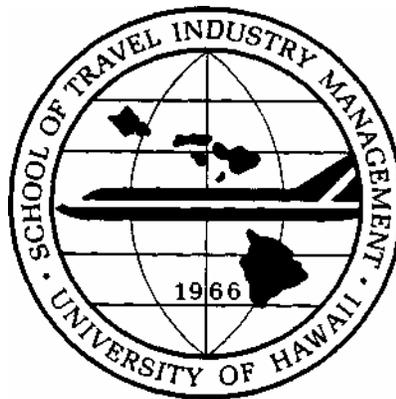


TOURISM DEVELOPMENT IN THE SOLOMON ISLANDS



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EXECUTIVE SUMMARY

1.0 Introduction

In the Pacific region and elsewhere in the world, tourism represents a major alternative for small island nations searching for industries to increase their economic base, expand foreign exchange earnings, and enhance the standard of living for their people. While tourism is expected to grow moderately in the next decade for Pacific island destinations as a whole, the impact will vary among the islands according to the stage of development. In order to address outstanding current and future policy issues related to tourism development in the Pacific region, the Pacific Islands Development Program (PIDP) of the East-West Center initiated the "Multinational Corporations in the Pacific Islands Tourism Industry" research project in 1987. To conduct the study, PIDP contracted the School of Travel Industry Management (TIM) of the University of Hawaii-Manoa (UHM) to analyze ten Pacific island destinations grouped by geographical proximity and selected for criteria based on visitor arrivals and levels of development. This study covers the Solomon Islands.

2.0 General Overview

The Solomons were first settled 4,000 to 5,000 years ago by Austronesians, but first Western contact occurred in 1568 when the Spanish discovered the islands. In the late 18th century trade developed between the Solomons and the British colony in New South Wales, Australia, and by 1899 Britain had claimed most of the islands. During World War II, the Solomons were the site of large battles between the Japanese and Americans, and after the war, Solomon Islanders gradually gained political power as the British granted more responsibilities to local councils. In 1978 the Solomons gained full independence becoming the 37th member of the Commonwealth. Administratively, the islands are divided into seven provinces and the Town of Honiara. Provinces include: Western, Santa Isabel, Malaita, Florida Islands, Makira, Temotu, and Guadalcanal.

The Solomons include more than 900 islands, with a dry land area of 28,369 sq. km. The islands stretch for a distance of roughly 1,500 km. over an area of the Pacific Ocean bounded by 5-12 degrees south latitude and 154-162 degrees east longitude. The climate is tropical, with daytime temperatures ranging from 26 to 33 degrees Celsius. The population of the Solomons, which was 285,176 in 1986, has grown at a rapid 3.5 percent average annual rate since 1976. Average population density is relatively low at 10.1 persons per sq.km.; however, Honiara has a population density of 1,394 persons per sq.km., by far the greatest density in the country. Migration of Solomon Islanders from other islands to Honiara to seek wage work has contributed to the rapid rate of growth of Honiara. Melanesians account for 94.2 percent of the population, with Polynesians and other groups each accounting for small population shares.

The Solomon Islands economy is characterized by a large primary products sector consisting of agriculture, forestry, fisheries, and processed agricultural products, of which most of the output is exported. A large proportion of the labor force simultaneously participates in the subsistence and money economy, the latter mainly through copra and cocoa cash cropping. The GDP was SIS202.2 million in 1986, the equivalent of about US\$358 per capita. The economy is highly open, with exports amounting to about 63 percent of GDP and imports about 82 percent of GDP in 1986. Since 1985 the country has run an increasingly large commodity trade deficit, the result of depressed world commodity prices. In 1986 the Solomon Islands labor force was estimated at 141,000, with most-about 107,000-in the rural smallholder sector. The number of workers in formal wage

employment in June 1986 totalled only about 24,800, less than 20 percent of the labor force.

3.0 Tourism Development Assessment

In 1987 the Solomons had about 12,500 visitors, an increase of 19 percent over the 10,500 visitors in 1980, reflecting an average annual growth rate of approximately 2.6 percent. Cruise passengers, who are counted separately, numbered about 5,800 in 1986, the last year for which data are available. The number of cruise passengers has fluctuated considerably, but during the 1980-86 period averaged about 4,300 annually.

