



Food and Agriculture Organization
of the United Nations

Pacific agriculture and tourism policy toolkit

*Policy measures to
promote linkages and
drive inclusive growth
in Pacific Island
Countries*

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Pacific Island Countries*

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Contents

Foreword.....	vii
Acknowledgements.....	ix
Abbreviations.....	x
Executive Summary.....	xi
Growing the market for local produce and destinations.....	xi
Increasing the local value added from cruise ship tourism	xii
Ecotourism provides alternative income benefits from sustainable resource management	xiii
Coordinating change through strategic alliances and partnerships	xiv
Summary	xv
Tourism trends in Pacific Island Countries.....	1
Policy Action Area 1: Rewarding the use of local food content in tourism	6
Importance of local food as an economic driver of tourism.....	8
Food tourism is on the boil	8
Is there an opportunity for food tourism to drive growth in the Pacific?	9
Food experiences help to brand and market destinations	10
Accreditation.....	11
Tax credits	12
Farmer–hotel linkage to match demand and supply	13
Key results from a review of programmes that link farmers to tourism hotels	16
<i>Conclusions</i>	17
Policy Action Area 2: Increasing local earnings from cruise ship tourism	19
Cruise tourism growth in the Pacific.....	21
Comparison of expenditure by cruise ship passengers	21
Breaking into the cruise ship food and beverage supply chain	23
Tax revenue from the tourism industry.....	26
Key issues from a review of international cruise ship passenger tax policies	28
<i>Conclusions</i>	30
Policy Action Area 3: Driving the growth of ecotourism and rural development	32

The community income generating potential of eco-tourism.....	33
Ecotourism	33
Forest-based eco-tourism	35
Modern responsible tourism agenda.....	36
Financing sustainable resource management in the Pacific.....	37
<i>Conclusions</i>	40
Policy Action Area 4: Coordination, strategic alliances and partnerships	43
Strategic linkages	45
Institutional context for Pacific agriculture and tourism	45
Key lessons from leading Food Tourism Destinations	46
<i>Conclusions</i>	47
References	48
Annex 1: Example of a tax credit for procurement of local food	53
Iowa Tax Credit: Local Farmer and Food Security Act 2010	53
Annex 2: Example of Green Fee Regulation: Palau.....	56

List of Tables

TABLE 1: GROWTH IN INTERNATIONAL TOURISM RECEIPTS (BILLION U.S. DOLLARS)	1
TABLE 2: VISITOR ARRIVALS TO PACIFIC ISLAND COUNTRIES, 2007–2013	3
TABLE 3: GROWTH IN THE NUMBER OF INTERNATIONAL VISITORS TO KEY PACIFIC DESTINATIONS, 2005– 2009.....	4
TABLE 4: BREAKDOWN OF TOURIST EXPENDITURE IN FIJI	22
TABLE 5: SUMMARY OF COST BENEFIT ANALYSIS OF INVESTMENT OPPORTUNITIES IN CRUISE TOURISM: VANUATU	24
TABLE 6: SUMMARY OF PASSENGER TAXES APPLIED TO CRUISE SHIP PASSENGERS IN MAJOR MARKETS	27

List of Figures

FIGURE 1: TREND IN PACIFIC ISLAND COUNTRIES: AGRICULTURE AND TOURISM SECTORS.....	2
FIGURE 2: EXAMPLE OF POTENTIAL BENEFITS FROM TRUE PACIFIC CERTIFICATION	13
FIGURE 4: GROWTH IN CRUISE SHIP PASSENGER PORT DAYS IN THE PACIFIC ISLANDS' MOST POPULAR PORTS	21
FIGURE 5: BREAKDOWN OF AVERAGE CRUISE SHIP PASSENGER DAILY EXPENDITURE IN PORT VILA (AUSTRALIAN DOLLARS PER CAPITA).....	22
FIGURE 6: INDIRECT EXPENDITURE IMPACT FLOWS FROM CRUISE PASSENGER SPEND IN VANUATU.....	23
FIGURE 7: COMPARISON OF CRUISE AND STAY-OVER TOURIST ARRIVALS VERSUS TAXES PAID IN THE CARIBBEAN	26
FIGURE 8: TOURISM REVENUE GENERATED BY PROTECTED AREAS	40

List of Boxes

BOX 1: SAMOAN CUISINE AT THE TOP OF THE WORLD	9
BOX 2: DEVELOPING POLICY STRATEGIES FOR KOREAN CUISINE TO BECOME A TOURIST ATTRACTION.....	10
BOX 3: BRANDING THE LOCAL FOOD EXPERIENCE: THE CASCADIAN CUISINE ECONOMIC DEVELOPMENT INITIATIVE	11
BOX 4: ACCREDITATION OF SCOTTISH FOOD AND DRINK ESTABLISHMENTS THAT USE LOCAL PRODUCE.....	11
BOX 5: THE TRUE PACIFIC BRAND FOR LOCAL PRODUCTS.....	12
Box 6: Iowa State Local Farmer and Food Security Act, 2010	12
BOX 7: THE LINK BETWEEN FARMS AND HOTELS: AN EXAMPLE.....	14
BOX 8: SUCCESS IN SOURCING LOCAL FOOD FROM FARMERS: SANDALS RESORTS.....	15
BOX 9: THE GAMBIA IS GOOD PARTNERSHIP	15
BOX 10: TOURISM-FOCUSED PARTICIPATORY GROWER SCHEMES.....	16
BOX 11: UPGRADING FARM PRODUCE TO MEET MARKET DEMAND: DOMINICA.....	25
BOX 12: NEW VUNA WHARF: TONGA	27
BOX 13: PASSENGER HEAD TAX: SYDNEY	28
BOX 14: THE PARTIES TO THE NAURU AGREEMENT: INCREASED BENEFITS FOR PACIFIC ISLAND COUNTRIES	29
BOX 15: RECOGNITION OF THE ECONOMIC VALUE OF LIVING MARINE RESOURCES: PALAU.....	34
BOX 16: COOPERATION BETWEEN TOURISM AND MARINE-PROTECTED RESERVES: FIJI	34
BOX 17: THE SOVI PROTECTED AREA AND THE ESTABLISHMENT OF A COMMUNITY TRUST: FIJI.....	35
BOX 18: HARNESSING THE POWER OF TRAVEL AND TOURISM IN THE SOUTH PACIFIC REGION.....	36
BOX 19: PALAU'S GREEN FEE THAT SUPPORTS CONSERVATION	38
BOX 20: ENVIRONMENTAL PROTECTION FUND: COOK ISLANDS	39
BOX 21: LEADERSHIP: THE ONTARIO CULINARY TOURISM ALLIANCE	45

Foreword

Natural synergies exist between agriculture and tourism. Rising consumer demand for improved cuisine experiences, nature tours and cultural activities provides a prime opportunity for the authorities of Pacific Island tourism and agriculture to work towards the common goal of adding value to both sectors (Ashley *et al.* 2006).

Strengthening linkages and creating synergies between tourism and agriculture will reduce foreign exchange leakage. It will also harness the tourist dollar to drive growth in strategic economic sectors, such as the primary production and food manufacturing industries.

A key challenge for the policy-makers of Pacific Island Countries (PICs) is to safeguard the sustainability of tourism growth. It is also essential to ensure that the benefits that accrue from increased visitor numbers are equitably shared with poor rural communities.

The aim of this Toolkit is to showcase examples of robust policies to promote stronger economic linkages between the agriculture and tourism sectors, thus increasing the value of tourism to PICs. Specifically, it provides case study examples of the tools available to policy-makers to improve market opportunities by incorporating local food into the cuisine offerings provided by PIC tourism. This will not only create employment and business opportunities for rural communities; it will also enhance the marketability of the Pacific as a tourist destination. Furthermore, the Toolkit provides advice on various implementation methodologies to ensure their adoption by national and regional authorities. This resource, therefore, is designed as a practical guide for stakeholders in the PIC sectors of tourism, agriculture, fisheries and finance.

The main body of the report is a Toolkit divided into four policy action areas:

1. **Rewarding the use of local food content in tourism.** This policy area relates to the importance of local food as an economic driver of tourism and inclusive growth. It identifies policy actions to promote PIC food as a way to grow the market share for Pacific tourist destinations and improve the market opportunities for local food producers. The section highlights the potential of food to become the basis for branding and marketing Pacific tourism offerings.
2. **Increasing local earnings from cruise ship tourism.** This section provides specific policy actions to ensure that the growth in cruise tourism visitors provides local financial benefits that are commensurate to those provided by the conventional tourism industry. Policy instruments may be applied to incentivize the cruise ship industry to increase local purchasing. The need for PICs to adopt a united regional front for negotiations with the large and powerful cruise industry is emphasized.
3. **Driving the growth of ecotourism and rural development.** The importance of financing sustainable resource management is discussed in this section. It explains how the region's high-value natural resources (e.g. reefs, rivers and forests) should be leveraged to encourage growth of the fastest growing segment of the tourism industry: ecotourism. The section focuses on how

tourism plays a vital role in financing sustainable resource management by properly resourcing community-led management approaches. It explores options on how to work with the private sector in terms of maintaining the Pacific as a 'clean and green' destination brand, while suggesting appropriate policy instruments to ensure this outcome.

4. **Coordination, strategic alliances and partnerships.** To improve the supply coordination between the agriculture and tourism sectors, develop and promote a Pacific food tourism brand and strengthen natural resource management through sustainable tourism will require partnerships between multiple players to ensure collaboration and thus enhance synergies. This action area provides a view of strategic alliance governance and the partnerships at the local, national and regional levels.

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Abbreviations

ACIAR	Australian Centre for International Agricultural Research
ADB	Asian Development Bank
FAO	Food and Agriculture Organization of the United Nations
GDP	Gross domestic product
GSTC	Global Sustainable Tourism Council
Ha	hectare
IFAW	International Fund for Animal Welfare
IFC	International Finance Corporation
IICA	Inter-American Institute for Cooperation on Agriculture
MPA	Marine Protected Area
OCTA	Ontario Culinary Tourism Alliance
PIC	Pacific Island Country
PIFS	Pacific Islands Forum Secretariat
PNA	Parties to the Nauru Agreement
RTP	Responsible Tourism Partnership
SPC	Secretariat of the Pacific Community
SPDA	South Pacific Destination Alliance
SPTO	South Pacific Tourism Organisation
UNCTAD	United Nations Conference on Trade and Development
UNEP	United Nations Environment Programme
UNWTO	United Nations World Tourism Organization
VAT	Value Added Tax
WTTC	World Travel and Tourism Council

Executive Summary

Growing the market for local produce and destinations

Food and beverages now represent the second highest category of expenditure by visitors to PICs, following accommodation. The rise in the interest in cuisine and the broadcasting of cooking shows on television in the countries – Australia and New Zealand – that represent the most tourists to PICs has generated an awareness and appreciation of the ultimate ‘cuisine experience’, a thematic adventure that is offered in comparable holiday destinations. On a global scale, food tourism is a growing market segment, prompting a renewed focus on locally sourced produce (UNWTO, 2012). The development of a robust food and hospitality sector and a distinctive local cuisine offering, therefore, is increasingly essential for the Pacific region to gain a competitive advantage. The premium food experience as a key strategy will guarantee sustainable growth in the numbers of visitors.

The recent concept of niche tourism counters what is commonly referred to as mass tourism (UNWTO, 2012) – that characterized by a high-volume, low-margin business model that provides homogenized food, accommodation and cultural experiences (Jacobsen, 2003). Common issues associated with mass tourism include high foreign exchange leakage as a result of the importation of a large number of tourism inputs, including food; little economic participation in the industry by rural communities; and environmental damage resulting from overexploitation of natural resources, including reefs, beaches, rivers and forests. Such a model can also lead to a perceived ‘loss of authenticity’ of the tourism destination in the eyes of potential consumers which, in an era driven by social media marketing, can pose a serious threat to the sustainability of a local tourism industry. An alternate and more sustainable tourism model is one that will capitalize on potential niche tourism markets (e.g. ecotourism, as well as adventure, nature, green and gastronomic tourism) as alternative sources of revenue (Novelli, 2005).

The growing appreciation for high-quality food with unique local ingredients and flavours has created a new model of tourist and tour business that incorporates the local food experience (UNWTO, 2012). In addition, there is evidence that integrating authentic local cuisine into a tour offering attracts tourists with a higher daily expenditure rate that has the potential to forge stronger economic linkages between domestic producers and service providers, thus reducing foreign exchange leakage by the industry (Hampton and Jeyacheya, 2013).

A key regional policy goal for adoption by tourism and agriculture sector stakeholders alike, therefore, is to ensure that the Pacific region becomes recognized for its authentic and high-quality local foods. It will be necessary to consider the ‘food experience’ as a major factor in all tourism marketing and branding strategies – one that evokes a unique sense of place, culture and hospitality. PICs will then be able to focus on higher-value tourism and be in the position to better differentiate their tourism products in an increasingly competitive tourism environment. Moreover, building greater awareness of and a demand for Pacific Island ingredients through the tourism industry is also a principal avenue towards facilitating primary sector export growth.

In order to improve the coordination of agriculture supply to the tourist sector, it is critical to combine improved market intelligence with better farm production planning. To communicate to farmers the market preferences and future demand is essential in order to assist the primary sector in planning the quantity and quality of production required by the tourism market, as well as to improve the linkages between the two sectors. Linking farmers, chefs and buyers will enable them to learn each other's needs in terms of produce: what is available, what should be grown and how to include more local produce in dishes to help foster a demand for local produce. Trading intermediaries – who, at present, provide the critical link between small farmers and hotels – require capacity building to enable them to collect market intelligence and work with their growers to achieve the requisite quality and consistency standards. These standards are critical to improve supply coordination between the agriculture sector and the tourist market. It is essential, therefore, that PIC leaders in the tourism and agriculture industries recognize the opportunities and synergies between their sectors. They can do so by providing incentives to the food hospitality industry to procure more local produce, thereby facilitating greater investment to improve the quality and quantity of domestic food production. Incentives can be in the form of brand recognition and promotional benefits for tourism operators who are willing to increase their use of local content in their menus. The provision of direct tax credits relating to the level of local produce procurement can also be motivational.

Increasing the local value added from cruise ship tourism

Over recent years, the global cruise industry has experienced a rapid increase in demand, with passenger numbers rising from 7.2 million in 2000 to 21.6 million in 2014. This trend has occurred as a result of a steady growth in the size of cruise liners (SPTO, 2014). The rise in the demand for cruises is predicted to continue, given the increasing level of participation of customers of varying ages, backgrounds and regions (Rodrigue and Notteboom, 2013).

Cruise ship tourism is also growing in the Pacific, with several PICs experiencing increased numbers of day cruise ship visitors: from approximately 580 000 passenger port days in 2007 to over 1.3 million in 2012. This represents a 17 percent compound annual growth rate over the five-year period (SPTO, 2014).

The growth of the cruise ship industry in the Pacific region has been heralded as a new source of tourism income (PIFS, 2013). The increased frequency and capacity of cruise ships in Pacific ports, however, has led the cruise ship industry to request a significant investment by PICs in redeveloping port infrastructure and immigration processing facilities (AusAID, 2004). Given (i) the far lower rate (relative to tourists arriving on flights) of the daily expenditure of cruise ship passengers; (ii) their lower rate of consumption of local produce; (iii) their exemption from many of the hotel bed taxes, departure taxes, and 'green fees'; and (iv) the non-domicile of cruise ship operators in PICs for income tax purposes, the national economic benefits of cruise ship tourists is a fraction of those who arrive by other means and who stay on shore (FAO, 2014b).

The overriding goal for PICs should be to maximize revenue from the cruise sector by increasing economic linkages between local goods and service suppliers and the cruise ship market. In order to increase local earnings from cruise ship tourism, PICs could review the taxes applied to day visitors and

the cruise ship industry, in order to ensure comparability with other segments of the tourism industry. The value of any additional tax on the cruise industry could be made 'deductible' to the value of purchases of local produce and services so as to leverage increased use of local content by the industry. Any additional revenue raised through such levies could support investment in upgrading port infrastructure and local production and processing capacities.

