

d. Delisted

127. **Cost Benefit Analysis on 'Our Airline' Proposal.** Proposed or requested by the CAA as part of the discussions about the FSM air access problems and its effect on tourism development generally. This was requested by the President when Congress discussed the proposal. Require TA support for an independent consultant to undertake an objective cost/benefit analysis. **Cancelled as Nauru not a solid investment partner. Also part of a wider National issue.**

128. **Establish a Pohnpei Hotel and Tourism Association.** Mentioned by many Pohnpei hotels and tour operators during stakeholder interviews. Ranked equal 2nd in the stakeholder's workshop. Need to form a private sector based tourism association to represent member's interests and access more marketing assistance. TA Support required to assist, convince stakeholders of the benefits. **Cancelled as need some stronger indication from enough industry stakeholders that they will support the concept.**

129. **Upgrade and Renovation of Botanical Gardens Site.** Existing proposal by SPC. Seeking funding support to develop a Convention Centre, renovate the current PVB office into a Training or Cultural Centre and restore the Observatory building as an historical site. **Cancelled as a funding proposal had already been sent to the Chinese Embassy.**

G. Pohnpei State Tourism Investment Action Plan

130. The table below outlines the four projects designated as being significant and important enough to be relevant to all four FSM States, hence they are termed as FSM National Projects.

131. As noted in the above section there are 8 current State Projects meaning there are 12 priority tourism projects to be implemented in Pohnpei, 4 as part of a National Program and 8 specific to the State of Pohnpei. Of these 8 effective Pohnpei Projects, only 1 has completed and submitted a Project Profile. Hence, it is not possible at present, to provide the costings on many of the others and an N/A is recorded. Of the 4 Projects where we have cost estimates, the total for Pohnpei at present is USD 265,000.

132. Possible funding agencies have been identified and are listed as follows:

- Asian Development Bank, which may fund these projects as part of a follow up loan/grant tourism sector focused FSM project
- Compact, is the unspent funds in previous FSM Compact funding now available to be utilised in the tourism sector. It may also include
- Dev Bank, is the FSM Development Bank who could co-finance some of the private sector projects.

133. The responsible agencies identified are for the most part those that nominated or suggested the Project, together with those agencies who normally assume responsibility for the area the type of project is focused on, or indeed, where it is considered that public and private agencies can be partnered together to implement projects more effectively.

Pohnpei State Tourism Investment Action Plan

	Name of Project	Project Profile Status	Link to National Tourism Policy and Development Objectives	Responsible Agencies	Costing (USD) and Funding	Description/Action
FSM National	1. Improved Tourism Market Research.	Description in Vol 1. Report	Goal 5, Objective 5.1. Also Goals 2 and 4	DoRD, SBOC	3 x 35k = 105k, 35k for Pohnpei, Compact	Need to fix the scanners, collect and analyse the data from the arrival form. Undertake visitor exit surveys, accommodation surveys and economic impact analysis.
	2. Tourism Public Awareness Campaign	Description in Vol 1. Report	Goal 3, Objective 3.1.	DoRD,	4 x 30k = 30k for Pohnpei, Compact	To increase understanding, inform and promote tourism issues, markets, types, opportunities, linkages, benefits for all.
	3. Tourism Industry Customer Service Training	Description in Vol 1. Report	Goal 3, Objective 3.6.	COM-FSM, SBDC, CoC	N/A, ADB, Compact	For both direct and indirect staff, including all existing employees.
	4. Upgrade of Domestic Airlines Service	Description in Vol 1. Report	Goal 2, Objective 2.5	FSM Dept TC&I PNI Eco Affairs	N/A, ADB, Compact	Acquire 2 x 50 seater aircraft to improve capacity, scheduling and linkages to all four island States. Upgrade CIA operations and aircraft to service Outer islands.
Pohnpei	1. Develop a Farmers Supply Chain and a Farm Tours Business	Completed See Annex 1	Goal 4, Objective 4.1.	PNI Farmers Assoc'n.	100k, ADB, Compact	Saimon Mix saimonmix@gmail.com and Johnny Hadley dipwinmen@yahoo.com
	2. Business Plan for Black Pearls Export Sales	sent template 27/10, 13/11, 20/11	Goal 4, Objective 4.1.	Nukuoro Black Pearls	N/A, ADB, Compact	George Steven miconupearls@gmail.com TA Support required to assist with training and marketing for export. Project profile not returned as yet.
	3. Nan Madol World Heritage Application.	sent template 19/10, 13/11	Goal 4, Objective 4.4.	National Archives C'ttee	Cancelled	Augustine Kohler kusgoose@hotmail.com TA support to complete the WH application, including 2 x Site Management Plans. UNESCO have now funded this.

	Name of Project	Project Profile Status	Link to National Tourism Policy and Development Objectives	Responsible Agencies	Costing (USD) and Funding	Description/Action
	4. Gap Analysis for Environmental Laws.	sent template 10/10, 13/11, 20/11	Goal 6, Objective 6.4.	CSP	N/A, ADB, Compact	Eugene Joseph cspdirector@serehd.org TA support is required from a legal specialist. Project profile not returned as yet.
	5. Ecotourism Development Project	sent template 10/10, 13/11, 20/11	Goal 4, Objectives 4.1., 4.3., 4.4.	CSP	N/A, ADB, Compact	Eugene Joseph cspdirector@serehd.org Project profile not returned as yet.
	6. Development of Historical Sites as Tourist Attractions	sent template 10/10, 13/11, 20/11	Goal 4, Objectives 4.1., 4.3., 4.4.	HPO	N/A, ADB, Compact	Jason Lebehn jixpac@yahoo.com Project profile not returned as yet.
	7. Infrastructure Plan to Develop a new Hotel	sent template 8/10, 13/11	Goal 2, Objective 2.6.	MRA	Deferred	Steve Baker steve@mra.fm Awaiting an infrastructure cost estimate. Too early to submit a project profile
	8. Pohnpei Nature Conservation Project.	sent template 19/10, 13/11, 20/11	Goal 4, Objective 4.1.	Governor's Office, Eco Affairs	Deferred	Referred to Howard Rice prof_rice@yahoo.com A fully revised and scaled down version of the World Park concept. Project profile not returned
	9. Develop a Homestay Program.	sent template 23/10	Goal 4, Objective 4.2.	JICA	Cancelled	Proposed by Seiichi Naka, Tourism Adviser at DoRD nakaporzellan@ybb.ne.jp . Already established and being implemented, so no need to include in the ADB list of projects.
	10. Conduct Hotel Energy Audits.	sent template 27/10, 13/11	Goal 6, Objective 6.4	SPC	10 x 10k = 100k, ADB, SPC, Compact	Following up with SPC. Need to undertake energy audits in all hotels then need to work with national importers and suppliers to encourage the use of EE and RE appliances and equipment.

Legend for Responsible Implementing and Funding Agencies:

ADB –	Asian Development Bank
Compact –	Annual Compact Funding (including unspent funds)
MRA –	Micronesia Registration Authority (Investment Advisors)
DoRD -	National Dept of Resources and Development
SBOC –	National Dept of Statistics, Budget, Overseas Aid and Compact Funding
Eco Affairs –	Pohnpei Dept of Economic Affairs
COM-FSM –	College of Micronesia
CSP–	Conservation Society of Pohnpei
SBDC –	Small Business Development Centre
CoC –	Chamber of Commerce
Dept TC&I –	National Dept of Transport, Communications and Infrastructure
SPC –	Secretariat of the Pacific Community
HPO –	Pohnpei Historical Preservation Office

IV. KOSRAE STATE TOURISM INVESTMENT PLAN

A. Introduction

134. As part of the ADB Tourism Study to develop a National Tourism Policy the terms of reference also called for the Project Team to identify priority tourism investments projects in each of the four FSM States. The State Tourism Investment Plan would identify and list each project with the following information:

- (i) Feasible investment projects related to tourism products, infrastructure and service requirements of the State;
- (ii) Indicative resources such as cost requirements, timelines and feasible financing mechanisms or funding sources, involving through public-private partnership;
- (iii) Institutional, operational and implementation requirements corresponding to each feasible investment project.