The principal visitor market is Australia, which accounts for just over a third of all visitors. In terms of numbers, PNG and other Pacific island nations represent the second and third largest markets, with 16 and 12 percent shares, respectively. New Zealand has become a significant market in recent years, accounting for between 10 and 14 percent of total visitors in the 1984-86 period.

During the 1980-86 period, the average length of stay of visitors was 11.3 days. Based on a visitor survey conducted in 1987, the British had the longest length of stay (15.9 nights), followed by the Australians (15.4 nights) and New Zealanders (12.0 nights). Growth of visitors from 1988 to 1995 has been projected at 5 percent per annum, with an expected 18,500 visitors by 1995.

International air service is provided to Honiara by Solomon Islands Airlines, Qantas, Air Nauru, Air Pacific, and Air Niugini. The principal access cities connected directly by air to Honiara are Brisbane and Nadi, with three direct flights by B737 aircraft per week. The relatively small aircraft used and limited number of flights represent significant growth constraints. Weekly seat capacity to Honiara on direct flights is only 850 seats or 44,200 inbound seats per annum. Since most flights continue on to other destinations, much of this capacity is not available for passengers destined to Honiara, the only international airport in the Solomons capable of handling B737 size aircraft.

4.0 Tourism Resources Assessment

In terms of accommodations, Honiara accounts for two-thirds of the country's hotel/resort inventory. The government owned Hotel Mendana in Honiara is one of only two hotels of international standard, the other being the Anuha Island Resort in the Florida Islands. The total number of hotel/resort rooms in the Solomons is 249. Hotel occupancy data are unavailable, making it difficult to estimate projected demand for new accommodation. Based on data from the 1987 visitor survey on average party size, length of stay, and percentage of visitors staying in hotel/resorts, it has been estimated that visitor demand in 1987 amounted to 243 rooms. [Estimated demand of 243 rooms represents peak-month demand, and therefore does not imply an average annual occupancy rate of close to 100 percent as suggested by dividing the 243 room demand by the 249 rooms in hotels and resorts. Another 64 rooms in rest houses are also available to travelers and are used by a by a small percentage of visitors]. Given the 18,500 visitors projected for 1995, demand is estimated at about 360 rooms. Other factors such as increased domestic travelers demand, the need for higher quality accommodations, and proposed facilities in new resort areas outside of Honiara may raise the demand to 470 rooms by 1995, representing an increase of nearly 220 rooms over the current inventory.

In regard to tourism attractions, the World War II battlefield relics on Guadalcanal and other war related sites represent significant attractions to Japanese and American visitors. The most popular attraction cited by all visitors is the friendliness of the Solomon Islands people, followed by the natural scenery of the islands. Solomon Islands handicrafts

and art are considered to be highly developed and of good quality and are also rated highly by visitors. The infrastructure, including water and sewerage systems, roads, and internal transportation services are limited and will have to be expanded to support tourism growth. One deterrent to increased tourism is health related since malaria is endemic, and visitors are advised to take antimalarial drugs.

5.0 Economic Assessment

Tourism expenditures in 1987 were estimated at SIS10.1 million. Expenditure data are not regularly compiled, and the latter figure was based the amount of foreign exchange receipts generated by the spending of travelers. In 1986 an economic impact study for the tourism sector estimated visitor spending at SIS8.1 million. The same study estimated direct employment in tourism to be 435 jobs, with another 365 jobs generated indirectly through the multiplier effects of visitor spending. Direct employment in the tourism sector is projected to be 840 jobs in 1995. In terms of government revenue generated, for each SIS1.0 million in visitor spending, about SIS0.47 million is received by government in the form of taxes and fees.

An important economic benefit of tourism spending is the receipt of foreign exchange. Part of the amount spent by tourists "leaks" back out of the economy through payment for imports of goods and services needed by the industry and through the repatriation of profits and interest on foreign owned tourism enterprises. In the Solomons it has been estimated that for every SIS1.0 million in direct visitor expenditures, SIS0.523 million in net export earnings are realized. The import leakage factor, then, is 0.477.

To the extent import leakages can be reduced, multiplier effects with respect to the generation of employment, income, government revenue and net export earnings can be enhanced. Strengthening intersectoral linkages to the tourism sector reduces import leakages. Agriculture, food processing, and business services are areas in which domestic suppliers in the Solomons potentially can replace imports in the tourism sector, thus reducing leakages.