Ecotourism provides alternative income benefits from sustainable resource management

Tourists are increasingly influenced by environmental sustainability concerns when considering their choice of a holiday destination. Consequently ecotourism,¹ which focuses on nature-based activities, is the fastest growing sector of the global tourism industry (UNEP, 2013). The World Tourism Organization of the United Nations (UNWTO) has estimated ecotourism's share in total global tourism revenue in 2009 of 10-15 percent (UNWTO, 2009). Countries which have been able to build a nature-based ecotourism industry have proven successful at generating additional foreign earnings and local employment from natural assets such as forests and reefs than by the extractive industries in their exploitation of resources (e.g. logging and commercial fishing). Protected areas in Costa Rica, for example, have received more than one million visitors each year in the five years leading to 2006. This has generated fee revenues of over US\$5 million in 2005, while directly employing approximately 500 people. Protected areas in Mexico have recorded 14 million visitors a year, creating 25 000 jobs.²

PICs, with their unique marine and land environments, are well placed to benefit from the rising demand in nature-based tourism (SPTO, 2014). The rise in niche ecotourism, such as diving; bird and whale watching; and bushwalking in forested areas, offers alternative income opportunities for PICs. It is essential to involve local communities and provide them with an appropriate return in order to successfully adopt an ecotourism model that will support the long-term conservation of resources (Allcock, 2006). PIC tourism and environmental authorities should then review the management structures in place to protect the fragile reef, river and forest ecosystems that are critical to attracting this category of tourist, and the sustainability of this tourism model.

The geographic coverage of community-managed marine and forest protected areas has expanded significantly across PICs over the last decade. This has provided opportunities for substantial national economic benefit from tourist visits (Pascal and Seidel, 2013). These benefits, however, are not necessarily equitably shared with the communities that play a critical role in actively monitoring these protected areas and protecting against their exploitation (Pascal and Seidel, 2013). Indeed, communities charged with effectively enforcing community-managed protected areas in the Pacific region have reportedly received less than 30 percent of the revenue needed to meet their basic needs (UNEP, 2005b). While the annual cost to the community of administering marine protected areas (MPA) is estimated to be up to US\$10 000 per square kilometre of area covered, the total economic benefits generated by MPAs is estimated to be far higher – up to US\$530 000 per square kilometer of area covered (UNEP, 2005b).

¹ The International Ecotourism Society defines ecotourism as "responsible to travel to natural areas which conserves the environment and improves the welfare of local people".

² Robalino *et al.* (2010), cited in UNEP (2013).

The majority of economic benefits of MPAs in PICs, however, are currently captured by the diving-based tourism industry, with local fishermen capturing only 1 percent of the total value generated (UNEP, 2005b). The limited ability of communities to negotiate arrangements with private sector operators and/or exploit occasional opportunities provided by 'drop-in' tourists to protected areas provides the impetus to adopt national revenue collection models (Govan, 2009).

Community-led, protected areas provide the tourism industry with important ecotourism growth opportunities. The adoption of policy options that promote the equitable redistribution of the financial benefits of visits to protected areas will contribute to the sustainability of this model. A source of revenue can be provided by a national environmental departure tax (i.e., green fee), levied on all visiting tourists, to assist communities that manage protected areas to meet the costs of their administration while compensating for lost earnings from resource extraction (FAO, 2014b). This has been trialed in some jurisdictions and proven an effective mechanism. Indeed, the application of a departure tax is supported by tourist exit surveys that suggest that ecotourists are willing to pay fees that enhance conservation and are shared with local communities (Government of Palau (2004); UNEP (2005a); UNEP (2013); Driscoll *et al.* (2011)).

Tourists are becoming more demanding of the environmental quality of destinations and thus destinations have the incentive to conserve and improve the environment, not only for their own purpose, but also for creating value. An environmentally conscious tourism model will be an important marketing tool for the region with the potential to provide local tourism service providers a competitive edge to ensure not only the sustainability of the natural environment, but also of the tourism industry (UNCTAD, 2013).

Coordinating change through strategic alliances and partnerships

The creation of a more diversified tourism product that markets a wider range of experiences, activities and services to tourists, is important to ensure that future growth in the Pacific Islands is inclusive and sustainable. Reducing foreign exchange leakage can be achieved through the creation of strong and sustainable linkages between tourism and agriculture and between urban and rural communities.

Established enterprises can expand their value-added services to tourists by encouraging and assisting the development of complimentary products and local supply capacity. This will require, however, closer collaboration and coordination along the entire tourism value chain. The Pacific Regional Tourism Strategy 2015–2019, prepared by the South Pacific Tourism Organisation (SPTO), will be a useful tool to facilitate coordination between the PICs, help strengthen cooperation and exploit synergies, particularly in the areas of branding and marketing, as well as to develop a regional position on cruise ship tourism. The input and advice of regional agricultural technical agencies will be critical to ensure that backward linkages between the tourism and agriculture sectors are informed by best practices and a strong evidence base.

Additionally, it will be necessary to create other stable instruments for cooperation to further develop and promote key tourism niches (e.g. food tourism and ecotourism) and to forge stronger linkages between tourism and the key sectors, such as agriculture. While there is no single established model that will suit all purposes across the diverse nations in the Pacific region, nevertheless, private

sector industry associations (hotels, chefs, farmers) and non-governmental organizations have played vital roles to facilitate multi-partner alliances in other regions of the world (IICA (2013); OCTA (2011); Ashley *et al.* (2006); Meyer, Ashley and Poultney (2004)).

Summary

Stronger linkages between agriculture and tourism will reduce foreign exchange leakage and increase the financial benefits of a growing tourism industry for PICs and their rural communities. This document aims to assist sector stakeholders and policy-makers by providing them with the tools necessary to take advantage of the natural synergies between these two sectors.

Diversification of PIC tourism brands to respond to emerging consumer trends, such as through the creative use and marketing of local produce and natural attractions, will assist the industry to capture a larger share of higher-spend tourists and return visitors. It is essential, therefore, that policies incentivize the tourist hospitality sector to integrate more local content in its product offerings and encourage local communities to adopt sustainable management of natural resources by providing them with adequate financial incentives. In addition, tax incentives can leverage more procurement of local goods and services by the tourism industry and, at the same time, enhance and differentiate a more distinctive and authentic Pacific Islands tourism brand.

Recommendations

- a) **support a regional marketing initiative** that highlights tourism operators who offer truly Pacific 'cuisine experiences', and trains chefs to develop menus that incorporate more local ingredients;
- b) **implement incentives** to increase local content in the tourism industry (e.g. tax deductions for the purchase of locally produced food and beverages) and provide marketing benefits to tourism operators to use local food content;
- c) **include cruise ship passenger departure and bed taxes**, currently applied to other tourists in order to raise revenue to invest in port infrastructure to accommodate this growing industry, and maintain the protected areas that are so important to ecotourism; and
- d) **establish a national agriculture/tourism multistakeholder dialogue** to oversee the implementation of local food content marketing and tax incentives in an effort to realize the synergies between the two industries.

Tourism trends in Pacific Island Countries

The global tourism industry generated US\$6 990 billion worth of goods and services in 2013 and growth is forecast to rise by 4.2 percent per annum through to 2024 (WTTC, 2012). World tourism authorities estimate that there were over 1.1 billion international tourists travelling in 2014 (UNWTO, 2014), and that this economic activity has supported over 100 million jobs directly, as well as almost three times that amount indirectly (WTTC, 2014). International tourism is also a key source of foreign earnings and investment for developing countries (Table 1) (UNCTAD, 2013). Tourism is thus becoming an increasingly important economic development tool for many developing countries, given its potential to create opportunities for entrepreneurship and small enterprises, as well as generate employment, particularly for women and young people (Bolwell and Weinz, 2008).

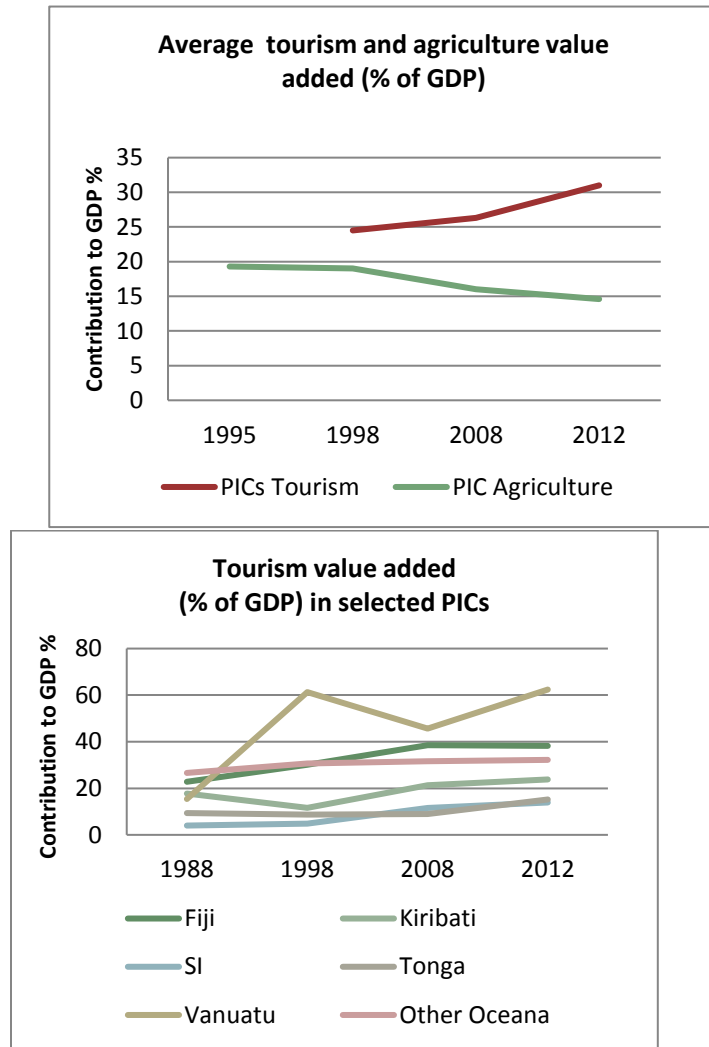
TABLE 1: GROWTH IN INTERNATIONAL TOURISM RECEIPTS (BILLION U.S. DOLLARS)

	1990	2000	2010	Growth rate (%)
World	262	475	928	254
High-income countries	207	336	588	184
Developing countries	55	139	340	518
Least developed countries	1.1	2.9	9.9	800

Source: UNWTO (2012).

Agriculture, forestry and fisheries have traditionally been the most important sources of income for PICs and their rural households. Agriculture's average value-added contribution to the gross domestic product (GDP) of PICs, however, has declined from approximately 19 percent to approximately 14 percent over the last 15 years, while tourism's contribution to GDP has steadily increased (Figures 1 and 2). This reflects a decline in the relative competitiveness of PIC primary sector exports in recent decades, a rise in food import dependence and the migration of labour into other sectors. Consequently, real agriculture sector growth rates in PICs have averaged only 0.1 percent per annum over the period 2001–2010 (ADB, 2011). Labour force participation in agriculture, however, remains high in the Pacific area, estimated at approximately 40 percent, given that efforts are more often directed to subsistence rather than commercial agricultural activities. While the sector remains a critical source of food security and livelihoods for rural households in PICs, its economic value thus has declined.

FIGURE 1: TREND IN PACIFIC ISLAND COUNTRIES: AGRICULTURE AND TOURISM SECTORS



Sources: World Travel and Tourism Council (various reports) and ADB (2013).

NB. Agriculture corresponds to the International Standards Industrial Classification divisions 1-5, which includes forestry, hunting, and fishing, as well as the cultivation of crops and livestock production. Value added is the net output of a sector after adding all outputs and subtracting intermediate inputs.

During the same period, the tourism sector in a couple of PICs (Cook Islands and Palau) became the main engine of economic growth and foreign exchange income, while it rose in importance to the economies of Fiji, French Polynesia, New Caledonia, Samoa and Vanuatu (SPTO, 2014). Despite the impact of the global financial crisis, tourism arrivals to the region have increased by an average of 3.5 percent per annum for the last five years (Table 2).

The major sources of tourism in the Pacific are Australia and New Zealand, comprising more than 50 per cent of international tourism arrivals. Over the five-year period 2007–2012, Australia has been the fastest growing market for the region and its growth, combined with that of New Zealand (an additional 228,000 arrivals) more than offsets the decline in long-haul visitors from North America and European nations (52 000) and Japan (36 000). Other Asian markets, including China, have increased tourism by 53 000 over the same period (SPTO, 2014).

A large part of the allure for Pacific tourism derives from its distinction as a clean and green environment. PICs are increasingly benefitting from tourists interested in enjoying the natural attractions up close by scuba diving, snorkeling, fishing, sailing, surfing, whale watching, trekking and bird watching (SPTO, 2014). These forms of ecotourism represent growing market niches throughout the Pacific region and should continue to do so through the appropriate management of its market image and natural resources.

The recent increase in cruise ship arrivals to PICs provides another source of potential income growth. Cruise ship passenger arrivals to the Pacific region reached 650 000 in 2012, generating an estimated US\$640 million of passenger expenditure.

Australia and New Zealand represent the bulk of cruise passengers to Pacific destinations. The Australian market has grown substantially and is predicted to reach over one million passengers by 2016. The South Pacific is the most popular destination for Australian nationals, with over a quarter of a million having visited islands in the South Pacific by cruise ship in 2012. Visitor flows are highly concentrated, however: in 2012, 77 percent of passengers to South Pacific destinations visited only two countries, New Caledonia and Vanuatu (SPTO, 2014).

TABLE 2: VISITOR ARRIVALS TO PACIFIC ISLAND COUNTRIES, 2007–2013

Country	2007	2008	2009	2010	2011	2012	2013(e)
Cook Islands	97 019	94 776	101 229	104 265	113 114	122 384	121 237
FSM	21 146	22 297	21 540	21 576	22 730	23 126	23 589
Fiji	539 881	585 031	542 186	631 868	675 050	660 590	691 820
French Polynesia	218 241	196 496	160 447	153 919	162 776	168 978	173 705
Kiribati	4 709	3 871	3 944	4 701	5 264	4 907	4 981
Marshall Islands	7 200	6 022	4 923	4 563	4 559	4 590	4 601
New Caledonia	103 363	103 672	99 379	98 562	111 875	112 204	115 989
Niue	3 445	4 748	4 662	6 214	4 920	5 048	5 129
Palau	88 175	79 259	71 887	85 593	109 057	118 754	124 129
Papua New Guinea	104 122	120 139	125 891	146 933	163 173	169 975	175 524
Samoa	122 356	122 163	129 305	129,500	127 420	134,700	137 271
Solomon Islands	13 748	16 264	18 260	20 521	22 941	23 925	24 053
Tonga	43 344	50 462	45 711	47 081	46 005	49 010	50 191
Tuvalu	1 130	1 559	1 622	1 657	1 201	1 019	1 032
Vanuatu	81 345	90 654	100 675	97 180	93 824	108 161	116 100
Total	1 462 204	1 516 318	1 431 661	1 554 133	1 663 909	1 707 371	1 769 351

Sources: National Statistics Offices; National Tourism Offices; and SPTO estimates.

The contribution of tourism to the region is now valued at over US\$2.27 billion, representing 7.2 percent GDP and almost 6 percent of the labour force (Seidel and Lal, 2010). The total value of tourism is estimated to reach between US\$3.3 billion and US\$4.0 billion by 2019 (SPTO, 2014). As tourism becomes the leading economic sector for PICs, expanding economic linkages with the local economy will be vital to ensure broad-based and inclusive growth.

The increasing number of flights to the region has been the catalyst for the growth in tourism arrivals in recent years. In 2005, Virgin Australia commenced flights on seven Pacific routes from Australia and New Zealand, which contributed to substantial growth in the targeted markets of Cook Islands, Samoa, Tonga and Vanuatu (Table 3) (Taumoepeau, 2010). Virgin Australia has increased air services to Fiji with 12–24 flights a week, carrying over 161 000 tourist visitors to Nadi since it started the service. The economic impact to the local economy is estimated to be in excess of F\$250 million (Lück and Gross, 2013).

TABLE 3: GROWTH IN THE NUMBER OF INTERNATIONAL VISITORS TO KEY PACIFIC DESTINATIONS, 2005–2009

Country	2005	2006	2007	2008	2009	Growth (%)
Cook Islands	88 405	92 328	97 019	94 776	101 229	14.5
Samoa	101 807	115 882	122 356	122 163	129 305	27.0
Tonga	42 000	39 415	43 344	50 462	45 711	8.8
Vanuatu	62 123	67 787	81 345	90 654	100 675	62.0

Source: Adapted from Taumoepeau (2010), with current data from National Statistics Offices and National Tourism Offices.