135. As part of the overall study the ADB Project Team has conducted a comprehensive tourism sector assessment and analysis of visitor arrivals, strategic issues, key constraints and development needs, in close consultation with government ministries and departments, the private sector, development partners and civil society in each of the four FSM States. Based on this, they then developed and facilitated an agreement between the key stakeholders for a National Tourism Policy to harmonize national and state efforts to develop and promote sustainable tourism.

136. The State Tourism Investment Plan for Kosrae provides an overview and an assessment of its tourism sector development and performance in section 3, describes the State investment policy and relevant legislation that influences tourism development in sections 4 and 5, identifies the current infrastructure projects and the priority tourism projects to be considered for investment assistance in section 6, with an action plan for implementation in section 7.

B. Methodology

137. The Project team has undertaken a wide variety of methods to assess the FSM tourism sector, to research, analyse, discuss, present and document the major issues in order to formulate and draft a national tourism policy and four State tourism investment plans.

138. As well as home office based desk research being undertaken by each of the consultants, including a thorough literature review of all previous tourism related plans, policies and reports, two field trip missions were undertaken in Kosrae, as follows:

- Mission 1, August 4th to August 9th, 2014
- Mission 2, October 11th to October 13th, 2014

139. Both of these field trip missions included numerous individual consultations with a wide variety of key stakeholders, conducting a Stakeholder Workshop for feedback and site visits to various tourist facilities, attractions and potential project sites.

C. Tourism Development in Kosrae

140. Unlike the other FSM States, Kosrae is a single island surrounded by a fringing reef with a population of around 8,000 people who live in the five coastal villages. It has steep rugged mountains covered with a dense, tropical forest. Although Kosrae can offer exceptional dive products and marine park experiences, it is its other potential ecotourism products that need to be developed and promoted. These include the historical and heritage sites, particularly the Lelu Archaeological Ruins, and the nature based attractions of the Utwe Biosphere and the Yela Forest, all of which have the potential to be listed as World Heritage Areas. These three key products need to be carefully nurtured and managed as authentic ecotourism attractions that can provide Kosrae with genuine international recognition and, by extension, an improved image for FSM as a destination.

141. The Kosrae Visitors Bureau (KVB) is responsible for the marketing and promotion of Kosrae as a tourism destination, including its product development that involves many local stakeholders. In 2013, the KVB operated on a budget of USD108,000 with a Manager, 2 other full time administration staff and a Japanese marketing volunteer, out of a dedicated office, close to the main Government complex. It highlighted the following activities and achievements in its annual report to the Compact Fund Committee:

Kosrae Visitors Bureau	
Goal:	To diversify and expand the range of attractions and activities for visitors; To realize potential for promoting FSM in appropriate markets and market segments; To have a reliable system of measuring tourism activity in the FSM.
Objective:	To develop the Kosrae Tourism Industry through promotion in appropriate international or market segments.
Results:	<u>The KVB:</u> Developed and disseminated six press releases/programs, developed and disseminated eight stories of Kosrae through visiting journalists, used the US PR company four times to represent Kosrae in events in US; Upgraded the KVB website; Developed three Internet promotions; attended eleven tourism and trade shows and conferences; disseminated eight promotional materials; Placed three printed advertisements in newspapers and magazines; Developed and improved existing visitor infrastructure, sites and attractions and organize events for tourists enjoyment; Organized roadside clean-ups and workshops for service providers to improve services and entrepreneurial skills; and Organized annual tourism stakeholder's conference.

Source: Compact Fund Annual Report, 2013

142. Compared to the other FSM States, Kosrae is the baby in terms of its stage of development and market share. In 2013 it only attracted 316 genuine tourists, which is only 4% of the FSM market share. They have 5 active hotels operating with a total capacity of 51 rooms, but at a very low average occupancy of 33%. No doubt, the lack of airline access in terms of frequency and capacity does not help. They attract the highest percentage of the Pacific Islands market which is suspected to be a church related niche market, but most of these visitors tend not to stay at hotels.

143. Kosrae remains an island with difficult and costly access and cannot afford to develop in isolation from the other FSM States. It should therefore try and develop twin or multi-island packages with the other FSM islands, particularly Pohnpei. As a small developing tourism destination, Kosrae will need to concentrate more resources on tourism

community awareness programs, tourism industry training programs and environmental beautification campaigns.

144. Kosrae stakeholders were adamant about preserving their culture and environment and their strategy will be to control tourism capacity through small scale, high yield tourism. It should be promoted as an exclusive destination, with a pristine environment and an intact traditional culture. However, it needs to add to its accommodation capacity particularly if and when the three major ecotourism projects are developed. There is also a major opportunity for Kosrae to develop non-diver marine products like snorkeling, swimming, kayaking, outrigger canoeing, traditional fishing and coral reef monitoring activities. There is also a couple of well developed and managed land tours that include mountain hiking trails, WW2 sites, waterfalls, caves, villages and rainforests. These all add diversity to the Kosrae ecotourism products, as outlined below:

- **Lelu Ruins:** This ancient walled city represented the peak of cultural development and architectural achievement during the last years of the 15th century.
- **Menke Ruins:** This area was built years before Lelu and is considered a religious site where ancient Kosraens worshipped "Singlaku," the Goddess of Breadfruit, who was believed to have magical powers to produce food during periods of dry weather.
- **James Palsis Marine Park:** A community-based conservation area, recognized for its outstanding and sustainable biodiversity, offers outrigger canoe tours.
- **Utwe-Walung Marine Park:** Offers visitors an experience of some of Micronesia's most pristine forests and mangrove ecosystems as part of a community-based conservation area, recognized for its sustainable biodiversity.
- **YELA Ka Forest:** View, via outrigger canoe tour, the last and only Ka Forest Stand, the endemic 'Terminalia Carolinenses', in the world.

D. State Government Policy on Investment

145. Like Yap, Kosrae has a dedicated website outlining its foreign investment and business licensing guidelines. It states "The Kosrae State Government welcomes foreign investment aware that foreign capital, management and technology are critical to the State's development". It also promotes ecotourism and states "Environmental awareness and sustainability are key words in the economic development of the State".

146. Provisions are also made for co-operation and co-ordination with the National Government through the FSM Foreign Investment Act and the Immigration authorities in regards to expatriate work permits.

147. As with all of the FSM States, Kosrae places limits on foreign ownership of small- and medium-size businesses, so as to protect such businesses from foreign competition. Foreign investment is strictly limited by local ownership (51-60%) or a residency requirement of more than five years. Large projects are assessed on a case-by-case basis.

E. Legislation Affecting Tourism Investment

148. **The Kosrae State Foreign Investment Act 1998** is administered by the Dept of Commerce and Industry. This sets out the guidelines for administering Foreign Investment permits to non-FSM citizens, including the eligibility of business activities within certain categories of economic sectors. Like other FSM governments, Kosrae uses a traffic light system to regulate businesses and investment, with activities categorized as red for

prohibited, amber for restricted, and green for unrestricted. It recognizes the National categories under the FSM Foreign Investment Act, which are:

- Red: Arms manufacture, minting of currency, nuclear power, radioactive goods.
- Amber: Increased scrutiny before approval for non-traditional banking services and insurance.
- Green: Banking, fishing, air transport, international shipping.