6.0 Social and Cultural Assessment

Government policy is to promote development of the tourism industry in an orderly and controlled manner to avoid social and cultural disruption. To minimize potential sociocultural costs, tourism development is to be based on the inherent natural, cultural, and historic attractions of the country, with development to include the participation of citizens. Investment in tourism is to be promoted with the objective of decentralizing tourism facilities, currently concentrated in Honiara, to appropriate locations in the provinces. The decentralization will require investors obtaining land, 90 percent of which is customarily-owned and must be alienated to enable its use for tourism development.

The process of alienation and registration of customary land by the Lands Division normally takes several years. Since foreigners cannot purchase a freehold interest in land, after acquisition and registration of customary land, a long-term lease must be negotiated between landowners and foreign investors. Even for individual citizen investors, use of customary land via alienation and long-term lease or freehold purchase is necessary. A shortage of land can be expected to become more of a problem as landowners become reluctant to sell or lease their land. One of the primary purposes for the policy of decentralization of tourism facilities is to create employment in the rural areas, thus inducing rural residents to remain in those areas. Besides reducing the buildup of urban unemployed, providing tourism cash earning opportunities (often part-time work) in rural areas maintains subsistence production and increases stability of communities. Education

and training programs for tourism related occupations (to insure maximum economic benefits of tourism to Solomon Islanders) are currently lacking. Community education and awareness programs, enabling communities to understand the concept of tourism and the benefits and costs associated with development, are also lacking at the present time.

7.0 Government Tourism Policy Assessment

Tourism as an economic sector which should be developed was formally recognized by government in 1984. The main principles to guide tourism development include: (1) tourism should be kept in balance with other sectors; (2) tourism should be developed at a relatively moderate rate of growth; (3) tourism will be developed to insure maximum economic benefits to the country; (4) tourism development should reinforce government intention to decentralize economic activity; (5) tourism should not result in any serious socioeconomic or environmental problems. The Solomons rely heavily on external capital to finance infrastructure and economic development projects. At the end of 1987, there was about SIS220 million in outstanding external government and private debt. The shortage of domestic capital underscores the need for foreign investment, both equity and debt financing. While foreign investment (especially joint ventures) is encouraged by government, administrative procedures are perceived as burdensome by foreign investors. Applications to make foreign investments must be approved by an Investment Board and obtaining approval takes an excessive amount of time because multi-agency review is necessary. Another major obstacle to foreign investment is the obtaining of land (discussed in Section 6.0).

With respect to the administration of tourism development, the Solomon Islands Tourist Authority (SITA) is the responsible governmental agency. The authority is comprised of a 10 member board appointed by the Minister of Trade, Industry and Commerce. Members include public and private sector tourism-related industry representatives. SITA primarily handles administration, marketing and promotion, and product development functions. The marketing and promotion efforts of SITA are considered inadequate in light of needs relative to its small budget allocation. In the private sector, the National Travel Association (NTA) was founded to represent tourism sector enterprises in providing advice, recommendations, and support to government in promoting tourism development.

The extent of government support for tourism development is presently limited by lack of trained staff and financial resources. Currently, there are no ongoing tourism education and training programs. There is also a critical need to prepare a tourism development master plan which would establish an integrated planning system with appropriate linkages to provincial and local governments and the tourism industry.

8.0 Government Policy Recommendations

International Transportation Access

International air access is a major constraint to growth of tourism. There are only some 850 direct flight inbound seats per week to Honiara and part of this limited capacity is taken by passengers destined for connecting cities. For example, principal overseas cities directly linked to Honiara include Brisbane, Nadi and Auckland, but only 4 flights per week serve Honiara using the relatively small B737 aircraft. With respect to cruise ship activity, increased ship visits and passenger volume may be achievable through improved infrastructure and greater promotion. It is recommended that the Solomon Islands government:

- Consider negotiating bilateral air agreements enabling joint operation (with Solomon Islands Airlines) of additional air service to Honiara utilizing larger aircraft.
- Upgrade Henderson Field to accommodate larger aircraft.
- Promote greater use of Honiara port for cruise ship visitations and weigh the feasibility of cruise ship activity at another port (s) in the Solomons.