The sustained growth in tourist visitor numbers has provided a significant alternative source of national income that can offset falling agricultural exports and rising dependence on food imports. The leakage of the tourist expenditure dollar – due to the purchase of tourism industry inputs (e.g. food and beverages, external managerial expertise, overseas marketing costs, transport and other services from the tourist source country, as well as repatriation of profits by owners) – significantly reduces the value of the industry to local stakeholders (Levett and McNally, 2003). Various international studies estimate leakage of the tourist dollars to be between 40 percent and 70 per cent, depending largely on the supply capacity of the local market in goods and services in terms of competitively meeting tourism industry demand (Levett and McNally (2003); World Bank (2008); Meyer (2008).

Despite tourism's significant contribution to the generation of foreign revenue and job creation in the region, there is potential for PICs to secure greater and more inclusive benefits from the industry by developing backward linkages with other sectors (Scheyvens and Russell, 2009). Efforts to improve the supply linkages between agriculture and tourism, however, have largely foundered due to the failure of local producers to meet the tourism sector's food safety certification and quality requirements, especially during the off-season period for tropical fruit products (e.g. mangoes and pineapple) during the dry season, when visitor numbers are at their highest. As a result, PICs have had to increasingly depend on import substitutes (currently estimated at 60–80 percent of food consumed) to meet the growing demand from the tourism food hospitality sector (Sofield and Tamasese (2011); Young and Vinning (2007).

Increasing local food content in the tourism industry would contribute to a reduction in foreign exchange leakage and provide new domestic markets for rural producers (Young and Vinning, 2007). Increasing the participation of local producers in the tourist market, however, will require an improved capacity to market consistently high-quality products throughout the year at competitive prices against imported substitutes. Consequently, it is essential to facilitate increased investment in modern and off-season production technologies, as well as in improved methods to move products rapidly from farm to market to meet supply-side challenges.

The high cost of financing the purchase of capital equipment and the steep rate of investment risk associated with the agriculture sector, as a result of frequent natural disasters and land tenure issues, are significant obstacles. The cost of accessing domestic and international finance in PICs is high due to a number of factors, including low domestic savings rates, lack of collateral, bank lending controls, restrictions on foreign investment and strong capital account regulations. In addition, the lack of access to secure, long-term leasehold of land, combined with the legal and traditional restrictions that prevent full transferability of land leases, limit not only the incentives to invest in agricultural land development; it has also reduced the incentives for the banking sector to provide loans with agricultural land as a security (Duncan and Nakagawa, 2006).

The key to forging stronger economic linkages with tourism in the Pacific region is to create new financial instruments to finance the agribusiness sector. Unless there is significant financial innovation to boost the competitiveness of this sector, the tourism industry will continue to rely on imported food. As a result of this reliance, future branding and marketing promotions will be affected, as will foreign exchange earnings.

To assist local producers to access the finance that they need to invest with, it is essential to secure advance supply contracts. Tourism sector operators will need encouragement to provide these supply opportunities to local farmers. This can be in the form of marketing benefits or tax deductions to increase their commitment to buy locally produced food. The policy options that are necessary to facilitate this transition are explored in further detail in the next section.

Policy Action Area 1: Rewarding the use of local food content in tourism

Importance of local food as an economic driver of tourism

Cuisine plays a major role in promoting a country's national identity and culture, and it has become an aspect of significant importance in the quality of the holiday experience (UNWTO, 2012). Global consumer trends in the tourism sector are influencing the choice of destinations based on the use of local food. As a result, the quality and variety of cuisines at travel destinations have become increasingly important to tourists when selecting the perfect holiday experience. It will be therefore essential to promote Pacific Island food with local ingredients as a strategy to increase the market share for Pacific destinations and, at the same time, raise the demand for local fresh produce. The rural economy will benefit substantially by sourcing locally produced food and rural products and integrating them into the tourism product.



Food tourism is on the boil



In recent years, food tourism³ has grown considerably and is now one of the most dynamic and creative segments of tourism. Globally, it is estimated that approximately 30 percent of tourist revenue derives from the sale of food and beverages (UNWTO, 2012). While the food experience has always been peripherally accepted as part of the larger tourism model, in recent years the 'food tourist' has emerged in his/her own demographic right, with wide-ranging impacts on local cultures and economies. With an increased demand for an authentic local food experience, tourism operators have begun to celebrate local cuisine that represents their distinct heritage (Blakely, 2012). Thus, by differentiating their food culture as unique, regions can become more competitive in the global tourism market.

Food Tourism

Food tourism applies to tourists and visitors who plan their trips partially or totally in order to taste the cuisine of the place or to carry out activities that relate to gastronomy.

Source: UNWTO (2012)

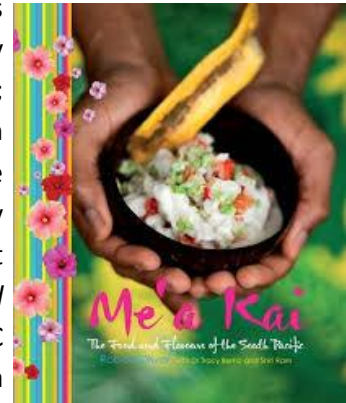
Food can contribute to a region's attractiveness, sustain the local environment and cultural heritage, as well as strengthen local identities and the sense of community. Food experiences can also stimulate local development, since food tourism is a high-yield market that attracts a new category of visitor. This creates new sources of income for local service providers through backward linkages that

³ Sometimes referred to as 'gastronomic tourism' or 'culinary tourism'.

stimulate agriculture and positively impact the economy, especially for rural areas. As tourists become more adventurous in trying new cuisines and in exploring wider geographic areas of interest, the rural communities in the developing world have the potential to increase their income flow (Everett and Aitchison, 2008).

Is there an opportunity for food tourism to drive growth in the Pacific?

While some regions have long been famed for their gastronomic offerings (e.g. France, Italy, Thailand), Pacific Island cuisine has only very recently been recognized as particularly unique in its ingredients and flavours; however, this is set to change. The recent trend towards the popularization and promotion of menus that contain increased local food and beverage content in Pacific hotels and restaurants has been spearheaded by celebrity chefs, with the support of the SPTO and national tourist authorities. Robert Oliver and Tracey Berno, authors of the cookbook, *Me'a Kai: The Food and Flavours of the South Pacific*, have been at the forefront of encouraging PIC tourist operators to specify the local farm products on their menus as a point of divergence.



BOX 1: SAMOAN CUISINE AT THE TOP OF THE WORLD

“Chef and author, Robert Oliver, has taken Samoan cuisine to the top of the world by winning a prestigious international cookbook award. Oliver yesterday won the Gourmand Award for Best TV Chef Cookbook in the World 2013 for *Me'a ai Samoa: Recipes from the Heart of Polynesia* and his cooking show, *Real Pasifik*, made by acclaimed TV production company Zoomslide, based in New Zealand...”

“...Prime Minister Tuilaepa said Oliver had taken Samoan food from our villages and transformed them to another level so they can be served at hotels and restaurants.

‘What he has done has recorded and elevated our food culture, our organic farmers and our country. We are both proud and grateful to him.’

“Oliver said the award recognised how special Samoan cuisine is and that ‘by presenting the real people and culture behind the food, we have a winning formula’...”

“...In 2010, Oliver, and his team co-author Dr Tracy Berno and photographer Shiri Ram, also won the main award – best Cookbook in the World – for their debut book, *Me'a Kai: The Food and Flavours of the Pacific*. Oliver became a Le Cordon Bleu ambassador after winning that award...”

Source: Website of Women in Business Development Samoa, available at <http://www.womeninbusiness.ws/blog/557318>

“Where cuisine goes, agriculture follows, so the further development and strengthening of local cuisine represents a new opportunity to enhance the tourism brand, reduce food imports by sourcing more to local farmers groups and to further engage all Pacific Islanders in the tourism industry”

Source: IICA (2013)

Oliver is currently working actively across the region to change the perceptions and attitudes of managers and chefs about the quality and worthiness of Pacific Island local dishes for the hospitality sector (Box 1). The focus of food (and beverages), therefore, should be regarded by the region’s policy-makers as an important differentiating component of tourism. Its further development should be dealt with in a carefully planned and strategic way as with other tourist destinations around the world (Box 2.)

BOX 2: DEVELOPING POLICY STRATEGIES FOR KOREAN CUISINE TO BECOME A TOURIST ATTRACTION

The Korea Tourism Organization has developed gastronomic tours in Korea in collaboration with celebrities such as top chefs and gastronomists, as well as famous Korean entertainers. This ‘celebrity promotion’ of Korean cuisines and travel destinations attracts an increasing number of tourists each year. In addition, combining gastronomic culture with television shows that help promote Korean cuisine and food culture has been particularly effective. The Korea Tourism Organization’s website offers a comprehensive introduction to local delicacies and food products, including traditional Korean table manners, using detailed written descriptions and photos.

Furthermore, the Ministry of Culture, Sports and Tourism has developed a tourism product based on the theme of Korean cuisine in which guests can participate in the process of making Korean food, including traditional fermented foods such as kimchi, sun-dried sea salt, red pepper paste (*gochujang*), bean powder paste (*doenjang*), cured and preserved foods (*jutkal*), soy sauce (*ganjang*), among others. The aim is to extend such products to company-sponsored tour groups, such as those on educational field trips or training sessions for government employees.

Source: Jeon Yang-Chan, World Tourism Organization of the United Nations, 2012

Food experiences help to brand and market destinations

Food can provide an excellent platform on which to brand and market activities, based on the commitment to use local high-quality food products, while ensuring top service standards. Countries across the globe are recognizing the business potential of food tourism and are striving to enhance their offer through the branding of the local food experience (Box 3).

BOX 3: BRANDING THE LOCAL FOOD EXPERIENCE: THE CASCADIAN CUISINE ECONOMIC DEVELOPMENT INITIATIVE

The regional food and drink branding scheme, the Cascadian Cuisine Economic Development Initiative, is designed to inform consumers, create jobs and support communities across the Pacific North-West region of the US and Canada. The short-term goals of this initiative are as follows:

- Build a team of food, drink and tourism professionals who understand the concept of and are willing to support a regional culinary branding initiative
- Together with food, drink and tourism stakeholders, outline the components of Cascadian cuisine (e.g. definition, ingredients, geographic borders)
- Engage key players and strategic partners
- Develop and promote with partners the products that represent the region's food and drink traditions.
- Attract more visitors to the region to taste cuisine products; and
- Drive the demand for export of value-added food and drink products from the region.

Source: World Food Travel Association <http://worldfoodtravel.org/successful-cascadian-cuisine-kickoff/>

Accreditation

As well as branding the food experience as a product for the Pacific Northwest's tourism potential, it is essential to accredit local food and beverage outlets and service providers (e.g. hotels, restaurants, cafes) that are dedicated to providing fresh and locally sourced produce. Greater effort should be made to encourage the food hospitality sector to source and use local produce in the kitchen. (see Box 4, in relation to Scotland).

BOX 4: ACCREDITATION OF SCOTTISH FOOD AND DRINK ESTABLISHMENTS THAT USE LOCAL PRODUCE



The 'taste our best' accreditation system in place in Scotland helps ensure prospective patrons of a restaurant's use of local ingredients of a high standard of quality, produced seasonally, and are locally sourced. Forty percent of food on menus is produced locally and staff are well versed as to the origins.

Taste Our Best accreditation has raised the profile of Scottish food as an integral part of tourism. Recognition is given to those who achieve excellence, thus providing an incentive to others within the food and tourism network.

Taste Our Best establishments

Not only is the Taste Our Best accreditation logo proudly displayed in Scotland's top restaurants, it can be identified on the windows of small bistros, pubs, coffee houses, various visitor attractions, and B&Bs that offer food.

Source: See <http://www.visitscotland.com/about/food-drink/taste-our-best>

Several PICs are in the process of developing or strengthening their tourist sector certification and accreditation criteria, and may consider extending the rating to the hotel and restaurant industries. In parallel, national tourism authorities, as well as hotel, restaurant and chef associations, have a critical role to play by encouraging greater use of local produce. By working together, strategies can be identified that will promote the benefits of expanding the Pacific region's unique cuisine.

By supporting hotels in their marketing efforts, the value of a distinctive local fresh cuisine as a destination selling point and the additional income-generating opportunities for local farmers will likely be realized. The development of a regional tourism branding initiative for exports in the form of the True Pacific certificate (Box 5) should be explored by PICs. This 'trademark' could then be applied to hospitality outlets across the region. Those establishments that achieve the accreditation then can be offered the marketing benefits listed in Figure 2.

Tax credits

Tax benefits, such as tax credits, can be offered by national governments to food establishments, based on the value of local produce purchased under contract with local producers during the tax year (Box 6 and Annex 1). In addition, training courses can be offered to assist qualified chefs to increase the variety of local ingredients and flavours on their menus.



Box 5: THE TRUE PACIFIC BRAND FOR LOCAL PRODUCTS

True Pacific is a regional certification programme that globally assures and promotes the quality of Pacific products that represent the Pacific region's exotic flavours and freshness. A variety of food products now bear the True Pacific certification, including coffee from Papua New Guinea, red papayas from Fiji, Hot! Samoan Boys chilli sauce, Lapita manioc products from Vanuatu and Heilala Vanilla products from Tonga.

Launched in September 2011, True Pacific is an initiative of the Pacific Cooperation Foundation. The Foundation coordinates business, technical and marketing support to enterprises throughout the region to ensure their practices and products meet the required standard. To earn a True Pacific certificate, producers must register with the programme and meet a set of assessment criteria to confirm that their products have reached a high quality standard and that effective systems are in place to maintain these.

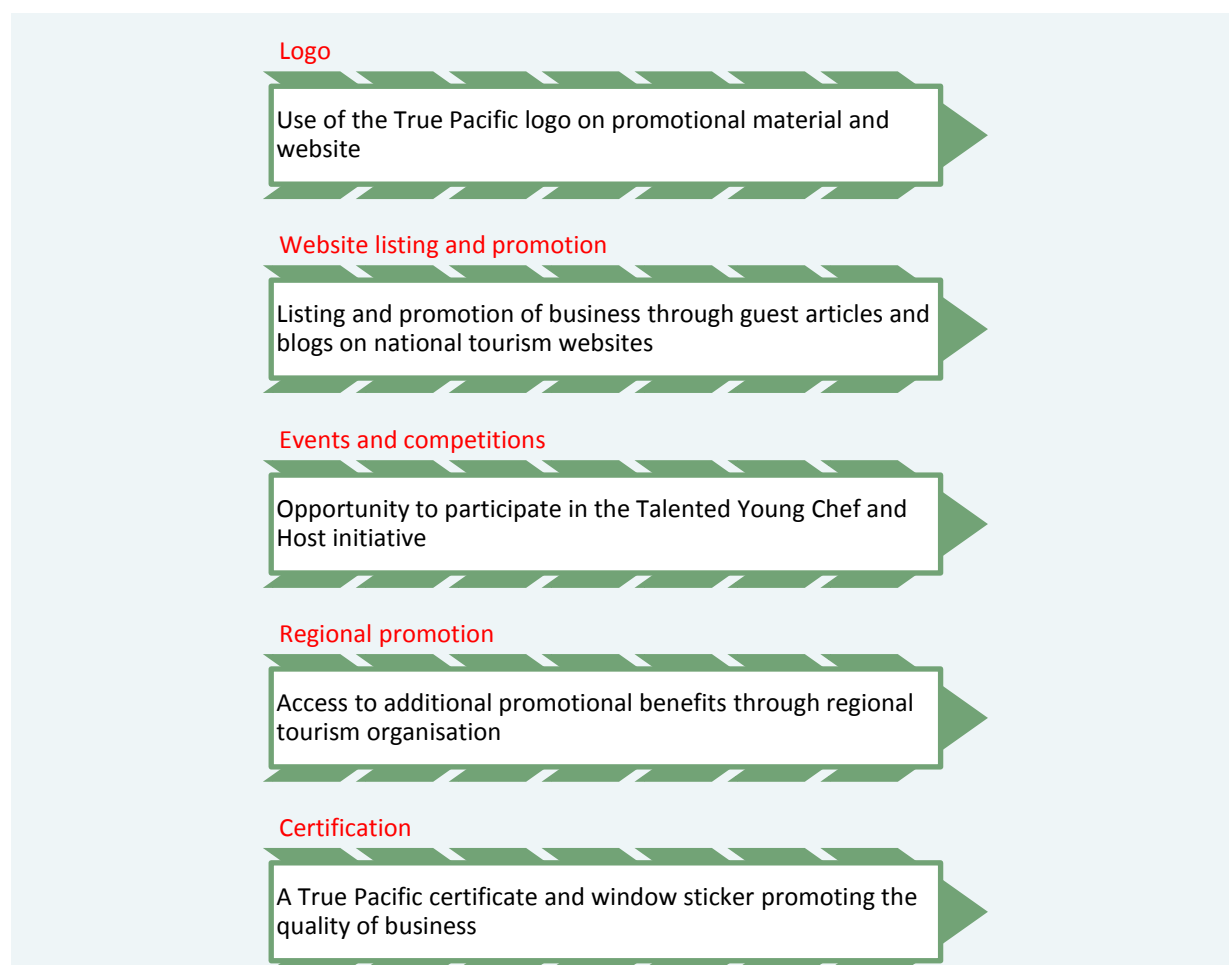
Source: True Pacific www.truepacific.com

Box 6: Iowa State Local Farmer and Food Security Act, 2010

This proposed law offers a 20 percent tax credit to grocers against the cost of purchasing 'Local Farm Products', defined as "raw fruits, vegetables, grain, and meats that may be minimally processed for sale within the Local Territory". 'Local Territory', in turn, is defined as "the area within 150 miles of the reselling grocer that may include areas outside the State of Iowa".

