The Future of Pacific Tourism

March 2023

Australian Aid
NEW ZEALAND FOREIGN AFFAIRS & TRADE Manatū Aorere
WORLD BANK GROUP SDG PARTNERSHIP FUND
THE WORLD BANK IBRD • IDA | WORLD BANK GROUP

Cover Image: *The Drua Experience, Fiji*

Inside Cover mage: *Palau*

1818 H Street NW
Washington DC 20433
Telephone: 202-473-1000
Internet: www.worldbank.org

Please cite the work as follows:
"World Bank. 2023. The Future of Pacific Tourism".

Support

The report received support from the World Bank Group Partnership Fund for the Sustainable Development Goals, and the Pacific Facility, a multidonor trust fund that the World Bank administers and the governments of Australia and New Zealand support.

Design

Titanium Room for the World Bank

Cover Image Credit

Island Encounters Photography
The Drua Experience, Fiji
VOU Fiji Dance Company

Image: *Marshall Islands*

Acknowledgements

A World Bank team from the Finance, Competitiveness, and Innovation (FCI) Global Practice led by Antoine Coste (Senior Economist), Jessie McComb (Senior Private Sector Specialist), and Blair Lapres (Economist) and consisting of Jennifer Bartlett (Senior Consultant), Andrew Beath (Senior Economist), Alba Suris (Analyst), and Jessica Wilson (Consultant) prepared this report. The team worked under the guidance of Stephen Ndegwa (Country Director for Papua New Guinea and the Pacific Islands), Hassan Zaman (Regional Director, East Asia and the Pacific), and Cecile Niang (Practice Manager, FCI).

The report also benefited from advice from Martha Licetti (Practice Manager, Markets, Competition, and Technology), Alvaro Gonzalez (Lead Economist, FCI), Louise Twining-Ward (Senior Private Sector Specialist, FCI), Kim Edwards (Senior Economist, Macroeconomics, Trade, and Investment), Vincent Palmade (Lead Economist, FCI), Becky Last (Operations Officer, International Finance Corporation), Sara Currie (Tourism Specialist, Asian Development Bank), and Stephen Pratt (Professor of Tourism and Hospitality Management, University of the South Pacific). The team is thankful for the colleagues who supported and provided input for this work, including Giorgia Demarchi (Senior Social Development Specialist, Gender), Matthew Dornan (Senior Economist, Social Protection and Jobs), Dimitria Gavalyugova (Extended-Term Consultant, Gender), David Gould (Program Leader), Shohei Nakamura (Economist, Poverty and Equity (POV)), Taufik Indrakesuma (Economist, POV), Kasia Mazur (Environmental Economist, Environment Nature and Blue Economy), Chris Miller (Senior Private Sector Specialist, FCI), Darian Naidoo (Economist, POV), Sara Diane Turner (Extended-Term Consultant, Latin America and the Caribbean Sustainable Development), and John Perrottet (Consultant, FCI). The team is grateful for the time and insights that the public and private sector representatives of the tourism sector across the region provided.

List of Acronyms

CAGR	Compound annual growth rate
FJD	Fijian dollar
FSM	Federated States of Micronesia
GDP	Gross domestic product
GST	Goods and services tax
ICT	Information and communications technology
IFC	International Finance Corporation
IVA	International visitor arrivals
IVS	International visitor Survey
MBIE	New Zealand Ministry of Business, Innovation and Employment
MSME	Micro, small and medium-sized enterprises
NTO	National tourism organization
PNG	Papua New Guinea
PIC	Pacific Island country
PPP	Public-private partnership
RMI	Republic of the Marshall Islands
TVET	Technical and vocational education and training
SIDS	Small island developing states
SME	Small and medium-sized enterprises
USD	United States dollar
VAT	Value-added tax

Contents

Image: *Samoa*

Key Messages

- **Tourism has been and remains an important element of Pacific Island countries' (PICs') growth strategies.** International arrivals to the 11 countries covered in this report doubled between 2000 and 2019, reaching an all-time high of 1.5 million (1.8 million including cruise ship and day visitors). In a region with major structural obstacles to growth and few opportunities for diversification, tourism growth has been a key source of foreign exchange, income, tax revenue, and jobs in most PICs and has contributed to reducing poverty. In 2019, tourism generated USD 2.4 billion in receipts (more than 10 percent of gross domestic product in seven of these countries) and directly employed approximately 71,000 people through formal jobs and many more through informal and indirect jobs that the sector supports. Although they face some common challenges, PICs are at very different levels of tourism development because they have different characteristics, endowments, and levels of government support, and priorities to expand the sector will be country specific.
- **At the same time, tourism growth has increased PICs' vulnerability to shocks affecting the sector.** COVID-19 has been the worst crisis affecting the sector, with severe economic and social consequences. With the collapse of international arrivals, tourism receipts in PICs were down 81 percent in 2020 from the previous year and dropped further in 2021 as borders remained closed across the region. Estimates developed for this report suggest that adverse developments in the tourism sector accounted for one-quarter to half of the poverty increase between 2019 and 2020 in Fiji, Kiribati, and Vanuatu. Although tourism had resumed in most PICs by October 2022, the industry will need time to recover fully. Increasing resilience in the Pacific tourism sector and fostering economic diversification remain priorities, especially given PICs' exposure to the harms of climate change. Ensuring that reforms and investments made to support tourism growth provide economic and social benefits beyond the sector is essential to broaden the gains and enhance resilience.
- **Targeting high-value markets would enhance tourism's economic impacts while minimizing environmental and social harms.** At USD 1,226 on average, receipts per arrival were only 3 percent higher in 2018 than in 2012. Calculations performed for this report suggest that, even with fewer total arrivals, targeting higher-value markets could yield aggregate revenue 5 to 20 percent higher than by following a volume-led strategy. PICs have identified policy objectives to increase value from tourism and can compete in several high-value segments (e.g., luxury tourism, adventure tourism, diving, cultural tourism, long-stay tourism), but attracting travelers in these segments will require targeted policy decisions to attract private investment; improve infrastructure and public facilities; and adjust destination positioning, marketing, and tourism offerings. Although most PIC governments share core goals of developing higher-value tourism that is also more economically and socially inclusive, sustainable, and resilient, more efforts will be needed to translate these goals into concrete policy action.