Facility Requirements

By 1995 visitor arrivals are expected to reach 18,500. The increased number of visitors, the decentralization of visitor activity away from Honiara, and demand for upgraded accommodations will require an inventory of about 470 hotel/resort rooms, about 220 rooms more than existing inventory of 249 rooms. This requirement implicitly assumes the development of international hotels/resorts and the support of foreign investment in such facilities. On the other hand, a policy of opting for small-scale (see Appendix A) tourism accommodations rather than international hotel/resorts can be expected to result in a lower rate of growth and consequent loss of potential income and employment benefits. A balanced mix of both types of development may be indicated. It is recommended that the Solomon Islands government:

- Implement specific programs and incentives to encourage construction of additional accommodations, consistent with policies on dispersing benefits of tourism and promoting a mix of international and small-scale tourism facilities.
- Determine what scale and type of tourism facilities should be promoted through the application of investment incentives.

Infrastructure

Any significant growth in visitor arrivals will require the expansion of infrastructure, including services catering directly to tourists (e.g., transport, shopping and entertainment), utilities, and roads. Development of scenic, cultural and historic sites and activities also could be expected to stimulate the formation of more tour enterprises. It is recommended that the Solomon Islands government:

- Identify priority infrastructure needs and incorporate them as components in a tourism development master plan.
- Establish a program for development of scenic, historic, cultural and recreational sites and events.

Market Segments

Australia is the principal market for the Solomons, followed by New Zealand, PNG, U.S., and Japan. Even in the Australian market, however, little information is available to the travel trade on the Solomons, and the amount budgeted for Solomon Islands Tourist Authority (SITA) marketing and promotion is considered inadequate. Current policy calls for marketing and promotion to focus on upper middle and upscale general and special interest tourist market segments. It is believed that the more affluent, independent and special interest tourists are most likely to appreciate and respect Solomon Islands culture and lifestyles and thus be least disruptive to local communities. Since the scale of tourism accommodation facilities tends to be associated with certain market segments, this variable also needs to be considered in determining marketing policies and strategies. It is recommended that the Solomon Islands government:

- Undertake or contract for marketing research which more precisely defines those market segments which are most likely to be attracted to the Solomons, including behavioral characteristics associated with these segments.
- Provide an adequate budget for marketing and promotion of these identified market segments judged.
- Establish a separate program specifically designed to assist small-scale accommodation facilities in marketing and promotion, including provision of a reservations system, if economically feasible.

Tourism Scale Considerations

Tourism development policy in the Solomons calls for a mix of international (larger scale) hotel/resorts and small-scale accommodations. However, the relative proportion of such a mix of scales is not elaborated, nor is the scale defined. One approach is to define small-scale as wholly indigenously owned accommodation facilities of less than 25 rooms, with larger scale being foreign-owned or controlled facilities of more than 50 rooms. (See Appendix A)

A number of significant tradeoffs are involved in adopting policies which promote small-scale tourism in lieu of international scale. Benefits include maintaining control of the industry by Solomon Islanders, provision of greater entrepreneurial/management opportunities for citizens, promotion of a wider distribution of income and employment benefits of visitor spending for citizens, minimizing risk of conflicts over use of customary land by foreign lessees, and attraction of visitors more likely to appreciate and respect local culture and lifestyles thus minimizing risk of adverse sociocultural impact. However, to obtain the benefits of small-scale tourism is likely to mean loss of employment and income benefits, because small-scale tourism can be expected to bring a significantly lower rate of growth of visitor arrivals and spending. It is recommended that the Solomon Islands government:

- Determine the relative extent to which small-scale tourism as opposed to larger scale, foreign controlled hotel/resorts is desired.
- Define scale categories consistent with policies which will facilitate the kind of development desired in the various regions of the country.

Land Use and Environmental Protection

Obtaining land for development of tourism facilities has been identified as one of the principal constraints. A related issue is the identification of land suitable for hotel/resort or guest house development and ensuring that facilities comply with appropriate building standards and land use controls. Commercial development typically requires alienation of customary land, which entails action by the Lands Division (Ministry of Agriculture and Lands), and in the case of foreign investors, the negotiation of a long-term land lease since foreigners legally cannot obtain a freehold interest in land.