Source:

<https://coolice.legis.iowa.gov/legislation/83rdGA/All%20Other/SSB32>

FIGURE 2: EXAMPLE OF POTENTIAL BENEFITS FROM TRUE PACIFIC CERTIFICATION

Farmer–hotel linkage to match demand and supply

Hotels require a reliable and timely supply of high-quality food produce throughout the year. The identification of market preferences and communicating these to farmers is essential to improve the linkages between the tourism and agriculture sectors. In general, hotel chefs and purchasing officers prefer one or two suppliers who can service most of their fresh produce requirements. Trading intermediaries are therefore a critical link between the market and the producers, especially when their success is based on their ability to deliver quality and variety and are able to effectively communicate their preferences to farmers. It is essential, therefore, to support these intermediaries to ensure that there is effective coordination between the agriculture sector and the tourist market (Box 7).

BOX 7: THE LINK BETWEEN FARMS AND HOTELS: AN EXAMPLE

Susana is a farmer and a trader who has worked for ten years supplying the major hotels and resorts of Port Vila, Vanuatu, with fruit (i.e. pineapple, melon, papaya and banana) up to three times a week. She manages her own 10-hectare farm and began working with surrounding farmers to enable her to achieve the volume required to maintain business with her outlets. Susana has built her experience by interacting with her clients so as to understand their demands and preferences. She also has experienced the challenges faced by smallholder growers. To overcome these challenges, she contacts her clients in person on a weekly basis for their order of products, the quantities and the time for delivery. She then visits her network of growers, selects the quality grades of produce and hires a truck to deliver the goods to the hotels.

Susana has managed her business for a decade without a phone or her own transportation. She has established strong relationships with the purchasing officers at a range of hotels, as well as among her network of growers. Her growers are paid on a weekly basis subsequent to her weekly payment from her clients. The growers, therefore, are not paid at the time of purchase, although advances are sometimes made. Her reputation among her clients has been maintained due to her reliability and the quality of produce she sells.

The competitive advantage that Susana has is her ability to procure a volume of produce that is sufficient to cover the cost of a hired vehicle and to ensure that the hotels receive the standard of quality that is also available at the Port Vila municipal market. Furthermore, the relationship she has developed with her clients and growers results in her ability to meet the quality and reliability standards demanded of her. Susana would like to improve her business and service to hotels by reducing post-harvest spoilage and waste. This would only be possible if she had a solar-powered cold storage container facility.

Source: FAO (2014a).

There have been some recent development projects (e.g. between the Cooperative Extension Service of the University of Guam, the University of Hawaii and the Secretariat of the Pacific Community) in several PICs in an effort to build an alliance between farmers and chefs. The objective is to link farmers, chefs and buyers to learn the needs of the market, the availability of produce and what should be grown, and to discover how to include more local produce in native dishes. Facilitation of this type will continue to play a useful role in building alliances between the agriculture and tourism sectors; nevertheless, an initiative that is driven by the private sector through direct strategic partnerships between the tourism sector and farmers/traders has considerable potential to improve supply and demand. Boxes 8 and 9 provide example of a major hotel chain that has succeeded in integrating smallholders into the tourism value chain and of initiatives undertaken by a public-private partnership, respectively.

BOX 8: SUCCESS IN SOURCING LOCAL FOOD FROM FARMERS: SANDALS RESORTS

The Sandals' Farmer Program in Jamaica began in 1996 to ensure good working relationships between farmers and hotels by enhancing the quality of produce, developing proper pricing arrangements and improving communications between farmers and hotels. The initiative therefore works across supply, demand and marketing. Key elements of the approach include the inclusion of a farmer extension officer, funded by Sandals, who works directly with farmers to improve production; collaboration with a number of rural agricultural technical agencies and non-government organizations to provide additional advice and support; the participation by hotel management staff in farm visits and workshops to discuss quality and marketing procedures; visits by farmers to hotels to learn how their products are used; and a focus on improving pricing and contractual arrangements concerning volumes to be traded.

The various challenges for farmers were (i) meeting production due to a lack of water supply, lack of packing material or other issues; and (ii) the sale of their produce (e.g. inconsistent supply orders; lack of communication). To overcome these issues, efforts were made to ensure that there is sufficient collaboration between farmers and hotels, two weeks in advance, regarding what crops and volumes will be available and what produce is needed, respectively, so that supplies are guaranteed. In addition, agreement is made between individual hotels and farmers each month on the kinds and volume of produce required and the delivery prices.

The project began with ten farmers and two hotels, increasing to 80 farmers across the island. Sales rose from US\$60 000 to US\$3.3 million within three years. Farmers' income increased and became more reliable, while hotels have benefitted from a wider variety of good quality local produce at a cost saving. The programme subsequently has expanded to St Lucia and Antigua.

Source: Meyer, Ashley and Poultney (2004).

BOX 9: THE GAMBIA IS GOOD PARTNERSHIP

Tourism is an important source of income in The Gambia. Despite the interest in sourcing locally, hotels and restaurants often import fruits and vegetables, given the unreliability of local supply, the inconsistency of quality and the insufficiency during peak periods. The Gambia is Good is a cross-sector partnership between Haygrove Ltd. a United Kingdom agribusiness concern, and Concern Universal, a non-government organization. The partnership includes smallholders, large agribusiness firms and the hospitality sector, and acts as an intermediary between growers and the buyers in the tourism industry.

The Gambia is Good programme also provides capacity building in relation to production and marketing, as well as facilitates input procurement. More specifically, it translates the needs of hotels, restaurants and supermarkets into detailed production plans for growers, negotiates fair prices and helps with irrigation systems and diversification of crops to enable year-round production. It also has established a seed store and introduced a produce grading system. As a result, nearly 1 000 growers – 90 percent of whom are women – are able to sell their produce, supplying 20 tonnes per tourist season month to more than 40 hotels and restaurants

Source: UNCTAD (2013).

Key results from a review of programmes that link farmers to tourism hotels

The key results that have emerged from a review of programmes that link farmers to tourism are listed below.

- Collaboration between a range of public and private organizations
- Support for increased farm productivity and production quality by improving access to inputs, technology and capacity building
- Improved communication between farmers and hotels to better understand market needs and production capacities
- Coordinated supply and demand through forward orders by the hospitality food sector, enabling production planning by farmers and farmer groups
- Establishment of a transparent pricing system and agreed payment schedule.

In order to improve the coordination of supply to the tourism sector, it is essential to combine improved market intelligence with better farm production planning. Participants in the tourism industry who wish to increase their use of locally produced food, therefore, should be encouraged to provide agriculture sector stakeholders with 'demand forecasts' for fruit and vegetables. Demand forecasts are developed by using weekly food order sheets and information on forward bookings to identify the future volume of demand for select fruit and vegetables for each hotel/resort at least six months in advance. This method can be facilitated through the collaboration of national tourism authorities, tourism associations, hotel/restaurant/chef associations, farmers' associations and national agriculture ministries.

Building the scale of production to meet large orders from the tourist sector will also require collaboration and/or partnerships between groups of small farmers. These farmers then will be able to respond to forward orders by coordinating their production schedules (Box 10).

Box 10: TOURISM-FOCUSED PARTICIPATORY GROWER SCHEMES

The vegetable production season in Pacific Island Countries lasts usually eight to nine months. During the off-season, however, farmers from Qereqere in Fiji's Sigatoka valley have managed to supply out-of-season vegetables (e.g. tomatoes) to the Fijian Shangri-La and Warwick Resorts. This has been possible by coordinating planting and harvesting schedules and using greenhouse coverings and ripening houses.

Three groups of farmers (16 in total) collaborated in the development of a group business plan that required each farmer to plant a quarter of an acre of tomatoes in four rows, collectively totalling one acre of produce each month. Early estimates indicate that this method of combined production by the three Sigatoka farmers' groups has risen to three tonnes of tomatoes a week from 400–500 kg, including 400–800 kg of Grade 1 tomatoes that are sold to resorts. The lower grades are sold at the Suva municipal market.

Source: ACIAR (2014).

Conclusions

Tourists seek an authentic Pacific Island food experience that is rich in local, fresh tropical fruit, vegetables, beef and fish. Cuisine can effectively play a major role in promoting a country's national identity and culture. Food tourism can contribute to extending the length of stay by visitors and increase their expenditure on local production. PICs should capitalize on the growing international interest in food tourism by branding and collaborating regionally to boost the Pacific region's position as a leading destination for food travel. By branding and marketing Pacific food, local economies will improve and result in greater value addition to tourist business. It will also reduce the rate of leakage of potential tourism industry earnings.

Further initiatives in areas, such as culinary events and creative use of local products in recipes and on menus, will be necessary to help propel food into the centre of the Pacific tourism industry. Developing story lines and promotional material in relation to local produce will enhance opportunities in tourist and export markets. Applying the True Pacific quality assurance recognition of the food hospitality sector will not only guide visitors to those accredited establishments; it also will encourage greater commitment from the hospitality industry to use local food content on their menus.

Adopting a food and drink tourism strategy: potential benefits

- ✓ New competitive advantage or unique selling proposition (i.e. unique food and drinks)
- ✓ More media coverage
- ✓ More high-spend visitors and longer stays
- ✓ Stronger market demand for local farmers' and fishers' products
- ✓ More local sales and greater economic value addition
- ✓ Increased employment and income for rural communities, especially women and youth
- ✓ Rise in tax revenue
- ✓ Reduction in economic leakage

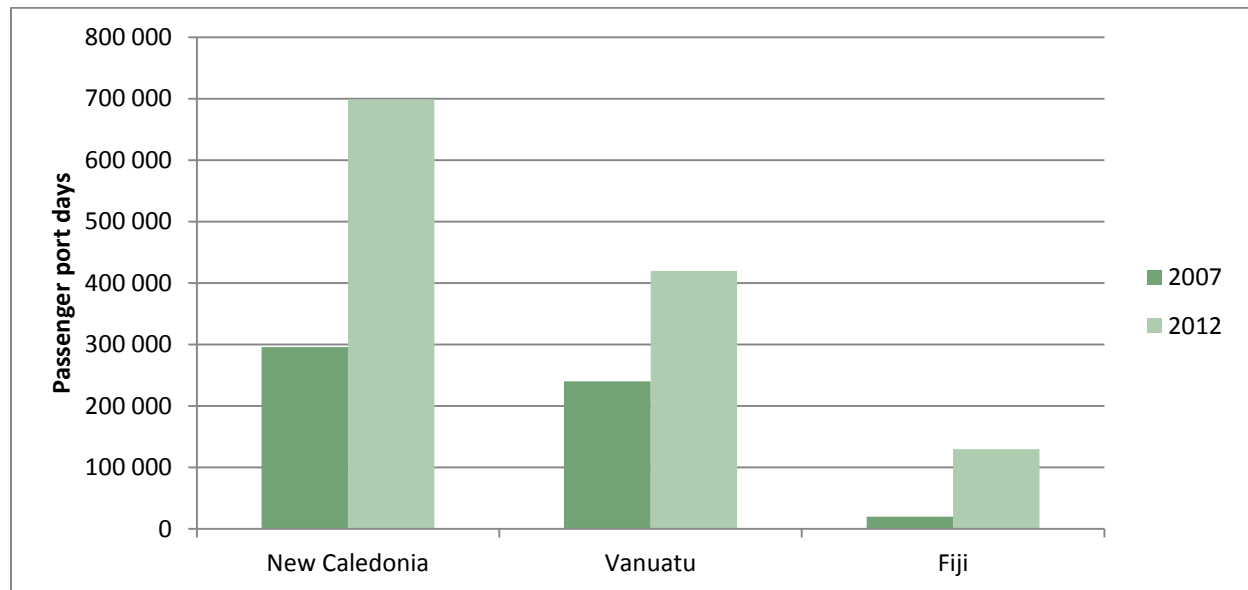
Policy Action Area 2: Increasing local earnings from cruise ship tourism

Cruise tourism growth in the Pacific

The cruise industry is the fastest growing segment of the global market in terms of leisure tours, with an estimated 21.6 million passengers contributing a total value of US\$37.1 billion in revenue in 2014. In the same year, 310 cruise ships with approximately 440 000 berths sailed the globe. Cruise ships, as well as cruise ship fleets, are increasing in size with six new ships recently having been added with a capacity of up to 4 000 passengers each. Seventeen additional cruise ships are expected by 2017.⁴

Cruise ship tourism is also growing in the Pacific, with several PICs experiencing increased numbers of day cruise ship visitors. In Vanuatu, cruise ship tourism is the fastest growing segment with arrivals having risen by 15 percent per annum over the last ten years. In 2012, there were 213 243 cruise visitors, representing 66 percent of arrivals.⁵ Vanuatu and Fiji are the main PIC destinations due to their geographical closeness to the main-source market for passengers – Australia – with New Caledonia another key destination (Figure 4) (SPTO, 2014). Other Pacific destinations are disadvantaged by distance (i.e. they require additional sailing days) from Australian ports and therefore receive a fraction of the region’s total number of annual cruise ship passenger days.

FIGURE 3: GROWTH IN CRUISE SHIP PASSENGER PORT DAYS IN THE PACIFIC ISLANDS' MOST POPULAR PORTS



Source: SPTO (2014).

Comparison of expenditure by cruise ship passengers

While cruise ship tourism is growing faster than land-based tourism in PICs, these passengers contribute less to the local economy than by visitors typically arriving by air. For example, in 2012, the direct

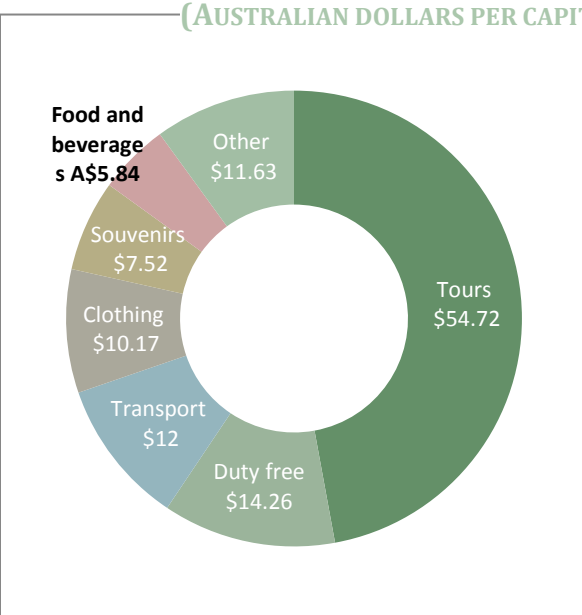
⁴ See www.cruisemarketwatch.com

⁵ Data from Vanuatu Statistics Office (2013).

contribution to Vanuatu's local economy by the 108 161 stay-over visitors was estimated at US\$122.9 million, while the contribution from 213 242 cruise ship visitors was US\$30.5 million (FAO, 2014a). Furthermore, Port Vila receives 85 percent of passenger expenditure in Vanuatu (and 80 percent of direct expenditure), highlighting the need for strategies to more equitably distribute the benefits from the cruise industry to rural areas (FAO, 2014a).