149. For Kosrae State, the categories are:

- Red: Manufacturing of toxic, biohazard materials, gambling, casinos, fishing using sodium/cyanide compressed air.
- Amber: Real estate brokerage, non-ecology-based tourism, trade in reef fish, coral harvesting
- Green: Eco-tourism, export of local goods, professional services.

150. For amber permits, an extra condition is that within twelve months after the initial issuance of the Permit, and at all times thereafter while the Permit remains valid, the holder shall have invested in, and not removed from, Kosrae State the sum of at least \$5,000. At least one-half of that investment shall have been in cash. The remainder may be through the provision of labor or other things of value.

151. Applicants for Foreign Investment permits have to meet fairly standard character criteria to establish their bona fides and suitability. There is a one-off application fee of USD 150, unless there are any substantial changes or modifications to the original proposal or the applicant's circumstances, which must be reported to the Director. Permit holders are also expected to provide annual reports which act as a review and monitoring process for the Director.

152. The Director is also required to submit an annual report with information to include data regarding the number of foreign investments, the types of business entities involved, the numbers of foreign investors, their shares of ownership in the business entities, and any unusual developments during the year being reported on, including cancellations or penalties imposed.

153. **The Kosrae Visitors Bureau** was created under State Legislation in 1998, and is governed by a Board of Directors, which consists of five members, all appointed by the Governor of Kosrae with the advice and consent of the State Legislature. Three of the board members have to be members of the private sector whose primary occupations are in the tourism industry. The Board members serve a term of 4 years. The Board of Directors appoints a Coordinating Officer (currently called an Administrator, rather than a Manager, because he was recruited from a national post) who shall be responsible to the Board to execute its programs. The Coordinating Officer has full charge and control of the Bureau operations on a day to day basis.

154. As outlined in the Act, the main role and function of the Kosrae Visitors Bureau is to promote and develop Kosrae's tourism industry and to assist, when requested, both government and private entities in the development, implementation and promotion of programs to further the education, training, employment and assistance for entrepreneurial development; to promote local cultural activities and items of local manufacture; to promote and assist in the development of adequate tourist facilities and attractions; and to work with other entities to collect, analyze, evaluate and regularly publish comprehensive data on the visitor industry.

155. **The Protection of the Environment Act** is the responsibility of The Development Review Commission. The Commission has the power and duty to: Protect the environment, human health, welfare and safety, to abate, control and prevent pollution or contamination of air, land and water to ensure that economic and social development is environmentally sustainable; to enforce regulations; administration of a development permit system; act as an agent of the Environmental Protection Board; and preserve the State's forests and wildlife and regulate activities that affect them. The Commission also supervises Environmental impact studies and requires that:

- i) All persons include in their development proposals an environmental impact assessment study in accordance with regulations established by the Commission.
- ii) All persons submit an environmental impact statement to the Commission according to Commission specifications, prior to taking any action significantly affecting the quality of the human environment.

F. Priority Tourism Related Projects

a. Current Infrastructure Development Projects

156. In terms of public infrastructure that affects tourism, Kosrae needs to complete these priority infrastructure projects:

- Upgrade of the Airport Terminal, including meet and greet facilities
- Replacement of bridge on the airport access road (commenced)
- Improvements to small scale tourist sites for tours, like safety trails, signage, toilet facilities etc.
- Continued Support for the Mooring Buoy Reef Relief Program

b. Selection Criteria for Tourism Projects Requiring Assistance

157. The following selection criteria has been developed by the Project Team consultants based on their understanding of the FSM and Kosrae tourism development strategy, its current stage of development, the feedback from stakeholders and their knowledge and expertise in relation to developing tourism projects on small islands.

- Does it fit with the National Tourism Policy Values, Vision, Goals and Objectives?
- Does it enhance the performance of the tourism sector in an environmentally and culturally sustainable and socially inclusive manner?
- Does it help expand local employment opportunities?
- Does it promote the use of local tourism products?
- Will the tourism economic benefits be shared with host communities?
- Does it involve a public private partnership approach?
- Does the project proponent have previous relevant management experience?
- What are the indicative resources and implementation requirements in terms of costs, timelines, financing, operations and institutional arrangements?
- Will it mitigate against potential risk factors in terms of economic, environmental, social and cultural impacts?

c. Project Profiles for Selected Tourism Projects

158. Of the 30 Projects identified by Kosrae stakeholders and discussed at the Stakeholders Inception Workshop (August 2014), 20 are HPO historical and heritage sites and these have been combined into 1 Project as 'Development of Historical Sites' and listed as 6 below. 4 are training programs that can be combined under a 'Kosrae Ecotourism Training Program' and is listed as 1 below. Therefore, 5 other Projects have been listed as potential proposals below. Each project was then ranked in order according to the criteria outlined in section 6.2.

159. However, since the Mission 2 field trip in October 2014, Project 1 has been split and both of these projects have been placed on the National Projects list. A new project to undertake a marketing plan for the Peng WD Eco Beach Resort was also proposed, but no further information has been forwarded so we are unable to include this project at present.

Total Projects = 7

Main Focus areas:

Product Development = 4

SME Development = 2

Infrastructure = 1

160. **Ecotourism Awareness and Training Program.** Ranked 2 and 5 in the stakeholders workshop. Now combining four proposals into one overall project. Proposal is to provide some financial assistance to allow three locally based organizations KIRMA, KCSO and KVB to partner together, combine their resources, develop and deliver this type of training program. The Kosrae Village Resort has also offered their facility to be used as a training venue. Other existing regional organizations already networked in, such as SPREP, UNESCO, SPC and SPTO could be utilized to provide TA support. Training programs suggested include: community and industry awareness campaigns; TA to assist with EIA assessment, reporting and enforcement; Tour Guide Training Programs for existing tour operators, including the HPO sites in 1 above; Hospitality skills training. **Split into two and now both National Projects.**

161. **Protected Areas Conservation and Ecotourism Program.** A written proposal has been submitted by KCSO covering the four protected areas of: Utwe Biosphere; Olum Watershed; Tafunsak Marine Protected Area (MPA); Walung MPA. Ranked 3 in the stakeholders workshop. The objectives of the project are stated as:

- To empower the local community to support and participate in the effective management of their Protected Areas.
- To increase community understanding of their roles in co-managing Protected Areas.
- To improve the livelihood of local communities through ecotourism and other sustainable development activities.

162. Funding of USD70k is being requested to establish the program through staff subsidies, equipment, materials, promotional merchandise and small scale infrastructure improvements. **Refer to the Project Profile in Annex 1.**

163. **Develop Yela Canoe Eco-Tours.** Proposed by the Yela Landowners Authority. This is a potential World Heritage Area that includes an endemic and pristine Ka Forest and protected mangrove forest. Local owners and managers want to upgrade their existing facilities and develop their ecotourism products, particularly locally made outrigger canoe tours through the existing waterway channels. Need to sensitively develop routes for tours

through the mangrove water channels, install boardwalks, upgrade of the Visitor Centre and provide interpretive signage. Tour guide training and business management training would need to be included as part of the project proposal. The Micronesia Conservation Trust already assist with financial management of their Trust funds.

164. **Upgrade of Mt. Oma Hiking Trail.** Proposed by Kosrae Adventure Tours, one of the better and long established tour operators. Supported by the KVB. Relatively small scale infrastructure improvements are required to improve the tourist safety features of the existing trail, creating a proper walkway, with better railings and use of guide ropes. Proponent should also be assisted with marketing training and development of a marketing plan and promotional materials.

