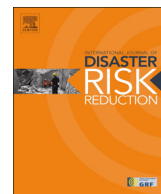


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Luxury tourism investment and flood risk: Case study on unsustainable development in Denarau island resort in Fiji [☆]

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ABSTRACT

One factor which increases the vulnerability of SIDS is their limited economic diversification. Many SIDS rely on the tourism industry as a key source of national income and employment, as they have a comparative advantage in this sector due to luxurious sandy beaches and picturesque coastlines. However, this reliance on tourism creates pressure to incentivize investors to undertake construction projects which may exacerbate the risk exposure of the local population. An example of this is Denarau island tourist area in Fiji.

Denarau was designed and built as a tourist enclave located on the western coast of Fiji's main island, strategically located near the country's international airport. Fiji is one of the larger Pacific countries, and it has a full range of tourist options. From the outset Denarau was conceived to target the high end niche in the tourism sector, and substantial incentives were offered to large international investors. The site selected was extensively transformed, reclaimed and re-engineered to accommodate international hotel chains. While this exclusive zone was exquisitely engineered and flood proofed, settlement proceeded largely unregulated in the adjacent town and vicinity, and the already existing severe flood risk for local residents was exacerbated.

It is imperative that national governments anticipate and weigh the long term implications of different business models and policy options in the tourism sector. The case study in Denarau shows that the policy path chosen increased vulnerability, which was ultimately transferred to the small business owners, hotel employees and local residents, causing hardships and losses.

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1. Introduction

Fiji is composed of 332 islands which cover a land area of 18,273 km². Roughly one third (110) of the islands are populated by a total of 883,125 inhabitants. The majority of the population lives on the two main islands of Viti Levu and Vanua Levu (see Fig. 1–4). Fiji is located in both the tropical cyclone belt, consequently experiencing on average one cyclone per year, and the Pacific “ring of fire” and is therefore exposed to geo-physical in addition to hydro-meteorological hazards².

^{*} Role of the funding source:

Our respective employers, UNDP and SPC, authorized use of our time while under salary to conduct this research. We conducted the collection, analysis and interpretation of the data while under contract as staff of these agencies, and with their consent and approval.

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² Abbreviations used in this article are as follows: ANZ – Australia and New Zealand Banking Group, FIBOS – Fiji Islands' Bureau of Statistics, FIRCA – Fiji Islands' Revenue and Customs Authority, FJD – Fiji dollars, LWRD – Land and Water Resources Management Division of the Ministry of Primary Industry,

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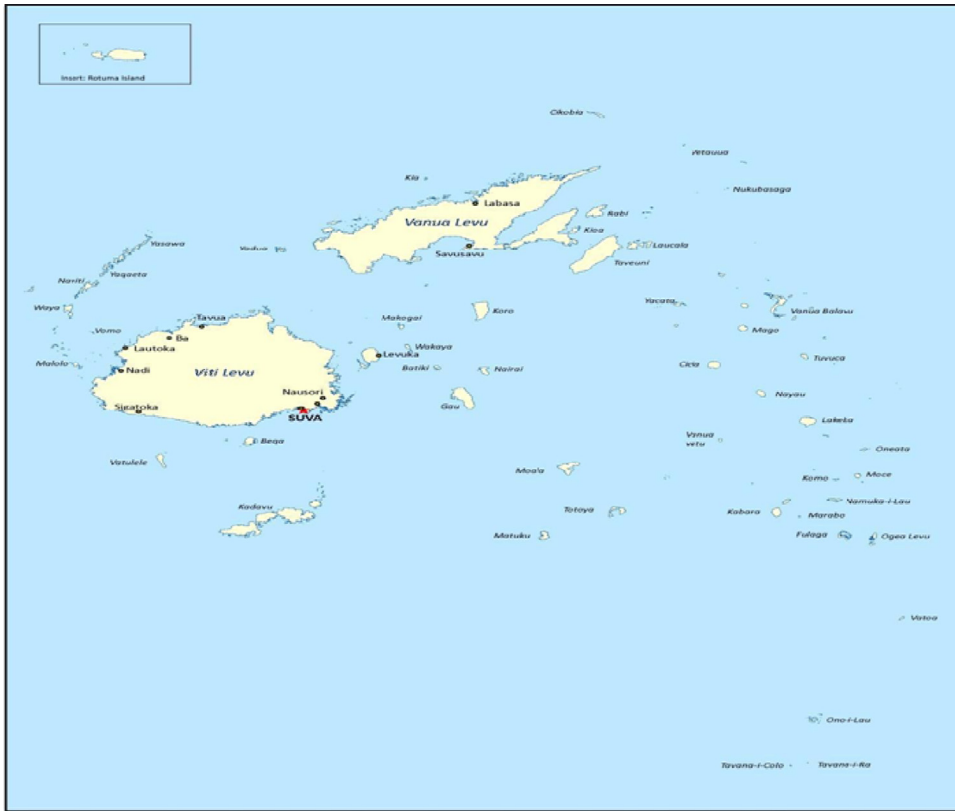


Fig. 1. Map of the Fiji Islands.
 Source: SOPAC Division, Secretariat of the Pacific Community.

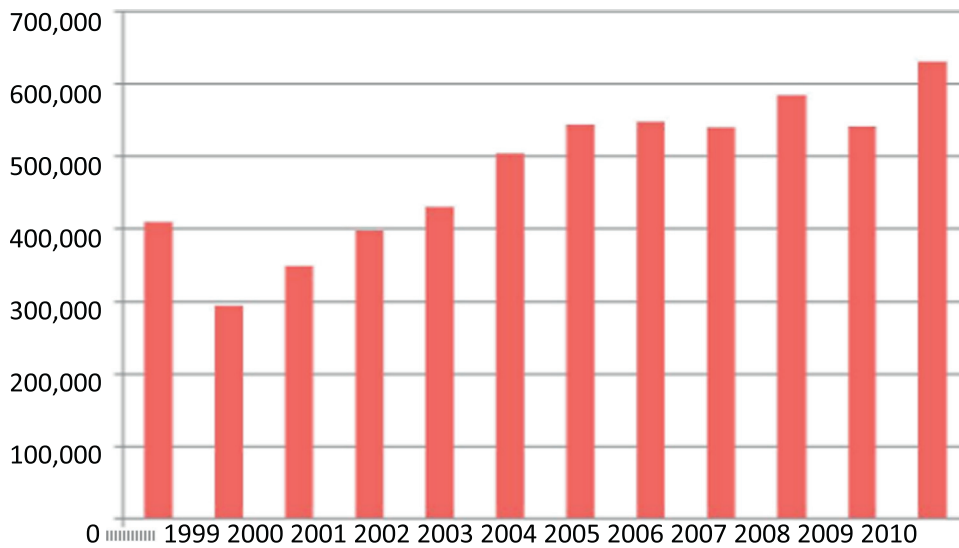


Fig. 2. Tourism annual visitor arrivals to Fiji from 1999–2010.
 Source: Fiji Islands Bureau of Statistics (FIBOS).

Hydro-meteorological hazards include tropical cyclones, floods and droughts, whereas geo-physical hazards include earthquakes, tsunamis and landslides. Climate change is likely to increase the frequency of hydro-meteorological events.

(footnote continued)

PCRAFI – Pacific Catastrophe Risk Assessment and Financing Initiative, SIDS – Small Island Developing State, SLIP – Short Life Investment Package, SOPAC – Pacific Islands’ Applied Geoscience Commission, SPC – Secretariat of the Pacific Community, VAT – Value Added Tax.

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