Moreover, only A\$5.84 (6 percent) of the daily average spend out of A\$96 from cruise ship passengers in Port Vila is spent on food and beverages (Figure 5). Following tours, the largest portion of spend – A\$14.26 (14.9 percent) – is on duty free purchases, all of which are likely to be imported (FAO, 2014a). In contrast, approximately 24 percent of the 675 000 stay-over tourist expenditure in Fiji in 2011 was on food and 10 percent on beverages, equivalent to F\$381 (approximately US\$205) per capita per day (Table 4) (Fiji Bureau of Statistics, 2012).

FIGURE 4: BREAKDOWN OF AVERAGE CRUISE SHIP PASSENGER DAILY EXPENDITURE IN PORT VILA (AUSTRALIAN DOLLARS PER CAPITA)



Source: Fiji Bureau of Statistics (2012).

TABLE 4: BREAKDOWN OF TOURIST EXPENDITURE IN FIJI

Components of turnover	Total income (F\$)	
	2011	2010
Accommodation	405 569	347 428
Food	178 313	152 756
Bar and Liquor		
• Alcoholic drinks	73 268	63 780
• Non-alcoholic drinks	5 554	4 502
• Tobacco	1 109	2 208
Telephone	2 551	3 133
Miscellaneous	89 827	74 754
Total	756 191	648 561

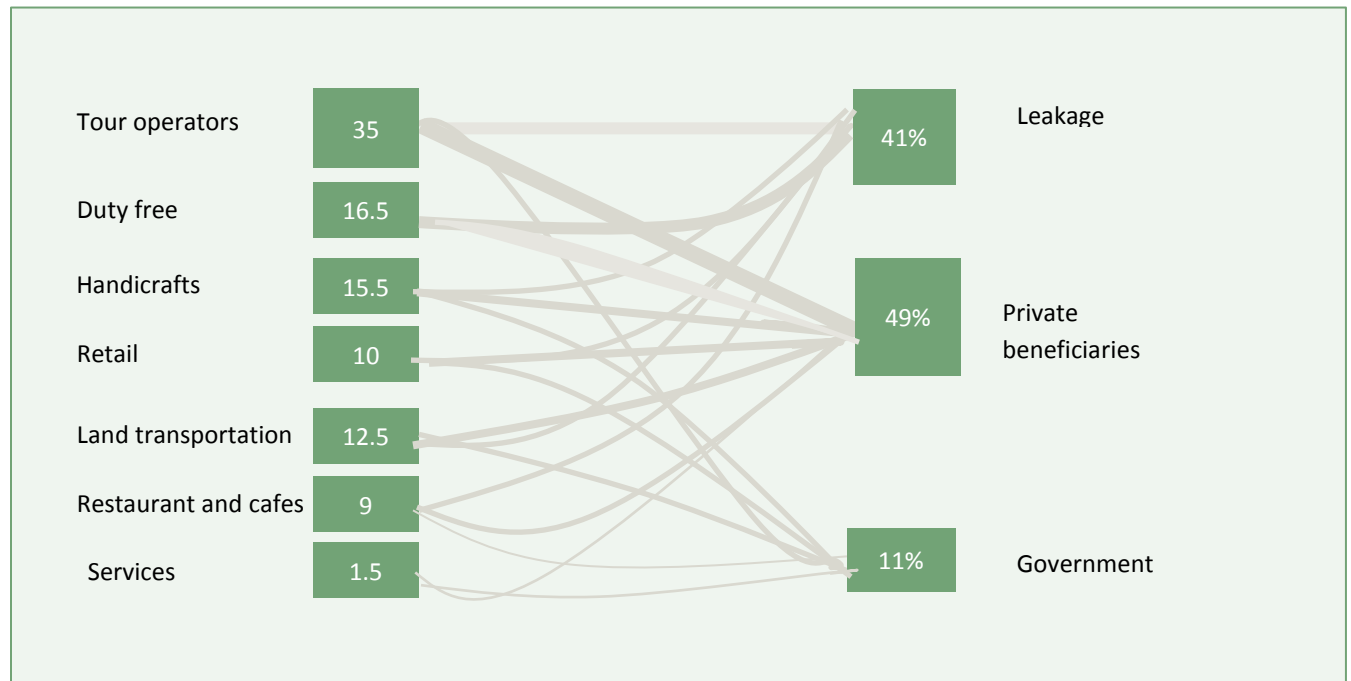
Source: IFC (2014).

Indirect impacts (multiplier effects) from cruise visitor spend in the Vanuatu economy can be apportioned to private benefits, government (through taxes) and leakage (i.e. use of imported goods).⁶ The 2014 Vanuatu Economic Impact Assessment indicates that for each dollar spent across the range of goods and services listed in Figure 6, 59 percent creates local flow-on impacts and 41 percent 'leaks' to international beneficiaries. Out of the 59 percent of local impact, approximately 11 percent goes to government in the

⁶ Leakage is Income that is not used to stimulate the economy. For this assessment, leakage is used to describe the flow of money going offshore, thereby being lost to the local Vanuatu economy.

form of tax and contributions (e.g. import tariffs and value-added tax) and the rest (48 percent) to private beneficiaries (businesses and individuals).

FIGURE 5: INDIRECT EXPENDITURE IMPACT FLOWS FROM CRUISE PASSENGER SPEND IN VANUATU



Source: AusAID (2014).

Breaking into the cruise ship food and beverage supply chain

Despite the size of the cruise ship market, its consumption of PIC food and beverage products is negligible. The cruise ship industry imposes strict sanitary and food quality and price requirements which make it very challenging for local suppliers of fresh produce to gain a share of their general food provisioning (FAO, 2014a). The cruise ship industry also maintains bulk corporate procurement processes that ensure supply consistency and quality through contracts to food and beverage suppliers (often a single procurement company) located in home ports (FAO, 2014a). Cruise ship companies thus have not often been willing to consider local

food and beverage alternatives, other than semi-regular ‘island nights’ and on-board product promotional ‘try and buy’ events (e.g. Tanna Coffee functions onboard cruise ships visiting Vanuatu).

The opportunity to market fresh food products once passengers are ashore is also limited. Cruise ship holidays typically involve prepaid packages that include all onboard meals and many onboard

“Given the size of demand of the cruise industry, capturing even a relatively small portion of the procurement of local products would be extremely beneficial to PIC businesses, creating significant additional production and employment.”

Source: IFC (2014).

activities, discouraging many passengers from consuming additional meals or spending time onshore (Scheyvens and Russell, 2013). Once embarked, passengers on formal tours, arranged by the cruise ship tour agent, can only be served food or drinks at a restricted number of venues that are pre-agreed with cruise ship agents and their ground handlers (FAO, 2014a). Furthermore, passengers are given advice onboard ship regarding food safety issues and warnings on consumption of certain local products. They are also urged not to bring fresh food products onboard (Scheyvens and Russel, 2013).

The demand for cruise ship travel, however, presents a huge market potential for PIC farmers. For example, the three P&O cruise ships that sail year round to Vanuatu represent approximately 1 200 tonnes of fruit and 1 700 tonnes of vegetables that are consumed onboard. Were local suppliers to access even a small portion of this demand, it would be extremely beneficial to them in terms of significantly increased local production and employment (AusAID, 2014). Indeed, this study demonstrates that incentivizing the purchase of local products by the cruise ship market is an exceptional investment opportunity for Vanuatu in comparison with other investments, such as infrastructure (Table 5).

TABLE 5: SUMMARY OF COST BENEFIT ANALYSIS OF INVESTMENT OPPORTUNITIES IN CRUISE TOURISM: VANUATU

Infrastructure/Destination Development	Net Benefit	NPV*	Costs
	A\$ Million	Benefits A\$M	A\$M
Home-base a cruise ship subsidiary in the Pacific**	6.1	6.1	0.0
Tanna Island: Lowanatom	5.9	11.8	5.9
Tanna Island: Waesisi	4.9	7.8	2.9
Malekula Island: South West Bay	3.7	4.8	1.1
Mystery Island: inner and outer anchorage mapping	1.3	1.4	0.1
Espiritu Santo Island: Repair of Luganville Wharf	1.1	19.1	18.0
Ureparapara Island	1.1	2.2	1.1
Market Access			
Increase local purchase by cruise ships	8.6	9.5	0.9
Employment for Ni-Vanuatu people onboard P&O ships	1.2	4.9	3.7
Technical and Vocational Education and Training (TVET): business training for cruise microentrepreneurs	0.9	1.0	0.1
Handicraft enhancement programme	0.7	1.1	0.4
* Estimated costs/benefits over time: (i) infrastructure investments – over ten years; (ii) local purchases and handicraft – over five years; (iii) employment – over three years (a training cycle); and (iv) Technical and Vocational Education and Training (TVET) business training – over two years.			
** Home basing a cruise ship company in the Pacific is a relatively complex initiative that requires substantial additional scoping, making it a longer-term initiative than comparable items in this chart; it is included here for purposes of assessment against other potential infrastructure investments.			

Source: AusAID (2014).

An increase in the rate of purchase of local content by the cruise ship industry, especially of fresh fruit and vegetables, would provide significant benefits. However achieving this outcome will require convincing cruise ship operators of the value and safety of local products, as well as working with local producer organizations to ensure that they are able to supply high-quality produce consistently to the cruise industry. The adoption of a more business-oriented and professional modern farming approach by dynamic young entrepreneurs will only be possible with substantial investment in productivity and quality-enhancing technology (Box 11).

BOX 11: UPGRADING FARM PRODUCE TO MEET MARKET DEMAND: DOMINICA

Banana production is Dominica's single largest agricultural activity. Traditionally, farmers simply grew the bananas and delivered them to the exporters. Farmers were required to meet the country's export quota of bananas, thus guaranteeing them a market, while at the same time removing the incentive for innovation to enable the sector to compete with today's increasingly liberalized markets. The supply-driven approach has resulted in the Island's dramatic decline in output, placing it in need of a business approach that includes farmers' understanding of production scheduling, market pricing and customer requirements in meeting today's challenges.

Darwin Telemaque, a young entrepreneur at the age of a little over 30, spent some years working in the logistics sector in the United States. In early 2006 Darwin was left his father's 25-acre farm in Dominica. On discovering the success of the farm over the last five years prior to his inheriting it, he decided to expand the business. The farm now grosses over EC\$1 000 000 a year. Darwin owes his success to his investing in a similar sized property on the west coast, north of Roseau, which he drained and on which he planted high-quality banana plants.

Darwin noted the potential to further increase his business. By adding a ripening room and buying a vehicle to transport the bananas, he is able to deliver ripened bananas directly to supermarkets, hotels and cruise ship operators, setting the example of a new business approach. Darwin now sells 50–75 boxes of ripened bananas each day within Dominica.

Cruise ships arriving in port are supplied by Darwin, sometimes up to 200 boxes of bananas at a time. To meet a growing market demand, he has franchised other growers, thus guaranteeing a market for other crops by integrating various business approaches that include the scheduling of production to meet customer needs.

Source: Ivey (2008).

Potential benefits from local procurement by the cruise industry

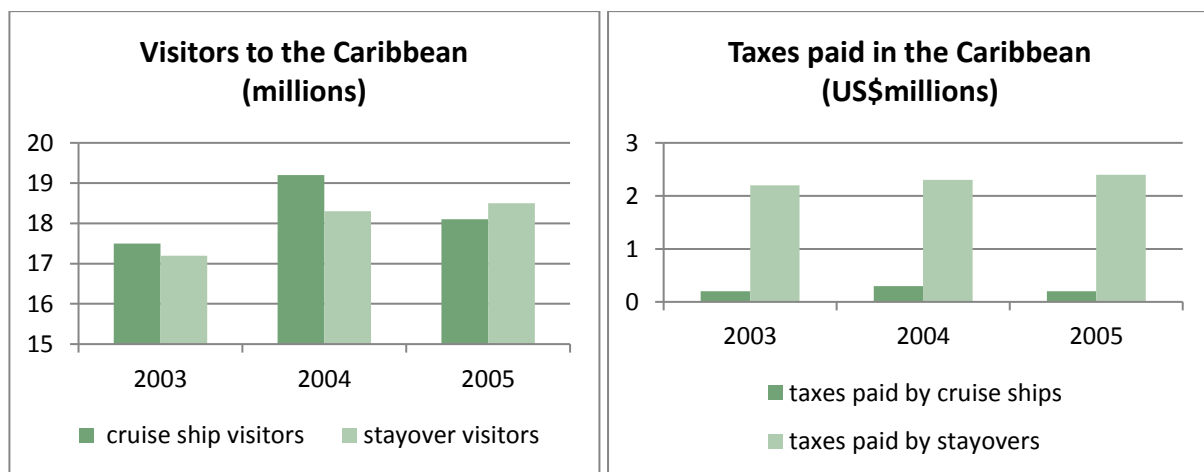
- ✓ *Additional revenue for PIC businesses and related job creation, by means of the cruise tourism supply chain*
- ✓ *An enhanced Pacific experience for cruise passengers, with market related opportunities for differentiation*
- ✓ *An improved Corporate Social Responsibility profile for cruise companies, and enhanced license to operate*

Source: IFC (2014).

Tax revenue from the tourism industry

The cruise segment of the tourism sector is generally subjected to far lower rates of tax than is the land-based segment. Figure 8 demonstrates that taxes paid in the Caribbean by cruise passengers are far lower than stay-over passengers, despite an equivalent number of visitors from both segments. In the Pacific, cruise ship passengers are exempt from many of the hotel bed taxes, departure taxes, and green fees normally paid by air passengers. Furthermore, cruise ship companies, as a result of the foreign location of their business for tax purposes, pay no local Island income taxes. This scenario implies that there is a prerequisite to address the loss that these exemptions have on national revenues.

FIGURE 6: COMPARISON OF CRUISE AND STAY-OVER TOURIST ARRIVALS VERSUS TAXES PAID IN THE CARIBBEAN



Source: Honey (2009).

PICs have been encouraged to significantly invest in upgrading port infrastructure and passenger facilities in order to accommodate more frequent cruise ship visits and greater vessel sizes. The Government of Tonga has reconstructed the Vuna Cruise Ship Wharf in Nuku'alofa with a T\$32 million loan (approximately US\$18.3 million) from China (Box 12). In Vanuatu, the government is also upgrading wharfs in Port Vila and Luganville at the request of the cruise ship industry.

The contribution of cruise ship tourism to national revenues should exceed the cost of these substantial investments. To ensure that this occurs, tax levies currently applied should be increased.

Tax per passenger head

The passenger or head tax is widely recognized as a tax the cruise industry pays to host countries. It is routinely charged around the world to cruise ship visitors and is included in the ticket price (Table 6), with the exception of PICs.

BOX 12: NEW VUNA WHARF: TONGA

“HM King Tupou VI unveiled a plaque and cut a ribbon to open a new Vuna Wharf, reconstructed with a \$32 million pa'anga [US\$18.3 million] loan from China, in time to welcome its first cruise ship, the Ocean Princess tomorrow Tuesday 11 December 2012.

“The long-awaited opening of the new wharf is expected to help drive the economy forward by attracting more cruise ships to Nuku'alofa...

“...Prime Minister Lord Tu'ivakano said Vuna Wharf would become a hub of tourism activities and a magnet for cruise ships and visiting naval vessels, as a cornerstone of the Tonga Government's Strategic Development Framework to boost trade and economic enterprises.

“He said this was a vital step forward in government's provision of infrastructure to facilitate growth, generate progress and promote prosperity in Tonga...”

Source: Cruise Commentator (posted 10 December 2012), available at <http://cruisecommentator.com/tag/reconstruction/>

TABLE 6: SUMMARY OF PASSENGER TAXES APPLIED TO CRUISE SHIP PASSENGERS IN MAJOR MARKETS

Cruise ship port	Nature of tax	Amount
Auckland, New Zealand	Passenger tax on disembarkation at terminal facility	NZ\$23.30/head (was NZ\$8.30 in 2008/09)
Port of Miami, Florida, United States (largest cruise ship facility in the world)	Combination of disembarkation taxes, passenger-in-cabin taxes and state capital cost recovery taxes	US\$50 to US\$200/head (depending on length of stay, size of vessel)
Alaskan Ports, United States (Ketchikan, Juneau, Wasilla, Anchorage, Kodiak)	Combination of state tax per passenger on-board Ocean Ranger staff tax and gambling tax per ship on all Alaskan cruises	US\$23.50 to \$38.50/head (taxes are redistributed on a per head basis to Juneau, Ketchikan and other ports for capital works financing)
Bermuda	Passenger cabin tax (while in port)	US\$10 to US\$14/head per night at berth
Bahamas (United States)	Passenger tax on disembarkation at terminal (discount applies if cruise ship arrivals meet specific annual targets)	US\$15/head
Hawaii (United States)	State policy of no passenger taxes on arrival at terminal (taxes apply to ship berthage/ wharfage). Defined as non-commissionable fees.	nil
Ports of New York and New Jersey, United States	Passenger disembarkation tax	US\$8.50/head

Port of Southampton (United Kingdom) (largest of cruise ship bases in the United Kingdom)	Passenger embarkation tax (prior to sailing). Negotiated by type of cruise ship/length of stay prior to departure.	(US\$ equivalent) US\$30 to US\$70/head
Port of Hamburg, Germany	Passenger disembarkation tax (for capital recovery of new cruise terminal at Altona)	€21/head
European cruises (based in Hamburg) – up to seven countries	Passenger terminal taxes levied for all port visits (seven days). Similar formulae apply to French and Scandinavian cruise vessels.	US\$200/head

Source: NSW Government (2011).

The island states of the Caribbean each impose a passenger head tax of between US\$4 and US\$60 in addition to an environmental tax, with reductions offered during off-peak periods (Caribbean Hotel Association, 2007). State governments in Australia have also imposed a passenger tax on each cruise ship visitor. The Government of New South Wales charged A\$20 in Sydney in 2013, raising the state levy to A\$25 in 2014 and to A\$30 in 2015 following a review of international cruise ship passenger tax policies (Box 13).⁷

Box 13: PASSENGER HEAD TAX: SYDNEY

A new A\$20 per passenger head state tax on cruise ships docking in Sydney was introduced in July 2013, rising to A\$25 in 2014 and A\$30 in 2015. Prior to this, cruise liners paid only a berthing fee of A\$250 per hour. The New South Wales Government State Minister for Roads and Ports, Duncan Gay, said “...the new pricing structure would allow a greater investment in cruise infrastructure. It’s only fair to ask the cruise industry to help meet the costs”.

Source: *Cruise Weekly* (19 June 2012).

In order to increase local earnings from cruise ship tourism and cover future investment costs, PICs should follow international norms regarding cruise passenger taxes. This can be achieved by reviewing the taxes imposed on day visitors and the cruise ship industry relative to other tourists, hotels and on-shore tourism operators. Any additional revenue gained from this can be invested in the upgrade of local infrastructure, particularly in relation to the production and processing of local products for the tourism industry. Purchases of food and beverages by operators could be tax deductible based on the application of head taxes and/or green levies, thus incentivizing the cruise ship industry to increase their local content.

Key issues from a review of international cruise ship passenger tax policies

- It is generally recognized that cruise passengers should contribute to the capital investment of terminal facilities and their operating costs.

⁷ “NSW Government defends new cruise tax.” *Cruise Weekly*, 14 June 14, 2012,

- International cruise ships that berth for periods of more than 12 hours should be charged port fees at busy destinations and a tax be levied on passengers, whether they disembark or not (i.e. passenger cabin tax).
- International cruise ship operators should recognize that a passenger head tax is a small percentage of the total passenger cruise fare (less than 6 percent of the total fare should represent taxes and incidental charges, based on the general industry).
- There is general acceptance that airlines add a tax on the ticket price. Cruise ship operators should do likewise.

Need for a united regional negotiating stance

Over the past decade, the cruise industry worldwide has continued to become more concentrated, with only four companies owning 86 percent of the market. Carnival Corporation & Plc and Royal Caribbean International represent 41 percent and 17 percent, respectively, of global berth capacity for cruise ships (NSW Government, 2011). Since the cruise ship industry is highly concentrated, these companies present a formidable united front in their negotiations with each PIC. PICs must strengthen their relative negotiating position through collaboration in order to increase their collective bargaining power. PICs must acknowledge the experience and benefits they have gained from their unanimous stand in relation to The Parties to the Nauru Agreement (PNA). Their collaborative stand has resulted in a quadrupling of tuna fishing revenue accrued by each party to the agreement in only four years (Box 14).

BOX 14: THE PARTIES TO THE NAURU AGREEMENT: INCREASED BENEFITS FOR PACIFIC ISLAND COUNTRIES

In 2010, the value of skipjack tuna caught in this region of the Pacific was valued at US\$1.9 billion, of which only US\$60 million was accrued by eight island parties to The Parties to the Nauru Agreement (PNA). In 2013, total skipjack revenue rose to approximately US\$3.9 billion, from which the PNA share was US\$249 million. By 2014, fishing day fees had risen to a minimum of US\$8 000, up from US\$5 000 in 2012–2013.

The 2014 minimum benchmark fee was part of the Vessel Day Scheme under the PNA that caps the number of fishing days for domestic and international fishing vessels – a measure to conserve tuna stocks while increasing their value. The Vessel Day Scheme has quadrupled the revenue of PNA members in four years.

Source: Pacific Island News Association (8 January 2014).

Until the PNA, major fishing nations bargained among PICS for fishing licences at the lowest fee, affecting not only PICs in terms of revenue, but also the tuna supply, given the lack of sustainable management. The PNA example, therefore, calls for a similar approach to harmonize PIC policies and regulations that relate to the cruise industry, allowing for better leverage in agreements with cruise ship companies in order to (i) increase their local content which, in turn, will generate income opportunities for rural communities; (ii) introduce visitor levies to raise national revenue (e.g. passenger head tax and green fees); and (iii) ensure that environmental standards are maintained at a high level. This will enable PICs to invest in local procurement in such a way that it is deducted from the value of other taxes levied on cruise ship operations, thus making transferability possible between the measures.

Conclusions

Cruise ship tourism is a fast-growing segment of the PIC tourism industry. Nevertheless, the income accrued by PICs from cruise ship visitors is far lower per capita than from other tourists. Passenger head taxes are routinely charged at international cruise ship ports on arrival and departure, in addition to the range of wharfage, berthage, pilotage and other port tariffs.

PICs should work together to increase local content in the cruise ship sector to improve their national economies and provide sufficient revenue to fund the development of port infrastructure that is necessary to accommodate the growth in the cruise ship industry in the Pacific region. It is essential to harmonize cruise ship policy on a regional basis with the appropriate regulatory framework that will include the introduction of reasonable fees and taxes, similar to those charged to other tourists (e.g. hotel beds, departure and environmental). In order to increase local content in the cruise ship industry, PICs should offer a tax deduction to the industry when locally produced food and beverages are purchased.

The harmonization of regional cruise tourism policies across Pacific Island Countries should include:

- conditions for port and dock concessions;
- fees for port usage;
- tax and other fees on passengers; and
- environmental regulations for the cruise industry.

**Policy Action Area 3: Driving the
growth of ecotourism and rural
development**

The community income generating potential of eco-tourism

Ecotourism is one of the fastest growing segments of the tourism industry worldwide. The global rate of income and visitor numbers is increasing two to three times more than that of the tourism industry as a whole (Durst, 2011).

When the tourism sector involves the natural environment, such as nature-based ecotourism, it must comply with sustainable environmental practices.

The eco-, cultural and community tourism markets have significant potential to reduce foreign exchange leakage and enhance linkages with the rural sector. Equally important is the fact that ecotourism can reduce poverty by empowering small-scale producers and communities on Pacific Islands (McBain, 2007).

Marine-based ecotourism

The activities of snorkeling, scuba diving, and whale watching have become important attractions for tourists and are central features of the PIC tourism industry. The income generated by whale watching alone is estimated at over US\$2.1 billion (IFAW, 2009) for operators and businesses (i.e. hotels, restaurants and souvenirs) that support this industry. The development of this global tourist attraction is matched by a growing interest in other types of marine megafauna, especially sharks and rays (Vianna *et al.* 2010). Diving with sharks is a growing niche with at least 83 operations located in 29 countries.⁸ Although Australia, South Africa and the United States have typically dominated the industry, shark diving has become an economic driver across the Pacific region. In 2010, for example, shark diving contributed US\$42.2 million to the economy of Fiji and US\$4 million to its communities by way of wages and local levies (Vianna *et al.* 2011). Palau has also taken advantage of marine ecotourism (Box 15). In addition, Exclusive Economic Zones have now been declared as shark sanctuaries by Cook Islands, Federated States of Micronesia, Marshall Islands, Tokelau and French Polynesia, according to The Pew Charitable Trusts.

Ecotourism

The primary objective of ecotourism is to view attractive natural environments and their wildlife. Examples of activities are bird watching, whale watching, game viewing, scuba diving, botanical tours and nature photography. According to surveys of the World Tourism Organization of the United Nations, the key tourism markets represent ecotourism enthusiasts as those within a relatively high income bracket, highly educated and over the age of 35, with women slightly outnumbering men.

Ecotourism and nature-based tourism, in general, have been tipped to generate and contribute most to conservation and village economies. To gain these benefits, policy-makers, conservation managers and protected area administrators must understand these tourism markets in an effort to attract more tourism.

Source: Font, Cochrane and Tapper (2004).

⁸ See the website of The Pew Charitable Trusts at www.pewenvironment.org

Box 15: RECOGNITION OF THE ECONOMIC VALUE OF LIVING MARINE RESOURCES: PALAU

The main allure for tourists to Palau is the Island's marine environment – with particular emphasis on the activities of diving and snorkeling – the importance of which the Government of Palau has recognized as a resource for the national economy. The coral reefs of Palau host large populations of top-order sea predators, distinguishing it from other tropical locations that have less numbers as a result of excessive fishing.

The main marine attractions in Palau are diving with reef sharks and manta rays, bringing approximately 8 600 shark divers each year. To protect this resource, the Government of Palau declared the waters around the island a shark sanctuary in 2009, prohibiting shark fishing. This initiative has placed Palau among a small group of countries that have a nationwide ban on commercial shark fishing. A recent study shows that each swimming shark has a lifetime value of US\$1.9 million generated from diving and tourism. Furthermore, tax revenues collected from this activity were nearly 24 times higher than those relating to the fishing industry. Of the more than 100 000 tourists who visit Palau each year, approximately 51 percent are snorkelers or divers, representing an economic value of US\$85.3 million a year – approximately 59 percent of the total value of tourism and more than 37 percent of gross national product. In contrast, commercial fishing – largely from Japanese and Taiwanese boats – contributes approximately US\$5 million to Palau per annum (3.3 percent of gross national product). Recognizing the economic value of marine-based tourism to the nation, Palau's President has declared that Palau will place a moratorium on all commercial fishing in their Exclusive Economic Zone.

Sources: Government of Palau (2012); Government of Palau (2014).

The global scuba diving industry records over 20 million registered divers, with 7 million active (Seymour, 2012). Tourism of the coral reefs generates more than US\$9.6 billion per annum in global revenue (Cesar, Burke and Pet-Soede, 2003). The establishment of MPAs and specially managed areas provides positive benefits to tourism operators and communities by preventing the destruction of coral and fish feeding/breeding sites. PICs have significant experience that has been gained from MPAs they have established, spearheaded by Fiji (Box 16) and Vanuatu.

Box 16: COOPERATION BETWEEN TOURISM AND MARINE-PROTECTED RESERVES: FIJI

The reef area of Namena Island, northeast of Viti Levu in the Fiji Islands, has earned its name as the mecca for diving, given the diversity and beauty of the hard and soft coral and the fish species. It is the breeding ground for the endangered hawksbill turtles, and is regularly frequented by bottlenose dolphins and humpback whales.

Until the 1980s, commercial fishing off the reefs surrounding Namena was a lucrative business, causing the decline in stocks. In 1997, the local community sought to limit and ultimately ban unauthorized fishing activities for a period of five years, forfeiting the revenue from commercial fishing licences that supported the community. The community's struggle for income was resolved by the local Namena Committee introducing a user-fee for scuba diving off the reefs. The popularity of not only Fiji as a tourist destination, but also of Namena itself as a world diving haven contributed, in 2000, F\$10 to each person within the community. Income generation from this fee, however, has proved to be insufficient for the ten villages that claim Namena reef. It was thus decided – with support from non-government organizations – to raise the diving fee to F\$25 per person, and establish local ecotourism enterprises so as to improve the distribution of resources from the initiative.

Source: Govan (2011).

Forest-based eco-tourism

The high, volcanic islands of Melanesia are now the centre of forestry industries, equating almost 80 percent of the total land area of the Solomon Islands, Papua New Guinea and Fiji. Traditional land tenure has been the major factor in determining timber cutting rights in the South Pacific region. As such, the bulk of land – including productive forest land – is owned by landowning groups. Loggers in Papua New Guinea and the Solomon Islands have been able to negotiate directly with landowners, thus complicating national conservation efforts.

Ecotourism can play a vital role in maintaining healthy forests by providing communities with alternative sources of income. In addition, direct spend in the local economy places a value on forest preservation, and local communities – together with government – are aware of the importance of forest conservation. While less developed than marine-based tourism, ecotourism of land and forest areas in PICs has the potential for economic growth. By charging tourists park entry fees and seeking donations, the funds can be used to preserve these areas. With support from the Global Environment Facility, the Food and Agriculture Organization (FAO) recently implemented a US\$8 million programme in collaboration with Fiji, Niue, Samoa and Vanuatu, aiming to develop ecotourism as a major component of sustainable forest management.

Today, 56 percent of Fiji is covered by forest (more than 1 million hectares (ha)) and 44 percent (449 000 ha) is primary forest. Nevertheless, less than 3 percent (15 000 ha) of primary forest is protected and an additional 26 000 ha of lowland forest has been proclaimed a reserve. Since the recent negotiations with landowner groups for the removal of logging in the Sovi Basin, the protected area has more than doubled (Box 17).

BOX 17: THE SOVI PROTECTED AREA AND THE ESTABLISHMENT OF A COMMUNITY TRUST: FIJI

The Sovi Basin is Fiji's largest and only undisturbed lowland forest watershed. It has the richest biodiverse ecosystem and the largest forest tract in the Polynesia-Micronesia Hotspot. With its dense mantle of tropical rainforest, surrounded by jagged peaks and imposing scarp walls, the Sovi Basin is visually spectacular. It is home to 19 endemic birds, many of which are threatened, and it is considered a crucial site for the long-term survival of several species of mammals, reptiles, and amphibians. The Basin has several river catchments that are critical to nearby communities and it represents an important water source potential for urban areas. After more than a decade of negotiations, 13 landowning communities have agreed to cancel the timber concessions, taking into account 20 700 ha of the Sovi Basin area.

In order to compensate the Sovi Basin landowners and meet the cost of managing the protected area, Conservation International – with support from the Global Conservation Fund and in partnership with FIJI Water – and the Food and Agriculture Organization have established a trust fund amounting to US\$4 million. The Sovi landowning communities that are party to the agreement will receive a total of F\$89 000 a year, with access to an education scholarship fund of F\$51 000 a year.

Source: Sovi Basin Endowment, presentation to Fiji Ministry of Agriculture by Conservation International

Modern responsible tourism agenda

With ecotourism focusing more and more on wildlife and nature areas, there has been renewed interest in the forms of tourism that will minimize the negative impacts on local economies and communities, as well as on the environment. The Cape Town Declaration on Responsible Tourism – issued at the Cape Town Conference on Responsible Tourism in Destinations that was held during the World Summit on Sustainable Development in 2002 – involving tourism operators, authorities, and national government representatives from around the world, commits to identify forms of tourism that will (i) generate greater economic benefits for local communities and enhance their well-being; and (ii) improve working conditions and access to the travel industry with local stakeholder consultation on the form and content of tours (RTP, 2002). One of the principle economic principles behind the new agenda is to increase the value of local content that is purchased from local communities, including food and services.

Responsible tourism principles demand that individuals, organizations and businesses are accountable for their impact on local communities and the environment without having to depend on government intervention. The Global Sustainable Tourism Council (GSTC) serves as the international body for increasing knowledge and understanding of sustainable tourism practices, promoting the adoption of universal sustainable tourism principles and building demand for sustainable travel.⁹ It has a number of programmes that include the setting of international standards for accreditation agencies to inspect tourism products for sustainable certification. The standards comprise of two sets of criteria: Destination Criteria (GSTC-D) and Hotel and Tour Operator Criteria (GSTC-H&TO), which are the guiding principles and minimum requirements that a tourist business or destination must reach to protect and sustain the world's natural and cultural resources, at the same time ensuring that tourism meets its potential for conservation and poverty alleviation.

Responsible tourism initiatives aim to create more meaningful connections with local people and build a better understanding of cultural, social and environmental issues, as well as develop an appreciation for natural beauty. Various countries have created strategies, implemented policies and developed audits for tour operators, including the Pacific region (Box 18).

BOX 18: HARNESSING THE POWER OF TRAVEL AND TOURISM IN THE SOUTH PACIFIC REGION

The South Pacific Destination Alliance (SPDA) was launched in 2014 at the Third International United Nations Conference on Small Island Developing States in Apia, Samoa. SPDA's partners include Royal Caribbean Cruises Ltd., the leading international cruise vacation company, South Pacific Tourism Organization, and Sustainable Travel International, a global non-profit organization. Its founding destination partner is Samoa.

SPDA's goal is to assist in protecting the region's natural and cultural assets, while enhancing livelihoods and ensuring that its tourist destinations are managed responsibly. The alliance is boosting efforts in destination marketing, tourism product development, best practices in sustainable tourism, and capacity building for governments and the private sector. It parallels the Sustainable Destinations Alliance for the Americas, also launched in 2014, which united public and private sector organizations to focus on the sustainability of destinations in the

⁹ See <http://www.gstcouncil.org/>

Caribbean and adjacent Latin American countries. Pacific Island Countries have also become active in the Sustainable Destination Leadership Network, a global collaboration of destination management organizations and tourism administrators.

During the first phase of implementation, SPDA will identify up to seven destinations in the South Pacific and provide them with the support necessary to foster their sustainability efforts by introducing the Sustainable Destination Toolkit, produced by Sustainable Travel International. Each participating destination will evaluate its management practices, recognize areas of strength, and identify areas that are in need of substantial improvement. Subsequently, an action agenda will be developed to include the design and implementation of projects that will rapidly address challenges.

SPDA destinations also will commit to a destination monitoring system with key performance indicators to inform decision-making. Case studies and lessons learned, as well as stories, will be shared among partners, which will be disseminated to destinations across the region in an effort to increase competitiveness and to foster greater understanding among decision-makers. SPDA intends to expand to ten localities by 2017.

Source: Responsible Travel International (2014).

Financing sustainable resource management in the Pacific

The tourism industry in PICs is inextricably linked to agriculture and forestry. Tourism derives significant financial benefits from marketing them as a pristine natural environment to enjoy. Population growth – exceeding 2 percent on some Islands – and rapid urbanization threaten to erode the value of tourism and food in PIC destinations. Overfishing of reefs and rivers has rapidly decreased biodiversity and the size of breeding populations; unsustainable logging and the clearing of forests for agriculture is leading to deforestation and a decline in primary forest coverage, with severe impact on fresh water and soil; and cropping on sloping land has led to the sedimentation of rivers and ports, bleaching of coral and disruption of coastal ecosystems. As a result, tourism sustainability as a source of national income depends on the arrest of these trends and improved sustainable management of natural resources in PICs.

The rise in niche ecotourism adventures (e.g. diving, bird and whale watching and bushwalking in forests) offers not only an alternative source of income for rural communities; it also is an option that PIC leaders must recognize as a way to protect natural resources and eliminate unsustainable agriculture and forestry practices. The benefits of investing in environmental sustainability far outweigh the cost of doing nothing.

If tourism growth in PICs is to be successfully sustained into the future, it is critical that the industry minimize its impact on the environment and understand the needs of communities (Loon and Polakow, 2001). One approach is to hinge ecotourism to the enjoyment of the natural environment within established protected areas that are generally established to manage the impacts of economic development and effectively create green and blue zones. These zones define where the biodiversity of species in their natural habitats provides an attractive tourism destination for international travelers. Protected areas have expanded rapidly in parallel to the increase in ecotourism, and have successfully generated significant revenue to local economies (Fond, Cochrane and Tapper, 2004). Unfortunately, local communities have not always been the beneficiaries to the revenue they have raised and have been

critical of the management of protected areas. It is therefore essential that PICs adopt an ecotourism model that will safeguard community-managed protected areas so that revenue can be shared with local landowners and the collectives that manage these areas, thus guaranteeing the region's environmental conservation.

Green fees

The tourism industry has benefitted significantly from the establishment of locally managed MPAs, as well as from protected forest areas. Nevertheless, there are some significant resource implications for poor rural communities.

There are now more than 500 MPAs across the Pacific region (Pascal and Seidel, 2013). While the annual cost to the community to administer MPAs is estimated at nearly US\$10 000 per square kilometre of MPA, the total revenue that they generate is estimated to be far higher – up to US\$530 000 per square kilometre (Pascal and Seidel, 2013). A large proportion of this, however, is gained from tourist diving, whereby local fishermen earn only 1 percent of the total value (Pascal and Seidel). The limited ability of communities to negotiate arrangements with the private sector and/or exploit occasional opportunities from 'drop-in' tourists, at best, has created a supplementary source of income (Govan, 2009). As a result, revenue from protected areas does not always accrue to the satisfaction of the entire communities and undermines their commitment to maintain the integrity of the area (UNEP, 2013).

For visitors who can take advantage of the recreational opportunities on offer in PICs, there is little or no charge (Pagiola *et al.* 2002). To ensure that protected areas are well managed and to provide the necessary income to do so, administrative costs and sources of revenue should be covered by the introduction of environmental levies on tourism on a national basis. This includes a green fee on departing tourists – similar to the US\$30 per person that is currently charged in Palau – together or in lieu of a per capita levy on diving tourists (Box 19; Annex 3).

Box 19: PALAU'S GREEN FEE THAT SUPPORTS CONSERVATION

At US\$30 per person, Palau's additional departure tax since November 2009 – the Green Fee – channels financing to local communities for their conservation efforts under the country's Protected Areas Network. To date, the tax has raised US\$6 million for an endowment fund, matched by a pledge of US\$1 million from partners of The Nature Conservancy. From this, US\$500 000 has been allocated to support 11 community conservation efforts. The remainder is contributed to the Micronesia Challenge, a commitment by the various PICs of Micronesia, to conserve at least 30 percent of near-shore marine resources and 20 percent of terrestrial resources across Micronesia by 2020.

Source: Secretariat of the Pacific, Regional Environmental Program, 2012.

The imposition of levies that are incorporated into an airport departure tax in support of environmental conservation is not new to the Pacific region, with Cook Islands having instituted such a levy in 1994 (Box

20) and establishing it as a trust fund. The two key lessons here were (i) the need to stipulate, at the outset, that the funds be placed into an account earmarked for conservation purposes; and (ii) the allocation of funds should be made independent, with a board of trustees to oversee the fund. The Cook Islands Government, at the time, did not announce that a portion of the departure fee was earmarked to protect the Island's environment. Since a large majority of visitors today wish to experience the pristine environment of PICs and have paid significantly for the trip, it is now assumed that they will be willing to pay a levy that would allow them to meet their expectations (Tiraa, 2000). It is essential, therefore that governments be transparent in stating that a departure tax contributes to maintaining the natural resources and pristine environment of each country.

Box 20: ENVIRONMENTAL PROTECTION FUND: COOK ISLANDS

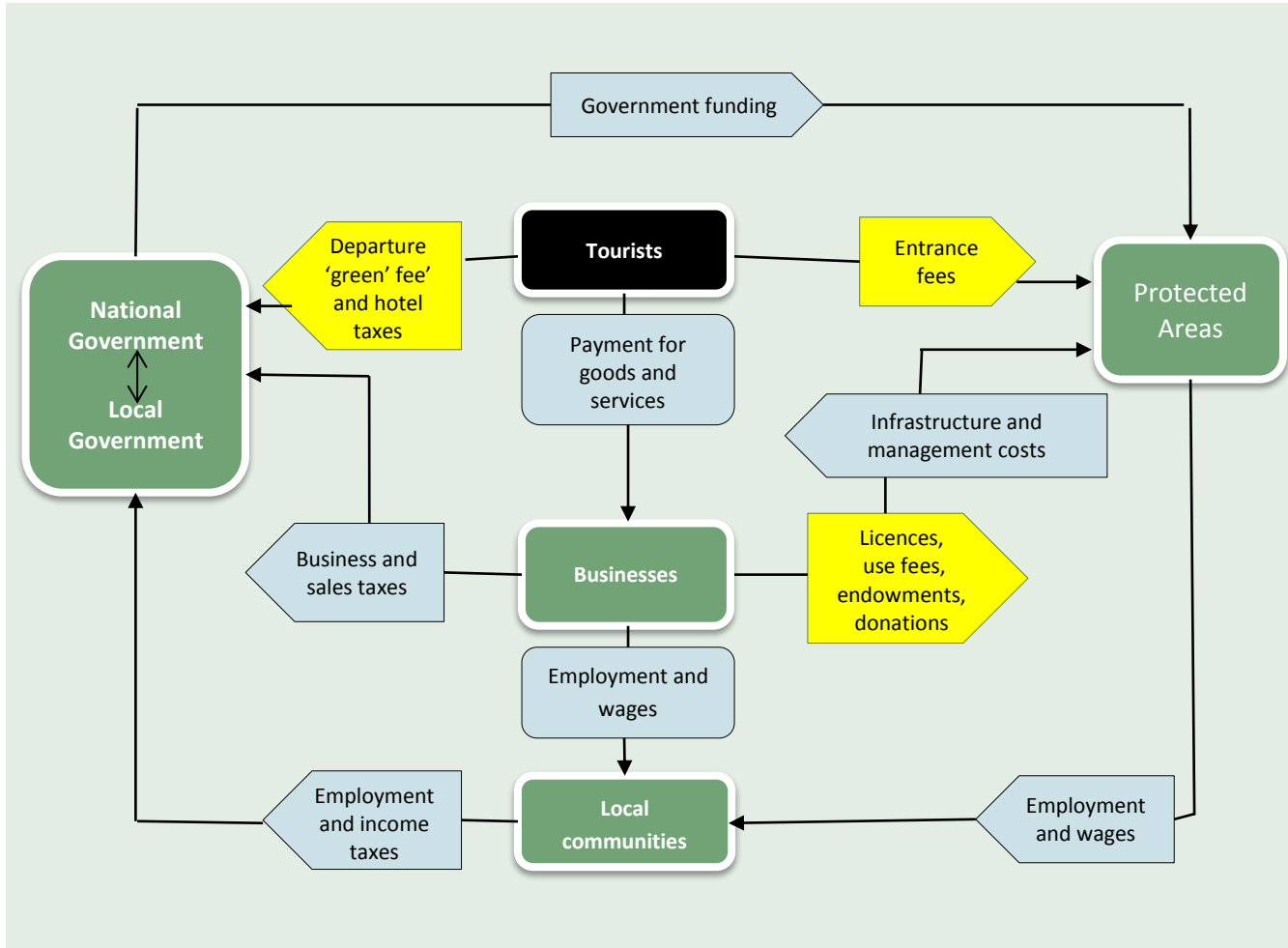
Cook Islands established the Environmental Protection Fund in 1994 to collect an additional NZ\$5 from each departing tourist through a departure tax, earmarked to support the preservation of the natural environment. Specifically, it would contribute to the protection of the reef and foreshore, as well as the soil and support measures to avoid land, air and sea pollution, in general. In 1999 the fund was estimated at approximately NZ\$225 000.

Initially, problems stemmed from the fact that the funds were collected and managed by the New Zealand Treasury with little transparency. Ultimately, however, a dedicated account was established in a local bank, under the control of various public environmental institutions.

Source: Levett and McNally (2003).

The national economic benefits provided by protected areas are not limited to the revenue raised from site visitor fees. Adding a green fee to the departure tax will foster ecotourism growth and tourism, in general, thus creating a new market for ancillary goods and services. The upturn will also generate new employment opportunities and increase household spending and revenue from taxes. A schematic of the potential income streams that could result from future investments in protected areas is provided in Figure 8.

FIGURE 7: TOURISM REVENUE GENERATED BY PROTECTED AREAS



Source: WWF (2004).

Conclusions

Ecotourism offers important economic opportunities for the rural communities of PICs and contributes to environmental conservation. Maintaining the integrity of the community-management of protected areas, such as Marine Protected Areas and forest reserves, is critical to the sustainability of niches in tourism adventures (e.g. diving, snorkeling, whale watching, bird watching and trail walking).

Protected area authorities need to offer rural communities alternative sources of revenue and allow them to manage the costs associated with administering and enforcing these areas, as well as the impact that reduced fishing and logging activity has on their welfare. Some communities have been successful in negotiating the application of visitor fees, although they have resulted in additional costs, are difficult to regulate, and may not provide adequate compensation to ensure that there are no infringements by members of the community on the protected areas. Various countries around the world

have introduced a number of economic instruments to capture some of the value of their biodiversity to ensure that those who take advantage of it will pay for it. Greater attention, therefore, needs to be placed on the use of 'user pay' models in order to provide incentives and improve the sustainability of tourism in PICs.

The addition of a green fee to a visitor departure tax provides a viable approach to build revenue for the implementation and administration of protected areas that are so important to ecotourism, as well as for compensatory income for landowners. In parallel, rural communities will be motivated to help preserve and protect the environment through tangible rewards. Trust funds should be set up with the revenue from these fees to ensure that payments are sustainably managed and that the revenue is not absorbed into the general government expenditure.

Advantages of using departure taxes to finance PAs and ecotourism growth

- ✓ Ability to generate funds locally and nationally
- ✓ Freedom to use funds to cover various needs
- ✓ Potential use of funds as a 'matching' component for additional funding from international donors
- ✓ Ease of collection

Font et al. 2004

**Policy Action Area 4: Coordination,
strategic alliances and partnerships**

Strategic linkages

Forging a collaborative relationship between the agriculture and tourism sectors that leads to improved sharing of information, resources, risks and rewards will create value for both sectors (Telfer, 2000). A tourism industry that differentiates destinations on the basis of unique cultural heritages, food traditions and natural environments has proven successful in attracting investment and visitor numbers. It provides greater income-generating opportunities for the rural sector and assists in reducing foreign exchange leakage.

To promote and market the cuisine and foods of the Pacific region will require a coordinated approach in collaboration with the private sector. Partnerships and alliances with the food and beverage industries; the agriculture, culture and other related sectors; and education institutions can be built to offer training courses, certification and quality assurance. In addition, it is essential that the national governments of PICs and their tourism sectors provide their support and that financial contributions are sought from development partners.

The ability to achieve these efforts has resulted from concerted efforts to form food–tourism alliances – often in the form of non-profit organizations. With this approach, strategies can be integrated into policy design (Box 21).

BOX 21: LEADERSHIP: THE ONTARIO CULINARY TOURISM ALLIANCE

The Ontario Culinary Tourism Alliance (OCTA) was formed in direct response to the Ten-Year Culinary Tourism Strategy and Action Plan. Since its beginning, OCTA has operated as a non-profit organization under the administrative and legal umbrella of Ontario Restaurant, Hotel and Motel Association. An OCTA Advisory Board, comprised of a Board Executive and representatives of member organizations oversees governance of the organization. OCTA membership has grown from an initial five destinations to 26, with several industry associations representing nearly 10 000 businesses and producers throughout Ontario.

OCTA is acknowledged by many as a centre of expertise in the area of culinary tourism. It offers support in the way of consultations, facilitation and assessment, product development (packaging, pricing, promotion and placement), toolkit development, workshops and research. Its expertise is gained through a variety of channels that include on-site visits, an interactive website with on-line resources, educational workshops, speaking engagements, industry consultations and one-on-one membership visits.

Source: Ontario's Four-Year Culinary Tourism Strategy and Action Plan 2011-2015.

Institutional context for Pacific agriculture and tourism

There are a number of national and regional organizations, as well as institutions, that are able to act as key partners in forging closer linkages between agriculture and tourism. SPTO is a regional agency with a mandate to 'market and develop tourism in the region'. Its membership comprises of American Samoa, Cook Islands, Fiji, French Polynesia, Federated States of Melanesia, Kiribati, Marshall Islands, Nauru, New

Caledonia, Niue, Papua New Guinea, Samoa, Solomon Islands, Timor Leste, Tonga, Tuvalu and Vanuatu, with China as the only non-Pacific country member.

PIFS takes the lead in terms of trade and aviation policy, while the Secretariat for the Pacific Community (SPC) has a pivotal role to enhance the enabling environment through its support of countries investing in infrastructure and the development of aviation and shipping services, as well as energy, policies. The South Pacific Regional Environment Program contributes to regional environmental protection and climate change mitigation and adaptation.

At the national level, most PICs have established National Tourism Organisations with a mandate to support the marketing and development of tourism. Most National Tourism Organisations lack the resources and capacity to fulfill their mandate; this is particularly true for many of the countries with smaller tourism sectors, while the more advanced PIC destinations demonstrate a higher level of commitment to develop the sector by aggressively resourcing and building the capacity for marketing and planning.

Representative private sector entities have been formed in a majority of PICs, usually as Chambers of Commerce. In most countries, specific tourism associations are active, while in others – particularly the more developed markets – subnational (or provincial) and subsector associations (e.g. scuba diving, hotels, chefs, tour operators) have formed to support private sector coordination. The Pacific Island Private Sector Organisation is the regional private sector coordinating body that plays a useful role in coordinating the individual country-level, private sector associations.

Two agencies are most active in the provision of technical support to the agriculture sector in the Pacific region in terms of linking tourism to agriculture. These are, respectively, the SPC's Land Resources Division and FAO. Both agencies organize a biennial regional meeting of the heads of national government agencies responsible for agriculture and forestry and the Ministers responsible for the sector, namely, the SPC meetings of the Heads of Agriculture and Forestry and those of the Ministers of Agriculture and Fisheries, as well as the FAO Southwest Pacific Ministers for Agriculture Meetings.

The agriculture programmes of the SPC's Land Resources Division support the 22 member countries, and are guided by the Division's Strategic Plan (2013–2017). Its goal is to assist the Pacific community to improve food, nutritional and income security and sustainable management and development of land, agriculture and forestry resources. Its estimated budget to implement the plan is US\$9 million (SPC, 2013).

FAO's engagement in the Pacific subregion is guided by its Country Programming Frameworks, which are prepared in consultation with national governments and stakeholders. The Pacific Multi-Country CPF Document 2013–2017 covers FAO support interventions in 13 PICs (excluding Papua New Guinea), and one territory, Tokelau, with a budget of US\$44.2 million. The overarching goal of the Pacific Multi-Country CPF Document 2013–2017 is to improve food security and income-earning opportunities.

Key lessons from leading Food Tourism Destinations

It is essential to strengthening the working relationship between agriculture and the national and regional tourism authorities. Focus should be placed on the following:

- Ensure that all destinations are led by food-focused business organizations that comprise a diverse range of public and private food sector partners.
- Ensure that food tourism business organizations are funded by combined government, membership, project and earned revenues.
- Develop food and beverage products that are high in quality, asserting that standards are in place for the quality of food, services and hygiene so that each destinations creates interactive and enriching experiences that will expose the gems and secrets of traditional foods in a manner that is entertaining, educational and will connect people to the local culture and its people.
- Develop marketing initiatives such as food tourism events, programme awards and ceremonies, visitor guides, websites, social media, and public relations.
- Invest in quality local produce – essential for the local rural community. Ensure that participating farmers are able to access the technical assistance they need to produce local produce in the quantities and at the level of quality to satisfy demand, and support them in the delivery of their supplies to clients. This will require not only improved coordination, but also capacity building. It is crucial to assist local farmers to meet the standards set by the tourism market so that the rural sector can add value to PIC economies as well as benefit from them.

Conclusions

Collaboration will be the cornerstone to build a better brand of PIC tourism, thus forging closer linkages between the agriculture and tourism sectors. Results will reflect better livelihood outcomes and reduced foreign exchange leakage. They will also depend on the concerted effort to develop and manage strategic alliances between agriculture and tourism authorities and other regional and international agencies. Strong leadership from national policy-makers will be critical to ensure the success of adopting the policy measures that are required to assist sector stakeholders in realizing the mutual benefits that close cooperation can provide PICs – not only today, but also in the future.

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Annex 1: Example of a tax credit for procurement of local food

Iowa Tax Credit: Local Farmer and Food Security Act 2010

Senate Study Bill 3236

Senate Study Bill 3236

SENATE FILE _____
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON BOLKCOM)

A BILL FOR

1 An Act establishing a local farmer and food security income
2 tax credit for individual and corporate income taxpayers,
3 providing for its future repeal, and including effective
4 date and retroactive applicability provisions.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

TLSB 5180XC (5) 83

sc/rj

S.F. _____

1 Section 1. NEW SECTION. 159B.1 Short title.

2 This Act shall be known and may be cited as the “Local Farmer
3 and Food Security Act”.

4 Sec. 2. NEW SECTION. 159B.2 Definitions.

5 For purposes of this chapter, unless the context otherwise
6 requires:

7 1. “Grocer” means a business with a physical location in
8 this state that is primarily engaged in the sale of food at
9 retail and that receives a majority of its income from the
10 retail sale of food. “Grocer” does not include a business
11 primarily engaged in food service or food preparation services.

12 2. “Local food and farm products” means fruits and
13 vegetables, grain, and meat.

14 3. “Producer” means an individual, partnership, or family
15 farm corporation or family farm limited liability company as
16 defined in section 9H.1, that produces raw fruits, vegetables,
17 grains, or meat and includes a cooperative comprised of only
18 such producers.

19 Sec. 3. NEW SECTION. 159B.3 Local farmer and food security
20 tax credit.

21 1. A local farmer and food security tax credit shall be
22 allowed against the taxes imposed in chapter 422, divisions II
23 and III, for a portion of the value of a taxpayer’s contracts
24 for the wholesale purchase of local food and farm products
25 as provided in this section. An individual may claim a tax
26 credit under this section of a partnership, limited liability

27 company, S corporation, estate, or trust electing to have
28 income taxed directly to the individual. The amount claimed
29 by the individual shall be based upon the pro rata share of the
30 individual's earnings from the partnership, limited liability
31 company, S corporation, estate, or trust.

32 2. The amount of a tax credit equals twenty percent of the
33 costs paid during the tax year under all eligible contracts.

34 3. An eligible contract under this section must meet all of
35 the following conditions:

LSB 5180XC (5) 83

sc/rj 1/4

S.F. _____

1 a. The parties to the contract are a grocer and a producer
2 whose raw fruits, vegetables, grains, or meat are produced
3 within one hundred fifty miles of the grocer's retail business.

4 b. The contract was entered into at least forty-five days
5 prior to initial delivery of the local food and farm products
6 that are the subject of the contract.

7 c. (1) The contract specifies that the local food and farm
8 products shall be delivered to the grocer in an unprocessed or
9 minimally processed form. For purposes of this paragraph "c",
10 "minimally processed" means:

11 (a) For fruits and vegetables, the produce is, at most,
12 washed and packaged prior to delivery.

13 (b) For meats, the meats are offered whole or in traditional
14 cuts.

15 (c) For grains, the grains are, at most, cleaned and in
16 whole or ground form.

17 (2) The processing described in subparagraph (1),
18 subparagraph divisions (a) through (c), may occur beyond one
19 hundred fifty miles of the grocer's retail business.

20 4. Any credit in excess of the tax liability for the taxable
21 year shall be refunded with interest computed under section
22 422.25. In lieu of claiming a refund, a taxpayer may elect
23 to have the overpayment shown on its final, completed return
24 credited to the taxpayer's tax liability for the following
25 taxable year.

26 5. The department of revenue shall, by January 15, 2015,
27 issue a report to the general assembly containing the amount
28 of claims made by grocers under this section per tax year for
29 the tax years beginning in calendar years beginning January
30 1, 2010, January 1, 2011, January 1, 2012, January 1, 2013,
31 and January 1, 2014, and the portion of the claims issued as
32 refunds, for all claims processed during those years.

33 Sec. 4. NEW SECTION. 159B.4 Rules.

34 The department of revenue may adopt rules pursuant to
35 chapter 17A for the administration and enforcement of the tax

LSB 5180XC (5) 83

sc/rj 2/4

S.F. _____

1 credit provided under this chapter.

2 Sec. 5. NEW SECTION. 159B.5 Future repeal.

3 This chapter is repealed December 31, 2015, for tax years

4 beginning after that date. The repeal of this chapter does

5 not affect the ability to carry forward tax credits claimed

6 under this chapter from a tax year beginning prior to January

7 1, 2016.

8 Sec. 6. NEW SECTION. 422.11Y Local farmer and food security

9 tax credit.

10 The tax imposed under this division, less the credits

11 allowed under section 422.12, shall be reduced by a local

12 farmer and food security tax credit authorized pursuant to

13 section 159B.3.

14 Sec. 7. Section 422.33, Code Supplement 2009, is amended by

15 adding the following new subsection:

16 NEW SUBSECTION. 29. The tax imposed under this division

17 shall be reduced by a local farmer and food security tax credit

18 authorized pursuant to section 159B.3.

19 Sec. 8. EFFECTIVE UPON ENACTMENT AND RETROACTIVE

20 APPLICABILITY. This Act, being deemed of immediate importance,

21 takes effect upon enactment and applies retroactively to

22 January 1, 2010, for tax years beginning on or after that date.

23 EXPLANATION

24 This bill creates a local farmer and food security income

25 tax credit for individual and corporate income taxpayers.

26 The credit is available to grocers who contract with local

27 producers for unprocessed or minimally processed fruits and

28 vegetables, grains, and meat. The credit is an amount equal

29 to 20 percent of the costs paid during the tax year under

30 contracts entered into between a grocer and producers located

31 within 150 miles of the grocer. "Grocer" and "producer" are

32 defined in the bill.

33 The tax credit is refundable but may be credited against

34 tax liability in the following tax year. The tax credit is

35 repealed December 31, 2015.

LSB 5180XC (5) 83

sc/tj 3/4

S.F. _____

1 The bill requires the department of revenue to report to the

2 general assembly by January 15, 2015, on the amount of claims

3 made and refunds issued for tax years beginning during the

4 period of January 1, 2010, and December 31, 2014.

5 The bill takes effect upon enactment and applies

6 retroactively to January 1, 2010, for tax years beginning on

7 or after that date.

LSB 5180XC (5) 83

sc/tj 4/4

Annex 2: Example of Green Fee Regulation: Palau

Regulations Implementing the Environmental Protection Fee

24 PNC §3413

and the

Departure Tax

40 PNC §1403(a)

1. These Regulations shall be known as the "Environmental Protection Fee/Departure Tax Regulations".
2. These Regulations are promulgated pursuant to 24 PNC §3413(d) and 40 PNC §1403(b). Upon their effective date these Regulations shall have the full force and effect of law, and all other regulations, executive orders, directives or policies concerning the same subject matter shall be and hereby are repealed.
3. The Ministry of Finance of the Republic of Palau through its Bureau of Revenue, Customs and Taxation (the "Bureau") shall be responsible for implementing the Environmental Protection Fee/Departure Tax Regulations and collecting the Environmental Protection Fee and the Departure Tax. The Minister of Finance shall assign personnel to collect the Environmental Protection Fee and the Departure Tax. All Ministries and agencies of the Executive Branch of the National Government of the Republic of Palau shall cooperate with and make available staffing and other resources as requested by the Minister of Finance.
4. The Environmental Protection Fee is \$15.00 per person and, commencing November 1, 2009, shall be collected by the Republic from every visitor departing Palau.
5. All "visitors" to the Republic shall be required to pay the Environmental Protection Fee upon their departure from Palau; provided, however, that the following persons shall not be considered "visitors" and are exempt from paying the Environmental Protection Fee.
 - A. Diplomats, and persons exempt from obtaining a visa upon their entry into Palau such as a members of a diplomatic mission and their families, and the masters, pilots, and other crew members of any vessel or aircraft lawfully operating as a common carrier;
 - B. Persons who are in transit aboard aircraft stopping in Palau and who leave within twenty-four (24) hours; and
 - C. Persons issued the following types of Visas/permits upon their entry into the Republic, or presenting the following documents upon departure:
 - Dependent Visa/permit;
 - Foreign Government/International Organization Representative Visa/permit;
 - Government Employee Visa/permit;

- Investor Visa/permit;
 - Missionary Visa/permit;
 - Resident Visa/permit;
 - Student Visa/permit;
 - Work Visa/permit;
 - A valid Republic of Palau passport;
 - A Birth Certificate showing that the person was born in Palau of at least one Palauan parent; or
6. The Bureau shall provide a form receipt/stamp to be issued to each visitor upon their paying the Environmental Protection Fee (a "Green Fee Receipt"). The Green Fee Receipt shall be affixed to the visitor's boarding pass and shall be prima facie evidence that the visitor has paid the Environmental Protection Fee and is cleared to depart from Palau. The Bureau also shall provide a form/stamp to be issued to persons departing Palau who are not required to pay the Environmental Protection Fee (a "Green Fee Exemption"). The Green Fee Exemption shall be affixed to the visitor's boarding pass and shall be prima facie evidence that the visitor is exempt from paying the Environmental Protection Fee and is cleared to depart from Palau. The Bureau of Immigration shall not permit a person to depart Palau unless, upon being processed and screened for departure, the person presents a Green Fee Receipt or a Green Fee Exemption to the Immigration Officer.
 7. The Departure Tax is \$20.00 per person and, commencing November 1, 2009, shall be collected by the Republic instead of the airlines from every person departing Palau; provided that children under the age of three, Palauan students traveling to school, medical referral patients and persons accompanying them, and masters, pilots, and other crew members of any vessel or aircraft lawfully operating as a common carrier are exempt from the payment of the Departure Tax; and further provided that Palauan citizens and their spouses shall pay 50% of the Departure Tax. Persons who are in transit aboard aircraft stopping in Palau and who leave within twenty-four (24) hours shall not be subject to the Departure Tax.
 8. The Bureau shall provide a form receipt/stamp to be issued to each person upon their paying the Departure Tax (a "Departure Tax Receipt"). The Departure Tax Receipt shall be affixed to the person's boarding pass and shall be prima facie evidence that the person has paid the Departure Tax and is cleared to depart from Palau. The Bureau of Immigration shall not permit a person to depart Palau unless, upon being processed and screened for departure, the person presents a Departure Tax Receipt to the Immigration Officer.
 9. At a minimum of once daily, but more frequently if the Minister of Finance in his sole discretion determines that such is necessary, the Bureau shall arrange for and conduct an accounting of the Environmental Protection Fee and the Departure Tax collected for that day and promptly shall deposit all funds so collected at a financial institution in the Republic. The Bureau promptly shall make arrangements to permit the payment of the Environmental Protection Fee and the Departure Tax by credit or debit card.

10. The Bureau promptly shall erect signage and prominently display the same at the Palau International Airport, specifically including but not limited to the arrival, lobby, and check-in areas, notifying visitors to the Republic in the English, Japanese, Chinese and Korean languages that, "Please be advised that upon their departure from Palau Visitors to the Republic are required to pay a Environmental Protection Fee of \$15.00¹⁰ and a Departure Tax of \$20.00." The Bureau promptly shall file a true and correct copy of these Regulations with the Bureau of Domestic Affairs, Ministry of State, and shall distribute copies of these Regulations to all airlines, hotels, tour agents, the Palau Chamber of Commerce, the Belau Tourism Association, and to any other business or organization designated by the Minister of Finance. All tourism related businesses in Palau are encouraged to disseminate and explain these Regulations to their customers.
11. The President may waive the payment of the Environmental Protection Fee and/or of Departure Tax when, in his sole discretion, circumstances warrant
12. These Regulations shall become effective upon their approval by the President of Palau.

¹⁰ This was increased to US\$30 in October 2012.

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