165. **Develop a Handicrafts Retail Outlet.** Proposed by the KWA and supported by the KVB. The local Womens Association require start up funding and a Management Plan to fully utilize their lohm/house situated next to the KVB as a retail outlet to sell their handicrafts. Also need proper signage. Business management and marketing training should also be included. **Refer to the Project Profile in Annex 1.**

166. **Development of Historical Sites.** Proposed by the HPO but supported by the KVB and ranked 4 in the stakeholders workshop, most of these sites require upgrading as tourist attractions. Various historical sites have already been identified in 4 municipalities: Lelu x 12, Tafunsak x 6, Malem x 1, Utwe x 1. Most are registered on the National Historical Register. This proposal would also include the Upgrade of Lelu Ancient Ruins site which is currently part of a World Heritage application. There is also a possibility of GEF funding to clean up the existing trail and water channels to improve access and to provide better interpretive signage. Generally, all of these sites require funding for maintenance, clearing/cleaning, signage, waste management, site management, promotion, tour guide training and financial management programs. **Refer to the Project Profile in Annex 1.**

167. **Upgrade of Airport Terminal.** Proposed by the Dept IC&T. Ranked 1 in the stakeholders workshop. Not included as part of the FAA Airport Upgrading Program. Airport arrivals entrance is better than most but could be more welcoming to visitors.

G. State Tourism Investment Action Plan

168. The table below outlines the four projects designated as being significant and important enough to be relevant to all four FSM States, hence they are termed as FSM National Projects.

169. This means there are 11 priority projects to be implemented in Kosrae, 4 as part of a National Program and 7 specific to the State of Kosrae. Of these 7 effective Kosrae Projects, only 3 have completed and submitted a Project Profile. Hence, it is not possible at present, to provide the costings for the other 4 projects and an N/A is recorded. Of the 5 Projects that have cost estimates, the total for Kosrae at present is USD168,000.

170. Possible funding agencies have been identified and are listed as follows:

- Asian Development Bank, which may fund these projects as part of a follow up loan/grant tourism sector focused FSM project
- Compact, is the unallocated funds in previous FSM Compact funding now available to be utilised in the tourism sector. It may also include funding for infrastructure projects from previously unspent infrastructure funds.
- UNESCO is likely to provide funding to assist with the YELA Ka Forest World Heritage application

- Micronesia Conservation Trust has also expressed some interest in evaluating any funding application from Yela, KCSO and KIRMA/HPO.

171. The responsible agencies identified are for the most part those that nominated or suggested the Project, together with those agencies who normally assume responsibility for the area the type of project is focused on, or indeed, where it is considered that public and private agencies can be partnered together to implement projects more effectively.

Kosrae State Tourism Investment Action Plan

	Name of Project	Project Profile Status	Link to National Tourism Policy and Development Objectives	Responsible Agencies	Estimated Costing (USD) and Funding	Description/Action
FSM National	1. Improved Tourism Market Research.	Description in Vol 1. Report	Goal 5, Objective 5.1. Also Goals 2 and 4	DoRD, SBOC and KVB	3 x 35k = 105k, 35k for Kosrae, Compact	Need to fix the scanners, collect and analyse the data from the arrival form. Undertake visitor exit surveys, accommodation surveys and economic impact analysis.
	2. Tourism Public Awareness Campaign	Description in Vol 1. Report	Goal 3, Objective 3.1.	DoRD, KVB	4 x 30k = 30k for Kosrae, Compact	To increase understanding, inform and promote tourism issues, markets, types, opportunities, linkages, benefits for all.
	3. Tourism Industry Customer Service Training	Description in Vol 1. Report	Goal 3, Objective 3.6.	COM-FSM, KVB, SBDC, CoC	N/A, ADB, Compact	For both direct and indirect staff, including all existing employees.
	4. Upgrade of Domestic Airlines Service	Description in Vol 1. Report	Goal 2, Objective 2.5	FSM Dept TC&I Kosrae Dept of T&I	N/A, ADB, Compact	Acquire 2 x 50 seater aircraft to improve capacity, scheduling and linkages to all four island States. Upgrade CIA operations and aircraft to service Outer islands.
KOSRAE	1. Protected Area Conservation and Ecotourism Program	Completed, See Annex 1	Goal 3, Objective 3.1. Goal 4, Objective 4.1.	KSCO	70k, ADB, Compact	Andy George, KSCO kcsodirector@mail.fm
	2. Yela Ka Forest Canoe Eco Tours	Template sent 11/10, 13/11, 20/11	Goal 4, Objective 4.1.	YELA	N/A, ADB, Compact, UNESCO	William, YELA Wkwill98@yahoo.com . No project profile returned as yet.
	3. Development of Historical Sites	Completed, see Annex 1	Goal 4, Objective 4.1.	HPO, KIRMA	15k, ADB, Compact	Robert Jackson, KIRMA and HPO rhjackson14@gmail.com
	4. Upgrade Mt Oma Hiking Trail	Sent 19/10 13/11, 20/11	Goal 4, Objective 4.1.	Kosrae Adventure Tours, KVB	N/A, ADB, Compact	Through Grant Ismael at KVB grant.ismael@gmail.com . No project profile returned as yet.
	5. Handicrafts Retail Outlet	Completed, See Annex 1	Goal 4, Objective 4.1.	Kosrae Womens Assocn	18k, ADB, Compact	Through Grant Ismael at KVB grant.ismael@gmail.com

	Name of Project	Project Profile Status	Link to National Tourism Policy and Development Objectives	Responsible Agencies	Estimated Costing (USD) and Funding	Description/Action
	6. Upgrade Airport Terminal	Sent 27/10 13/11, 20/11	Goal 2, Objective 2.5.	Dept of Transport and Infrastructure	N/A, ADB, Compact	Hairom Livae, hlivae@hotmail.com Through Grant Ismael at KVB grant.ismael@gmail.com No project profile returned as yet.
	7. Marketing of Peng WD Eco Resort	Sent 27/10 13/11, 20/11	Goal 4, Objective 4.1.	Peng WD Resort	Pending further info	Timothy Jackson Laskjz@yahoo.com Through Grant Ismael at KVB grant.ismael@gmail.com

Legend for Responsible Implementing and Funding Agencies:

ADB –	Asian Development Bank
Compact –	Annual Compact Funding (including unspent funds)
DoRD -	National Dept of Resources and Development
SBOC –	National Dept of Statistics, Budget, Overseas Aid and Compact Funding
KVB –	Kosrae Visitors Bureau
KSCO –	Kosrae Safety and Conservation Office
KIRMA –	Kosrae Island Resources Management Authority
KWA –	Kosrae Womens Association
YELA –	Yela Landowners Association
T&I –	Kosrae Dept of Transport and Infrastructure
COM-FSM –	College of Micronesia
SBDC –	Small Business Development Centre
CoC –	Chamber of Commerce
Dept TC&I –	National Dept of Transport, Communications and Infrastructure
SPC –	Secretariat of the Pacific Community
HPO –	Kosrae Historical Preservation Office
UNESCO –	United Nations Education, Science and Culture Office

Annex 1: Project Profiles for Selected Tourism Projects in Yap

Project 1: Development of Canoe Hut Facilities at the Living History Museum

Type of Project:	SME Tourism Development
Project Category:	Infrastructure (Buildings)
Name of Project Promoter:	Waa'gey Inc (Handicrafts, Souvenirs, Canoe building and sailing)
Contact Person/Position:	Larry Raigetel, CEO
Location/Map Ref:	Colonia, Living History Museum
Current Status of Project:	Project proposal has been discussed but not written up.
Status of Land Tenure:	Business has a lease arrangement with the Yap Living History Museum Board of Directors (YVB, HPO, Traditional Councils) who manage the facility. Living History Museum was built through funding from the French Government.
Project Description:	<p>The project involves the building of special storage sheds for the Waa'gey Canoe builders and handicraft carvers to store their tools and artifacts overnight. They are based at the Living History Museum but this site is not guarded nor secured overnight. They also need toilet facilities to be built on-site for their visitors to use. The toilet facilities can also be used by visitors to the events held intermittently at the Living History Museum. Other Project activities will include:</p> <ul style="list-style-type: none"> • Development of a business and marketing plan to include the other on-site Waa'gey business activities that include outrigger canoe tours, outer island village tours, sale of souvenir handicrafts on site each day and cultural activities at special events held at the Living History Museum. • Assistance with developing a tour company that can specialize in tours to visit Outer Island communities based in Yap proper. Could also develop a tour to Ulithi resort, either sailing a canoe, or flying and then canoeing around the islands and atolls. Need to contact the new Manager at Ulithi Resort – old contact is John Rulmal (jrulmal@yahoo.com). • Business management mentoring and training, particularly for the youth involved.