Executive Summary

Over the two decades preceding the COVID-19 pandemic, tourism became one of the most important drivers of economic growth across the Pacific. Faced with a unique set of structural constraints on economic development (particularly those related to scale and remote geography), the 11 Pacific Island countries (PICs) examined in this study (Federated States of Micronesia, Fiji, Kiribati, Palau, Papua New Guinea, Republic of Marshall Islands, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu),[1] have increasingly relied on tourism to generate revenue and employment where opportunities for other sectors are limited. At the regional level, arrivals grew 3.6 percent per annum on average over the two decades preceding the pandemic and reached an all-time high of approximately 2 million arrivals in 2018 (including cruise ship visitors). Although the nature and scale of the sector's development have varied between countries, each PIC has made international tourism an important element of its development strategy. With its undeniable economic contribution, tourism's growing importance has also increased the PICs' reliance on the sector and exposure to shocks affecting it. This reliance also raises questions about the extent to which tourism, and the investments and reforms made to support its growth, have had broader economic impacts beyond the sector.

The COVID-19 crisis had a devastating impact on tourism in the Pacific with severe and potentially durable economic and social consequences. The pandemic has been the worst crisis in the history of modern tourism, with small island developing states (SIDS) including PICs, especially hard hit (World Bank 2020a; UNWTO 2020a). COVID-19 brought international travel to and from the Pacific to a standstill in March 2020 for more than two years. It is estimated that international visitor spending in PICs declined by about 81 percent in 2020, more than in most other SIDS, and kept falling in 2021. This had dramatic economic and social impacts on firms and workers that rely on tourism, and relief measures that some PIC governments adopted have only partially offset this. The crisis pushed many people into poverty, particularly in tourism-reliant countries such as Fiji and Vanuatu. Although most PICs had reopened their borders to international visitors by October 2022, and leaders such as Fiji and Palau are experiencing robust recovery, the sector's prolonged closure is likely to leave long-lasting marks. In particular, some firms, especially small and medium-sized enterprises; jobs; and skills may not come back, even when aggregate demand recovers.

This study takes a fresh look at tourism's role in development in the Pacific; its future after COVID-19; and the scope to foster a green, resilient, competitive, and inclusive sector. As the crisis subsides, tourism is likely to reemerge as a key driver of economic growth and source of livelihoods for PICs, despite differences in recovery pathways across the region. Moreover, COVID-19 recovery provides an opportunity to address preexisting challenges related to Pacific tourism's economic, social, and environmental impacts. Although most PIC governments share objectives of developing higher-value, more-inclusive, sustainable tourism sectors, concrete progress has been limited, and efforts to regain visitor numbers quickly without addressing underlying constraints could slow progress. This study was a core input to the World Bank's recent update to the Systematic Country Diagnostic for nine PICs, which highlights sustainable tourism as a key economic opportunity for development in these countries.[2] It complements and builds on the 2016 Pacific Possible report, which assessed opportunities to increase arrivals in a context of rapid tourism growth by considering changes to the industry's model that could maximize tourism's economic, social, and environmental benefits for Pacific Islanders. This study does this by (i) taking stock of the evidence on tourism's historical contribution to development in the PICs and of the COVID-19 crisis' impacts, (ii) analyzing current obstacles and potential opportunities for a more competitive and sustainable Pacific tourism, focusing on selected issues key to target higher-value markets, and (iii) recommending policy priorities and investment needs to (re)position the Pacific tourism model for the future and broaden its benefits, focusing on competitiveness, environmental sustainability, resilience and inclusiveness. Given the scarcity of data on Pacific tourism and frequent discrepancies between sources, one of the study's main contributions is to provide a detailed quantitative assessment of the sector and its economic impacts, for instance on jobs, poverty, and public revenue, based on an extensive data-collection, cross-checking, integration exercise.

[1] Although PNG is not usually classified as a PIC, it is covered in this study and included when referring to the PICs. Other PICs and territories also have notable tourism industries (e.g., Cook Islands, French Polynesia, Guam, Northern Marianas, New Caledonia) but are not covered in this report because they are not World Bank members. Nauru, a World Bank member, is considered a PIC but is not studied here because of its limited tourism assets, low tourist volumes, and lack of sector data.

[2] The update to the PIC9 systemic country diagnostic covers FSM, Kiribati, