



Completion Report

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Technical Assistance Number: 8494
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Federated States of Micronesia: National Tourism Sector Development Framework and State Government Tourism Investment Plans

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TA No., Country and Name			Amount Approved: \$225,000	
TA 8494-FSM: National Tourism Sector Development Framework and State Government Tourism Investment Plans			Revised Amount: N/A	
Executing Agency: ADB		Source of Funding: TASF-V	Amount Undisbursed: \$0	Amount Utilized: \$225,000
TA Approval Date: 25 October 2013	TA Signing Date: n/a	Fielding of First Consultants: 25 July 2014	TA Completion Date Original: 31 October 2015 Account Closing Date Original: 31 October 2015	Actual: 28 August 2015 Actual: 28 August 2015
Description				
<p>The TA was approved in response to the Federated States of Micronesia (FSM)'s request to prepare a National Tourism Sector Development Framework and State Government Tourism Investment Plans to pursue an economic growth strategy based on the sustainable management of FSM's own natural and human resource assets, particularly tourism. The TA aimed to have an overarching framework to set sectoral goals and a state-specific tourism strategy to facilitate tourism-led economic growth. The need to hasten the development of tourism also comes in anticipation of FSM's financial independence from the United States by 2023. The state of tourism in the FSM, however, is currently very weak with an average annual decline of 1.4% in tourist and visitors arrivals since 1997 against global and regional positive growth trends. The country's limited transportation access, poor infrastructure, and lack of human resource capacity in the tourism industry are among the major challenges affecting tourism. The FSM identified the need to immediately arrest the decline in arrivals and develop the sector progressively and sustainably.</p>				
Expected Impact, Outcome and Output				
<p>The expected TA impact is that tourism contributes to economic development in the country. The expected outcome is strong country ownership of sustainable tourism as an important driver of economic growth. The expected outputs comprise: (i) a comprehensive tourism sector assessment and analysis of key strategic issues, key constraints, and development needs in accordance with the directives of FSM's Development Framework and regional commitments; (ii) a National Tourism Sector Development Framework that harmonizes national and state efforts to develop and promote sustainable tourism and is agreed among key stakeholders; (iii) State Government Tourism Investment Plans that set out the priority investment package and indicative resource requirements and implementation responsibility for sustainable tourism development in at least two selected states; and (iv) a knowledge dissemination plan to raise awareness about the National Tourism Sector Development Framework and mobilize support for the implementation of State Government Tourism Investment Plans.</p>				
Delivery of Inputs and Conduct of Activities				
<p>The formulation of the TA and consultants' composition and terms of reference was generally adequate and relevant. The ADB was the executing agency while the Department of Resources and Development, in close coordination with Office of the Governor and Visitors Bureau in FSM states, was the implementing agency. The TA was implemented for a period of 22 months under a lump sum contract. The TA was completed on time despite the delays in the consultant recruitment due to difficulty in recruiting for a qualified firm, and last minute cancellation of the selected firm. The government's support and commitment helped overcome delays during implementation. The TA ensured coordination with South Pacific Tourism Organization to avoid duplication and to build a base for future collaborative activities. The initial terms of reference for the consulting firm was partially revised to build on the tourism work undertaken by the South Pacific Tourism Organization, and it expanded the scope on tourism investment plan to cover all the FSM states. A Project Steering Committee headed by the Department of Resources and Development, and composed of representatives from each state and key tourism stakeholders, oversaw the overall implementation of the TA activities, ensuring proper coordination and nationwide consultation. The risks regarding a lack of state-level recognition and government ownership of the TA outputs were mitigated by (i) allocating more resources for state-level and national consultations; (ii) early set-up of TA Steering Committee composed of multi-sectoral government and private representatives from the state and national level; and (iii) ensuring a senior government support and dedicated focal point to lead the TA implementation. Each state provided their own TA counterparts and access to meetings facilities and data, documents and statistics and information. The government sought an opportunity to present the draft TA outputs during the FSM State and National Government Leaders Conference on 29–30 January 2015 to solicit comments and feedback to be incorporated in the final draft. This helped raised the profile of the TA outputs and initiated preliminary lobbying on the draft national tourism policy. The outputs of the consultants were rated satisfactory in their performance. ADB fielded regular missions and visited each state to ensure commitment from state governors in supporting TA activities, and to meet with development partners for their inputs during the TA inception and in support of future collaboration in tourism. The performance of ADB is rated satisfactory.</p>				

Evaluation of Outputs and Achievement of Outcome

All the TA outputs were satisfactory and met the government's expectations and TA's performance targets. Output 4 was dropped as a stand-alone output and instead incorporated in the National Tourism Policy document under Output 2. A comprehensive tourism assessment under Output 1 built on the study done by the South Pacific Tourism Organization on a national development strategy in tourism. The assessment was discussed and agreed with key stakeholders in each state and provided an opportunity for information sharing and validation on the current tourism trends and issues and state-led initiatives to enable tourism growth. The national tourism framework under Output 2 was upgraded to a National Tourism Policy document. The government deemed it more useful to have a policy that would facilitate budgetary and institutional support for tourism development in each state. Six key policy areas were agreed by the government: (i) provide more effective governance and institutional strengthening to support the growth of the FSM tourism sector through a public-private partnership approach; (ii) increase public and private investment to develop the FSM tourism sector; (iii) improve the overall quality of FSM tourism services by focusing more on human resources capacity development; (iv) expand tourism product development to increase visitors' length of stay and spending, add value, increase yield and develop niche market opportunities; (v) target a realistic increase in tourist arrivals over the next 3 to 5 years through more effective destination marketing programs; and (vi) make FSM more internationally competitive by improving industry quality standards for sustainable tourism development. Action plans were developed for its short-term and long-term implementation to quickly mitigate decreasing tourist arrivals and enable long-term and steady tourism growth. The government aims to achieve a 5–10% annual growth in international arrivals following the implementation of the National Tourism Policy. The FSM President endorsed the policy document and it is currently undergoing public hearing across all the FSM states to facilitate Congressional approval. A tourism investment plan in each of the FSM states under Output 3 contains feasible tourism projects with corresponding profiles for both public and private funding. They are fully endorsed by the Congress, where a budget of USD\$1.9 million was recently provided to start implementing the plan. Tourism investments for private funding are also available in the plan to promote private sector-led initiatives to support business opportunities and employment. In lieu of Output 4, dissemination activities for the TA outputs were included in the action plan under the National Tourism Policy. These changes were made to be able to cover all the FSM states in preparing the tourism investment plans.

Overall Assessment and Rating

The TA was rated highly successful with its relevance in the national development priorities and response to government's demands to develop tourism to achieve economic growth. The TA is effective and efficient in delivering expected outputs within the allocated resources and timeframe. The changes made in some outputs at no-cost did not compromise the overall achievement of the TA but further improved its relevance. The government's endorsement and ownership of the TA suggest the sustainability of its outputs and this is attested by the ongoing support to implement the investment plan and pursue National Tourism Policy adoption.

Major Lessons

The involvement of senior government officials in the early stages of TA implementation and constant engagement with them not only facilitated timely completion of the TA but continuous support to carry forward the TA outputs. Consultation is very important in the context of FSM being a federation of four states. It is necessary to devote significant resources for meaningful and extensive consultations across key stakeholders to ensure ownership of the TA outputs. Covering all states was an added complexity, but essential to national support for policy implementation.

Recommendations and Follow-Up Actions

Recognizing the government's priority to develop tourism in the country, ADB could provide further assistance in developing the capacity of FSM to implement the national tourism policy and also fund identified investment projects, such as infrastructure, that would provide an enabling environment for tourism growth.

TA = technical assistance.