Project Rationale/Concept:	<p>The Project supports and enhances the concept of Yap cultural tourism, mixed with ecotourism and special event tourism. Yap continues to market its strong traditional culture alongside its diving product. The stone money, traditionally built stone pathways, local tribal mores, seafaring traditions, traditional dress and costumes serve to provide Yap with a differentiation from the other FSM States and a diverse and unique cultural tourism product and image. This Project represents such a tourism product, inspired by traditional Yapese culture. Potentially, it will also:</p> <ul style="list-style-type: none"> • improve the livelihood of Outer island local communities who form the core membership of Waa'gey Inc. Handicrafts • generate employment and income through ecotourism and other sustainable development activities.
Estimated Development Cost/Investment Value (USD):	30,000 for storage facilities and 40,000 for building two large seafaring voyager canoes = 70,000
Financial Position/Assistance required:	Registered NGO and cannot afford to borrow from a bank
Market research undertaken:	Have been operating for 6 months and are confident a niche market can be built up and attracted.
Planning Approval Requirements:	Yes, will require planning and building approvals
EIA Requirements:	Yes, will need to check with EPA
Infrastructure Requirements:	Yes, buildings, utilities, fit out
Management Experience:	<p>Proponent is Waa'gey Handicrafts who is already well established and operating tourist programs (handicrafts, tours, site attraction) that are based in Yap Proper but also directly benefit the Outer Islands. They have been based at LHM for 3 years. Project is supported by the following partners:</p> <ul style="list-style-type: none"> • Yap Visitors Bureau • Historic Preservation Office • Councils of Tamol/Pilung
Business Plan completed:	No, but required for business development purposes
Marketing Plan completed:	No, as above
Feasibility Analysis completed:	Not required.
Market and Sales Potential:	Very much dependent on Yap visitor numbers and the effectiveness of the marketing plan.

Linkages with the Tourism Sector/Other Sectors: Very strong linkages with Outer Island local communities, landowners, municipal governments, schools, State Government, National Government and other NGO's.

Development Impacts: Strengthen conservation and biodiversity protection, create alternative livelihoods through the ecotourism business, sustain natural resources for future use. Could act as a model for other FSM communities to develop.

Capacity Building Potential: Excellent, particularly through direct business development and business management training and mentoring programs.

Project 2: Develop Historical Sites as Tourism Attractions

Type of Project:	Mangol Stone Money Bank, Proposed UNESCO World Heritage Site
Project Category:	Historic and Cultural site
Name of Project Promoter:	Chiefs Francis Fithingmow, Thomas Ganang, Steven Mar, John Kadannged and the people of Makiy village, Gagil municipality
Contact Person/Position:	Francis Reg, Officer - Yap State Historic Preservation Office
Location/Map Ref:	Makiy Village, Gagil Municipality, Yap State, FSM
Current Status of Project:	On-going scientific studies and reports writing, development of management plan and comparative analysis, site restorations, identifications of indigenous plants and uses, survey and inventory of supporting associated historic structures, setting of buffer zones to improve the nomination application pending with the UNESCO World Heritage Foundation.
Status of Land Tenure:	Communal (site is under the traditional authority of four (4) traditional chiefs on behalf of certain communities in Yap State, FSM))
Project Description:	Mangyol Stone Money Bank site is physically unique in that the site comprised of two dancing grounds intersecting in the middle forming a cross creating four quadrants in the complex. Baleayrech Stone Money Bank extends on an east-west axis which is also the dancing ground as traditional dances were once performed there. Mangyol is the stone money bank or dancing ground on a south-north axis. At the east end of the site is a stone path leading to a men's house site at the sea shore where the stone money were hauled to the Mangyol site. The community meeting houses stone platforms and other traditional structures/objects at the site constitute the core zone with a buffer zone extending outward surrounding the core zone. The site consists of indigenous plants used for traditional medicinal purposes, crops for subsistence/consumption, family stone platforms estates, stone backrests, and serves as an intersection of the foot paths system in the village leading to the various sections or areas of Makiy village.
Project Rationale/Concept:	Mangyol Stone Money Bank site best represents the stone money banks in Yap. The four quadrants and the number of historic structures and objects in the

area along with the numerous stone money discs displayed at the site illustrate the story of the long trans-oceanic journey and hardships encountered from the quarry sites in Palau to Yap. The nomination of the site to the World Heritage Foundation for inscription on its prestigious list of places/sites of outstanding universal value is based on its unique shape as the only site in the entire Yap State, FSM where two (2) stone money banks intersect each other in the middle. Further, it is one of the few stone money bank sites with several traditional chiefs having ultimate authority, with limited/minimal authority given to the village or community chief and members where the site is located. Members of this village or community (Makiy village) perform certain obligation at the instruction of the high chiefs. Typically, in the Yapese cultural context, a stone money bank is under the traditional authority of the chief(s) of the village or community where it is located. Further, the immediate surrounding areas within the designated buffer zones have some historic structures from the Japanese-era and an agro-forestry and pharmaceutical plants used for traditional medicine in the past to the present.

Estimated Development Cost/Investment Value (USD): Since there is no actual assessment conducted yet of the site to determine cost, the following are estimates for the activities needed to improve the site:

Road improvement to site- \$100,000
 Toilet facility - \$50,000
 Cleaning/clearing the core and buffer zones- \$100,000
 Other miscellaneous- \$50,000
 Financial Position/Assistance required: \$300,000

Market research undertaken: UNESCO’s World Heritage Listing with tourists coming to the site. A more market research should be conducted to determine present and potential income-generating opportunity once the site is listed.

Planning Approval Requirements: Community members and traditional Chiefs over the site must be involved and approve the plan (management or otherwise).

EIA Requirements: None yet

Infrastructure Requirements: Road improvement, minimal utility use at toilet facility

Management Experience: Since this is a new UNESCO nominated site, there is no management experience accumulated yet. However, it is envisioned as needed that management training for the site is critical in the near future.

Business Plan completed: Not yet since it’s not operational except with the few tourists visiting the site

- Marketing Plan completed:** Not yet but the Yap Visitors Bureau will assist in this area to market the site locally and international.
- Feasibility Analysis completed:** Not yet conducted
- Market and Sales Potential:** The site has potential to be marketed as a cultural/historic site for eco and cultural tourism as well as for academic purposes in certain social science areas
- Linkages with the Tourism Sector/Other Sectors:** Local tourism industry, community and certain government entities are now involved. A Mangyol Advisory Council has been recently formed to promote the site.
- Development Impacts:** No major social, cultural or political, environmental impacts are expected to drastically affect the site usage once approved by UNESCO.
- Capacity Building Potential:** Yap Visitors Bureau, Maky community traditional leadership and members, traditional chiefs over the site, Yap State Historic Preservation Office and other government entities are now addressing capacity building, and empowerment for the management of the site.

Project 5: Village View Resort Upgrade

Type of Project:	Repair and upgrade the resort to higher quality standards, put in place beach control and prevention seawall and pave road from village view resort to connect to the existing paved road up the hill.
Project Category:	Accommodation, Beach and Road Upgrade
Name of Project Promoter:	The project promoter is Alphonso Ganang, who is part owner of the resort. At the same time, however, it is important to mention the State of Yap and the National Government as partners and project promoters as tourism development for the nation was identified as a top priority sector for development for the nation.
Contact Person/Position:	Alphonso Ganang who is the Manager and part-owner of Village View Resort is the contact person, Phone #691-350-4679, Mail Address: villageview@mail.fm
Location/Map Ref:	Village View Resort Project is located in Northern Yap on the Northeastern paer of the island of Maap.
Current Status of Project:	Please refer to the attached document profile on Village View Resort
Status of Land Tenure:	Village View Resort is located on private land that is owned by Alphonso and his two brothers. The request pave road to connect from the hill down to the resort passes through private land but permissions had already been secured for the existing dirt road and also the Government has the easement right.
Project Description:	Please refer to document
Project Rationale/Concept:	The concept of this project is to improve the conditions and quality and all essential aspects of the resort so it can meet higher standards and to attract high end tourists and provide satisfactory services.
Estimated Development Cost/Investment Value (USD):	Total amount of investment needed for the project as outlined in more detail is USD1,168,755.
Financial Position/Assistance Required:	Village View Resort is an operational business but its current financial position is very poor due to continued low volume of visitors to Yap. It is barely staying above water. Its ability to re-invest in itself for any kind of improvement is just impossible. Outside fund resources in form of grant or low interest loan is the only possible option especially for this size of investment.

- Market Research Undertaken:** There has been no research undertaken but during the process of doing business, it is clear that strong outbound market countries have been the Asian countries such as Japan, South Korea and China. The main obstacle of trying to tap and penetrate these market areas are due to lack of fund for marketing.
- Planning Approval Requirements:** As for the beach erosion control project and the walkway pier, the EPA will have to be notified for any concern on applicable environmental issues. For the road pavement infrastructure project, public works engineering division will need to be involved especially when external fundings are involved. They will be in charge of engineering and specifications and setting up the scope of work. They will be the inspector and watchdog of the project.
- EIA Requirements:** Need to check with the EPA
- Infrastructure Requirements:**
1. Renovation of improvement hotel, restaurant and dive shop buildings.
 2. Beach erosion control.
 3. Walkway pier over the water.
 4. Road infrastructure project.
- Management Experience:** This business began as a dream of building and owning a business with no prior management experience or knowhow. But through trials and errors over a period of 17 years since 1996 should count for some kind of management experience.
- Business Plan Completed:** There is no written business plan. The resort has been doing business since 1967. However, as mentioned in the Village View Resort Project Proposal, when the project is completed, two options can be considered in order that the project can continue successfully:
1. Hire a qualified management and marketing team to run it, and
 2. Find a qualified team or company to run it on a lease basis.
- Marketing Plan Completed:** There is no written marketing plan but analyzing the tourism trend, Asian countries such as Japan, South Korea, China and others have increasingly strong outbound travelers and should be targeted. The high-end tourism is preferred like divers and culture enthusiasts.
- Feasibility Analysis completed:** None
- Market and Sales Potential:** According to countless number of people that have visited the location, all have indicated that the location has a potential for tourism development which is a

good indication that if this project is successful and a good management and marketing team is in place, sales potential will greatly improve.

Linkages with the Tourism Sector/Other Sectors: The success of this project will have a positive effect on the other tourism sectors within the economy. It will boost the local fishing and farming industries, local handicraft-making and weaving, entertainment such as traditional dance performances and traditional canoe-making and sailing. It will create many income earning possibilities and jobs both directly and indirectly.

Development Impacts:

This project, when completed, will have a huge positive impact to the business sector and in the area. The paved road will benefit all commuters and also help reduce the soil run-off into the ocean. Yap soil is said to have a high level of acid concentration that is not healthy for the marine life.

Other positive impact this development will have is that, it will help start up other sectors of business development. Good example is the women of the village have always wanted to have a clubhouse where they can do local food catering services, and a place where they can do handicraft and basket-weaving to sell to tourists. This is to name a few development impacts.

Capacity Building Potential:

When more tourists are coming and more income is collected, the income should be re-invested back into the business in essential areas such as marketing campaign strategies, maintenance and upkeep and also one of the key areas which contribute to a successful business is the development of its human resources.

Training of staff and employees need to be done on regular basis. All staff and employees should know their job well so as to be able to provide quality customer services. I think this is what is meant by "Capacity Building Potentials".

Project 7: Yap Marina Bar and Grill adding Hotel Rooms

Type of Project:	Hotel Accommodation
Project Category:	Tourism Accommodation
Name of Project Promoter:	Liyon Sulog/Yap Visitors Bureau
Contact Person/Position:	Liyon Sulog – Owner, Yap Marina Bar & Grill
Location/Map Ref:	Colonia Yap FSM
Current Status of Project:	Still in the Conceptual Stage
Status of Land Tenure:	Land is leased from the Government for a term of 25 years. Intend to request extension of the lease once the business plan is finalized and funding source identified and secured.
Project Description:	<p>One of our goals when we leased the premise is to eventually add a small hotel facility to supplement the restaurant operation. We envision turning the building into a full scale resort and expand to about twenty rooms.</p> <p>The project will utilize the existing facility currently housing the Marina Sports Bar & Grill located in downtown Colonia Yap on the waterfront of the harbor channel. The building is located ideally in the heart of the downtown, within walking distance of all government offices and major businesses in the state and less than 10 minutes from the Airport. The facility has ample space for parking. The building was originally constructed back in 1986 to be a dive shop, restaurant and a floating marina for yachters. The building is a single storey and constructed of concrete floors and walls with hardwood trusses and tin roof. Although there are obvious signs of wear and tear, the building is still structurally sound.</p> <p>The government leased the building to Yap Cooperative Association (YCA). YCA operated the restaurant and subleased the other spaces to two dive operators. In 2001, YCA did not renew their lease with the government and closed the restaurant.</p> <p>In 2007, we were able to secure a 25 year lease with the government for the Marina premise. In 2010, we reopened the restaurant and just recently completed an outside open deck bar. We are currently renovating another space that was recently vacated by one of the dive operators and turn it into a small convenience store. We are currently exploring some options of</p>

adding rooms to the existing facility. One option is to convert the existing dining area into four deluxe suite rooms, each with individual verandahs over the water. This option is probably the least expensive and can be done with minimal alteration to building structure. Rooms will be approximately 240 square feet excluding the verandahs.

The second option is to build a second floor on the eastern end of the building. The second storey will be constructed entirely of local lumber to minimize weight bearing on concrete walls and structure footings. The second floor area should be able to add seven rooms with approximately 200 square feet. Four rooms will have bay view while the other three will have downtown view. All rooms on the second floor will have individual balconies. In the future, we plan to extend the building over the parking lot to add ten more rooms.

Project Rationale/Concept:

Our mission is to attract middle to higher income guests, targeting businessmen, honeymooners, divers, sports fishing enthusiasts, and cultural tourists and provide unparalleled services, comfort and the required amenities so that we will be their choice of place to stay.

Extensive promotional activity, including daily and holiday specials, help to ensure that customers perceive that they are receiving higher quality products and prompt, courteous service in exchange for the slight premium in price

Estimated Development Cost/Investment Value (USD): \$250,000.00

Financial Position/Assistance Required: \$250,000.00

Market research undertaken: Not done yet.

Planning Approval Requirements: Not done yet

EIA Requirements: Not yet done, although it is not expected to be a hurdle as very little earth moving and water disturbance is involved.

Infrastructure Requirements: Since this is an existing building, we don't expect much infrastructure requirements.

Management Experience: We have some hotel experience having worked in the hotel industry before, and most of our work experience is in management positions.

Business Plan completed: We are still working on the Business plan. We anticipate to have it completed within two months.

Marketing Plan Completed: Will be included in the Business plan.

Feasibility Analysis Completed: Will be included in the Business Plan.

Market and Sales Potential: Will be included in the Business Plan.

Linkages with the Tourism Sector/Other Sectors: Converting part of the Marina Facility into a hotel is aligned with the FSM's three economic goals of developing the Fishing, Agriculture and tourism industry. Although it is true that tourist visitor-level to Yap is very low, we believe that with the right marketing, superior services, and aesthetically designed accommodations that blend local cultures and western comforts, we can carve out a niche in this market.

Development Impacts: If project is funded, it will positively contribute to the strategic goal of developing private sector for a stronger and sustainable economy in the FSM.

Capacity Building Potential: The project offers great potential to develop and enhance capacity of the local community. We anticipate that more than 70 percent of the hotel staff will be hired locally. This includes management positions, such as the hotel manager, accountants and an international chef. Service staff such as tour guides, housekeeping, front desk agents and maintenance crew will be trained to be highly efficient and competent in their job.

Annex 2: Project Profiles for Selected Projects in Chuuk

Project 1: Business Expansion of ATL Handicrafts

Type of Project:	SME Development
Project Category:	Tourism Handicrafts
Name of Project Promoter:	ATL Handicrafts, an existing business in Chuuk
Contact Person/Position:	Amboro Alivuis, Owner/Manager
Location/Map Ref:	Weno and Fefan Islands
Current Status of Project:	Project proposal to expand an existing business has been discussed. Concept and preliminary costs need to be developed further into a business plan.
Status of Land Tenure:	Proponent utilizes village based manufacturers and suppliers. Would need to lease retail space.
Project Description:	The project involves the development of a Local Handicraft Retail Sales network, targeting the tourist market. Proposed by an existing local, outer island based, tourism operator, ATL Handicrafts. Strongly supported by the CVB. The proposal is to expand the current business from 3 village suppliers and 4 hotel sales outlets to 24 village suppliers and add 2 dedicated retail outlets at the Chuuk market and the Chuuk international airport. Proponent also needs a new boat and truck to transport supplies and these could also be utilised to develop village tours, by transporting tourists from Weno to Fefan island and back again.
Project Rationale/Concept:	Project supports the concept of developing locally based businesses by adding value to the supply chain that will generate increased employment and income in local Chuuk villages. Project supported by the CVB.
Estimated Development Cost/Investment Value (USD):	\$50,000, preliminary costing
Financial Position/Assistance required:	Seeking funding assistance as cannot afford a bank loan
Market research undertaken:	Proponent already has good knowledge of the market and believes he can increase sales if he can increase the supply of handicrafts.

Planning Approval Requirements:	Lease agreements for retail outlets.
EIA Requirements:	Nil
Infrastructure Requirements:	Probably required at the proposed two retail outlets but not yet costed.
Management Experience:	Proponent has been operating this business since?
Business Plan completed:	No, but required for the business expansion. Refer to SBDC.
Marketing Plan completed:	No, as above
Feasibility Analysis completed:	Not required.
Market and Sales Potential:	Very much dependent on Chuuk visitor numbers and the effectiveness of the marketing plan.
Linkages with the Tourism Sector/Other Sectors:	Very strong linkages with local village communities, existing hotels, State Government.
Development Impacts:	Spread the direct economic benefits of tourism down the supply chain to local village communities. Strengthen local village economies through increased employment and income opportunities. Could act as a model for other FSM communities to develop.
Capacity Building Potential:	Developing a local SME. Also includes business management training and mentoring.

Annex 3: Project Profiles for Selected Projects in Pohnpei

Project 1: Linking a Farmers Supply Chain to the Local Tourism Industry

Type of Project:	SME Tourism Development
Project Category:	Tourism Supply and Value Chain Development
Name of Project Promoter:	Pohnpei Farmers Association
Contact Person/Position:	Saimon Mix, Director, PNI Farmers Association
Location/Map Ref:	Kolonia HO, 4 potential sites, strategically located around Pohnpei Island.
Current Status of Project:	Project proposal has been discussed but not written up.
Status of Land Tenure:	Landowners in villagers are involved but will need to discuss and negotiate site leases for market complexes.
Project Description:	<p>The project involves the building of at least four locally based fish, fruit and vegetable market stall facilities. Then increase the number of suppliers and buyers to increase the linkages between hotels, restaurants and village farmers and fishers. Project activities will also include:</p> <ul style="list-style-type: none"> • Development of a business and marketing plan to include a supply and value chain analysis. • Assistance with developing a tour company that can specialize in Village Farm Tours • Business management mentoring and training, particularly for the farmers and fishers involved.
Project Rationale/Concept:	<p>The Project supports and enhances the concept of agri-tourism development by supporting the development of locally initiated SME businesses and spreading the benefits of tourism by developing supply and value chains that link local village farmers, fishers and their communities to mainstream hotels and restaurants that service a tourist market. The project has the potential to:</p> <ul style="list-style-type: none"> • improve the livelihood of local village communities by generating employment and income through increased sales of produce. • Develop a local SME and increase their employment and income opportunities.

Estimated Development Cost/Investment Value (USD): \$100,000

Financial Position/Assistance required: As above. Registered NGO and cannot afford to borrow from a bank.

Market research undertaken:	Have been operating for 6 months and are confident a regular market can be built up and sustained.
Planning Approval Requirements:	Yes, will require planning and building approvals
EIA Requirements:	Yes, will need to check with EPA
Infrastructure Requirements:	Yes, buildings, utilities, fit out
Management Experience:	Proponent is already well established and operating a Market Produce (vegetables, fruit and fish) Facility in Kolonia. Project is supported by the following partners: <ul style="list-style-type: none"> • Island Foods Association • Pohnpei Visitors Bureau
Business Plan completed:	No, but required for business development purposes
Marketing Plan completed:	No, as above
Feasibility Analysis completed:	Not required.
Market and Sales Potential:	Very much dependent on Pohnpei visitor numbers and the effectiveness of the marketing plan.
Linkages with the Tourism Sector/Other Sectors:	Very strong linkages with local farming and fishing communities and landowners.
Development Impacts:	Strengthen Local village communities. Could act as a model for other FSM communities to develop.
Capacity Building Potential:	Excellent, particularly through direct business development and business management training and mentoring programs.

Annex 4: Project Profiles for Selected Tourism Projects in Kosrae

Project 1: Protected Areas Conservation and Ecotourism Program

Type of Project:	Ecotourism Awareness and Business Development
Project Category:	Tourism Attraction and Tours
Name of Project Promoter:	Kosrae Conservation and Safety Organisation (KCSO), an NGO
Contact Person/Position:	Andy George, Executive Director, KCSO, Email: kcsodirector@mail.fm
Location/Map Ref:	Utwe, Olum, Tafunsak and Walung
Current Status of Project:	Project proposal has been written up outlining the concept and the cost
Status of Land Tenure:	Local landowners and their communities are involved and support KCSO
Project Description:	<p>The project involves the four protected areas of: Utwe Biosphere Reserve; Olum Watershed Protected Area; Tafunsak Marine Protected Area (MPA); and Walung MPA. A number of different components are involved but the project is mainly focused on raising awareness in municipal governments, local communities and schools about sustainable ecosystem management, including effective management techniques for marine and terrestrial Protected Areas. It will also assist local communities to develop canoe eco-tours as an income generating alternative livelihoods program. Project activities will include:</p> <ul style="list-style-type: none"> • Pre and post surveys to measure the level of support and understanding communities have towards Protected Areas. • Community workshops and consultations • Distribution of awareness and informational materials • Management plans for Walung and Olum Watershed PA's • Classroom visits and presentations • Student field trips and special incentive competitions • Train and develop local entrepreneurs to establish an ecotours business • Provide seed funding into the proposed Kosrae Protected Area Fund – funds can be used as a sinking fund or a revolving fund to support conservation activities in the protected areas.

- Hire consultants to develop ecotours business plan, marketing plan, and project feasibility plan

Project Rationale/Concept:

The KCSO has a mission statement “to sustainably manage and protect Kosrae’s biodiversity and natural heritage through community engagement and partnerships for the benefit of present and future generations.”The project is also based upon the guiding principles of a number of initiatives already in place. These include:

- The FSM National Biodiversity Strategy and Action Plan (2002)
- Micronesia Challenge, a commitment by 5 Governments, including FSM, to set up a regional network of protected areas (2006).
- Kosrae Protected Area System Act (2011)
- Kosrae Strategic Development Plan (2013)

The objectives of the project are stated as:

- To empower the local community to support and participate in the effective management of their Protected Areas
- To increase community understanding of their roles in co-managing Kosrae’s Protected Areas
- To improve the livelihood of local communities through ecotourism and other sustainable development activities.

Estimated Development Cost/Investment Value (USD): \$70,000

Financial Position/Assistance required: As an NGO, KCSO does not have a separate budget line for any new project initiatives. It needs to seek external funding.

Market research undertaken: Need to check on Tadao Wakuk about his canoe tours. Can he be partnered in as resource person or as a business partner? Yes, the project will incorporate and utilize existing ecotours in the protected areas of Kosrae.

Planning Approval Requirements: Business License required when appropriate.

EIA Requirements: Nil

Infrastructure Requirements: To be advised

Management Experience: KCSO has been operating since 1998 and has a number of project partners that can provide the necessary resources and expertise to implement the project. These include:

- Kosrae Visitors Bureau
- Yela Landowners Authority
- Tafunsak Resource Management Committee
- Kosrae State Dept. of Education

- Kosrae Island Resource Management Authority (KIRMA)
- Kosrae Dept. of Resources and Economic Affairs

Business Plan completed:	No, but required for the ecotourism business
Marketing Plan completed:	No, As above
Feasibility Analysis completed:	No, As above
Market and Sales Potential:	Very much dependent on Kosrae visitor numbers and the effectiveness of the marketing plan.
Linkages with the Tourism Sector/Other Sectors:	Very strong linkages with local communities, landowners, municipal governments, schools, State Government, National Government and other NGO's.
Development Impacts:	Strengthen conservation and biodiversity protection, create alternative livelihoods through the ecotourism business, sustain natural resources for future use. Could act as a model for other FSM communities to develop.
Capacity Building Potential:	Excellent, particularly through direct education programs, business management training and mentoring.

Project 5: Kosrae Handicraft Outlet Project Profile

Name of Project:	Kosrae Handicrafts Retail Outlet
Type of Project:	Culture Presentation and Tourist Activity
Project Category:	Cultural Tourism Attraction
Name of Project Promoter:	Kosrae Womens Association
Contact Person/Position:	Mary Livaie
Location/Map Ref:	Tofol, Kosrae, FSM
Current Status of Project:	There is a building with signage currently used as the Kosrae Womens Centre. The idea is to find seed money for establishing a retail outlet to sell local handicrafts and to increase handicraft stocks to develop an inventory for cataloguing handicrafts with pictures and descriptions.
Status of Land Tenure:	Government owned and land rights agreement in place.
Project Description:	The building, situated next door to the Kosrae Visitors Bureau, will be used by the Kosrae Womens Association to operate a retail handicrafts business outlet for the sale and viewing of Kosraean handicrafts.
Project Rationale/Concept:	with very few places to find complete inventory of handicrafts available, we believe this project will solve this problem.
Estimated Development Cost/Investment Value (USD):	\$17,400
Market research undertaken:	Yes
Planning Approval Requirements:	N/A
EIA Requirements:	N/A
Infrastructure Requirements:	None
Management Experience:	More than 20 years in women's affairs and handicrafts
Business Plan completed:	No
Marketing Plan completed:	No
Market and Sales Potential:	High potential
Linkages with the Tourism Sector/Other Sectors:	handicraft and souvenir is one of the key tourist interests while visiting on the island.

Development Impacts:	good economic development impact with low negative impact.
Capacity Building Potential:	Can start with capable experienced staff, who will train others.

Project 3: Development of Historical Sites as Tourism Attractions for Kosrae

Type of Project: Small scale Infrastructure, Site Management

Project Category: Tourism Attractions

Name of Project Promoter: KOSRAE HISTORIC PRESERVATION OFFICE AND KOSRAE VISITORS BUREAU

Contact Person/Position: Standon T. Andrew/Administrator, KHPO

Location/Map Ref.:
 1. Wiya Bird Cave- Located north west of Kosrae
 162°59'59.345"E 5°22'4.055"N
 2. Lela Ruins – Located on east of Kosrae
 163°0'11.68"E 5°15'42.802"N
 3. Safonfok – Located northwest of Kosrae
 162°54'31.654"E 5°18'22.788"N

Current status of Project: These are on-going projects that are managed by the landowners and the KHPO

Status of Land Tenure System: All sites are privately owned

Project Description: This project is focusing on developing few historical sites that have already been developed on the Island as Tourism Attractions. Most of these sites are privately own and have been managed by each individual landowner with the assistance from Kosrae Historic Preservation Office. These three sites are among those that are visited by visitors and are recommended by the KHPO and tourism Office. Major activities required for the project includes clearing and cleaning of access to these sites, collection or management of waste, site management and promotion, and enhancement of tour guides.

Project Rational Concept: KHPO and KVB to work in collaboration with local landowners and Hotel operators to increase number of tourists or visitors to Kosrae by improving or upgrading these historical sites and make them as tourism attractions.

Estimated Development Cost/investment value/USD: \$15,000.00 for 3 sites

Financial Position/Assistance required: As above

Market Research Undertaken: Not yet

Planning Approval Requirement: Unlikely

EIA Requirements: Most of these are ongoing projects that already have been assessed by the Environmental Agency and since they will require minor activities that may have very minimal impacts the project may require an environmental clearance from KIRMA.

Infrastructure Requirements:	These projects will involve minor activities such as clearing, cleaning, upgrading of access or trails, putting up signage
Management Experience:	Will be managed under KIRMA, HPO and KVB
Business Plan Completed:	Not yet
Marketing Plan completed:	Not yet
Feasibility Analysis Completed:	Not yet
Market and Sales Potential:	Market and Sales potential can be very high. Improving or upgrading existing access to some of the sites and erecting interpretive signs and establish very close collaboration with Hotel operators.
Linkages with the Tourism Sector/Other Sectors:	This project is linked to the Tourism Sector - Kosrae Strategic Development Plan, Result 8- Tourist infrastructure upgraded and maintained, activity 1, Improve access to tour sites activity 2, signage upgraded activity 3, Tour sites consistently maintained
Development Impact:	Less impacts will be derived from the implementation or development of the project.
Capacity Building Potential:	Local tour guides capacities will be enhance through tour guide trainings. Management capacity of landowners and other partners will be enhance through trainings or scheduled visits.