To facilitate tourism development, the national government needs to coordinate with provincial and local government to identify areas which are suitable for hotel/resort development and which have the support of the local communities. Regional or area tourism development plans would indicate hotel/resort development areas within which specific sites would be zoned for hotel/resort use. With increasing population densities in coastal urban areas and incidence of water pollution in some areas, the implementation and enforcement of environmental protection regulations applicable to hotel/resort and guest house accommodations are important. Specific design requirements should be required of

developments with respect to water, sewerage, shoreline protection, power, and road systems. It is recommended that the Solomon Islands government:

- Identify specific areas in the various regions of the nation which are best suited for tourism development. Tourism development areas should be clearly indicated in regional/area tourism development plans.
- Formulate zoning and land use regulations applicable to hotel/resort and guest house development. Such regulations should address scale of development, utility and other infrastructure standards, and environmental protection.
- Develop guidelines and standards for the negotiation of long-term land leases for tourism facilities.
- Upgrade the administrative capacity to alienate land for tourism use and inform and educate communities and landowners on the rationale and procedures for negotiating land leases and the rights and obligations of lessors and lessees.

Investment

Both government and private sectors have relied heavily on foreign debt and equity investment. Current policy is to encourage foreign investment in general, but each investment must be submitted for approval to the Investment Board. The administration and regulation of foreign investment has been associated with a number of problems including the excessive time required to obtain investment approvals, lack of support services needed to facilitate actions on a given project by the various ministries which grant permits and approvals, and the difficulties in obtaining land. (See Section 8.1.6) Sectoral guidelines were in process of being revised as of October 1988. With respect to domestic investment in tourism, development is constrained by lack of available capital. There is little or no personal savings (in the household sector), and commercial bank lending is difficult to obtain because of the perceived high risk of most projects. The Development Bank of the Solomon Islands (DBSI) is a government statutory corporation which has provided loan funds to tourism sector. Thus far only a small share of the Bank's portfolio (about SIS0.5 million) is invested in the tourism sector but policy guidelines with respect to tourism were under review with the intention of adopting more liberal guidelines. Another government statutory corporation, the Investment Corporation of the Solomon Islands (ICSI) potentially could provide equity capital for tourism projects but has not actively sought private sector investments to date. It is recommended that the Solomon Islands government:

- Establish tourism sectoral guidelines for foreign investment which include criteria that clearly indicate the requirements for investment approval.
- Streamline the administrative approval process, reducing need to deal with multiple agencies to the extent possible. Upgrade support services needed to efficiently review and coordinate the action of agencies.
- Provide for increased access to loan and equity capital on the part of domestic investors in tourism sector. Design and implement programs which coordinate the provision of capital by DBSI and ICSI, with management and technical assistance to smaller scale enterprises to be offered by the proposed DOT (see 8.3.1).

Reducing Leakages

To a large extent, reducing leakages and strengthening intersectoral linkages represent complementary strategies. There is large potential for developing import substitute goods and services, especially in agriculture, food processing, and business

services. A strategy for reducing leakages would also include promoting tourism activities that are relatively more labor intensive, such as small-scale accommodation facilities, handicrafts, local entertainment and cultural attractions. Training and education of Solomon Islanders in business and financial services could also be expected to gradually reduce services related leakages. It is recommended that the Solomon Islands government:

- Establish an Import Substitute Task Force to identify specific imported commodities and services which constitute the most significant leakages in the tourism sector.

Strengthening Intersectoral Linkages

Identifying import leakages represents an important step in achieving the ultimate objective of enhancing economic benefits through increasing income and employment multipliers applicable to visitor spending. The proposed Import Substitute Task Force also would be responsible for assessing the potential of domestic industry to supply specific goods and services and the nature of the effort that would be involved to obtain domestic suppliers in the different tourism support sectors. It is recommended that the Solomon Islands government:

- Insure that findings and recommendations of the Import Substitute Task Force be taken into account in the preparation and periodic revision of national and regional tourism development master plans.

Protecting Traditional Cultures

For both sociocultural and economic reasons, the government's development policy is to decentralize tourism activity by promoting a mix of international hotel/resorts and smaller scale accommodations in different regions of the country, reducing the current concentration in Honiara. Decentralizing and dispersing hotel/resorts and small-scale accommodations also encourages rural residents to remain in their communities rather than migrating to urban areas, which are increasingly impacted by the higher population densities and associated shortages of land. To the extent that small-scale tourism and joint ventures are promoted, the problems associated with customary land alienation and leasing of use rights to foreign investors are also minimized. It is recommended that the Solomon Islands government:

- Insure that zoning and land use controls applicable to identified tourism development areas (see Section 8.1.6) include limits on total number of visitor rooms to keep tourist population from exceeding an acceptable level relative to local population.
- Promote the active participation of the local community in tourism activity to the extent possible, including ownership (or joint venture participation) of tourism enterprises, employment, and as suppliers of goods and services.

Public Awareness

Tourism development requires community support, but such support is unlikely to be forthcoming if citizens are uninformed about the nature of the tourism industry, its benefits and costs, and government's goals in promoting tourism. Community awareness programs should be designed to inform both the general public and those enrolled in the formal education system. Educating tourists about Solomon Islands and its cultural traditions also is important. A tourist education program would include the distribution of pamphlets to visitors and other media, such as videos or films, which could be presented

to tourists at airports, hotels, and other popular visitor sites. It is recommended that the Solomon Islands government:

- Implement community awareness programs for the general public and formal public education system.
- Implement a tourist education program, utilizing informational pamphlets and other appropriate media.

Education and Training for the Tourism Industry

Education and training have been identified as high priority needs for tourism development. Although SITA has recognized the importance of education and training, its budget has not been large enough to plan and implement an ongoing education and training program. A UNDP/WTO regional project has provided technical assistance on promoting small- to medium-scale indigenous tourism-related business. As a result of the first phase of this project, it has been recommended to government that a regular program of management and technical assistance be established to support smaller scale tourism enterprises.

With respect to assessing tourism industry training needs, a proposed Tourist Industry Training Center has been proposed to provide: (1) short-term, in-service training for those already working in the industry, (2) tourism awareness education for general public, industry personnel and selected government personnel and customer service skills for industry personnel and appropriate government personnel and (3) communication and language development training to industry and selected government personnel. It is recommended that the Solomon Islands government:

- Establish a program for providing management and technical assistance to smaller scale tourism enterprises.
- Actively seek foreign assistance to fund development of the proposed tourist industry training center and provide budgetary resources for SITA to develop and operate training programs.

Planning and Administration of Tourism Development

The administration of tourism development is the responsibility of SITA. Currently, there is no comprehensive national tourism development master plan for the Solomon Islands. The Tourism Policy Review Committee (TPRC) has identified preparation of a tourism development plan as a high priority, but SITA lacks funding and staff to carry out the planning function. At the provincial level also, the institutional framework for tourism planning and administration has not been established. Establishing an organizational framework for national and regional tourism development should be one of the top priorities of the government in regard to tourism. Given the relatively modest size of the tourist industry in the Solomons at least through 1995, designating the proposed Division of Tourism (DOT) as the National Tourism Office (NTO) and structuring it as a division within the Ministry of Trade, Industry and Commerce should be satisfactory, provided the NTO's budget and staffing are adequate to carry out essential functions.

Essential functions of the NTO would include: (1) prepare and maintain a national tourism development master plan and corresponding planning system, (2) establish and administer tourism industry standards in cooperation with the industry, (3) prepare a tourism education and training plan, (4) establish a tourism research program, including working with other government agencies and the National Statistics Office to ensure that adequate data are being collected, (5) provide technical assistance in terms of tourism policy analysis and planning, training, research and product development to regional/area tourism

bodies, and (6) plan, promote and coordinate the development of tourism sites, attractions, and tourism related infrastructure with appropriate government and private agencies. Tourism marketing and promotion should probably remain the principal function of SITA. Other SITA functions could be tourism marketing research, information dissemination, and public relations. To achieve tourism development goals and objectives will require the support and coordination of the tourism industry. Currently, industry policy and planning input is provided through representation on the SITA Board, and informally through contact with the NTA. It may be advisable to broaden membership of the SITA Board to formally include membership of the NTA president and representatives of regional tourism bodies. It is recommended that the Solomon Islands government:

- Establish the NTO as a division within the Ministry of Trade, Industry and Commerce as has been recommended. Provide budget and staffing adequate for carrying out essential tourism development functions, including planning, training, research, product development and technical assistance to regional/area tourism bodies.
- Amend the SITA Ordinance to make SITA principally responsible for tourism marketing and promotion, and to broaden Board membership to enable it to function more effectively as an advisory body representing the tourism industry, regional/area tourist bodies, and government agencies with tourism related development responsibilities.

National Development Objectives

To effectively promote tourism development, an integrated policy, planning and implementation system should be established. It is essential that the tourism industry be meaningfully involved in setting policies and development goals and objectives. Without industry involvement and support, government plans will lack credibility, and policies are likely to be ineffective. Without private sector participation in setting industry development goals and objectives, there is also a strong likelihood that they will be unattainable. Just as industry involvement is critical for successful tourism development, the support and involvement of local communities through representative regional/local authorities also is necessary since tourism facilities and infrastructure will be located within and, thus, affect communities.

Preparation of a national tourism development master plan will entail the identification of particular areas for tourism development. If development is to occur, it must proceed with the support of the communities, and the process of selecting development areas must include local community involvement. Since tourism growth carries with it the potential for adverse sociocultural impacts, regional/area authorities also need to participate in formulating policies related to scale of tourism development, foreign investment, environmental safeguards, and the provision of infrastructure. To prepare and implement regional/area tourism development plans will require organizations and linkages to the NTO, other national/regional government agencies, and to the tourism industry. It is recommended that the Solomon Islands government:

- Provide technical assistance and financial support to regional/area authorities to enable them to establish tourism development and planning capacities and associated organizational structures.
- Specify linkages between area tourism organizations and the NTO and other national/regional government and private agencies having tourism development responsibilities.
- Enact legislation or implement regulations defining respective development and planning responsibilities and linkages between NTO and regional/area organizations.

Appendix A - The Scale of Tourism Development in Solomon Islands: Economic and Social Tradeoffs

Tourism development policy in the Solomons advocates a mixture of international resorts and small-scale indigenous tourism businesses, although the relative magnitude of each type of development is not elaborated. Policies which favor either type are likely to be associated with economic and social tradeoffs which policymakers should be aware of. For the Solomons, an appropriate working definition of small-scale tourism accommodations would be facilities of less than 25 rooms and wholly indigenously owned, whereas international (large) scale is defined as a hotel/resort with over 50 rooms and which is foreign-owned or controlled.

To the extent policies may be adopted which successfully promote small-scale tourism in lieu of international hotel/resorts, certain economic and social benefits are likely to accrue to the country, while other economic and social benefits are likely to be relinquished. The economic and social benefits favoring small-scale accommodations development include the following:

1. Reduces import leakages resulting in a larger proportion of visitor expenditures remaining.
2. Increases the income and employment generating effects per dollar of visitor expenditure.
3. Promotes indigenous ownership and development of entrepreneurial and management skills.
4. Minimizes risk of land disputes related to leasing of customary land.
5. Attracts the type of tourists more likely to appreciate and respect local cultures and lifestyles.
6. Strengthens the small business sector, including linkages to support industries.
7. Enables a larger proportion of total tourism employment to be held by citizens.

The tradeoffs resulting from the promotion of small-scale tourism development include relinquished economic and social benefits which would have been generated by growth in international hotel/resort development. These foregone benefits include the following:

1. Technology and training which would have accompanied foreign investment.
2. Contribution of long-term capital investment to the nation's balance of payments.
3. Infrastructure which would have been provided by international resort developers.
4. Larger visitor markets which could be promoted to achieve higher sustained rate of growth in visitor arrivals.
5. Income, employment and foreign exchange which would have been generated by international hotels/resorts.

Development policy which actively promotes either large-scale or small-scale tourism, must consider a fundamental implication of that choice in terms of economic impact. Small-scale tourism by its very nature will imply a much lower growth rate than that which could be achieved through promoting large-scale, international tourism. Lack of entrepreneurial and management skills, capital, and limited markets can be expected to

significantly limit the achievable rate of growth of rooms in small-scale accommodations and limit income and employment.

In contrast, for the same given amount of effort (in terms of funding and personnel resources), a significantly greater rate of growth in large-scale resort rooms can be expected, with associated larger income and employment effects. There has been limited experience with small-scale tourism in other Pacific island nations. The information available indicates that where small-scale enterprises prevail, the growth rate of tourism has been quite low (number of visitors). In terms of policy, it is recommended that the Solomon Islands government:

- Determine the desired scale and associated type of tourism of the various regions within the Solomons and reflect the mix of scales in area development plans.
- Formulate more precise definitions of scale to better reflect the policy objectives of the different regions.
- Establish marketing and promotion programs to assist small-scale accommodation establishments.
- Utilize regional tourism support programs, including those of the Tourism Council of the South Pacific (TCSP) and the United Nations Development Programme/World Tourism Organization (UNDP/WTO), to establish ongoing training and technical assistance programs aimed at small-scale tourism enterprises.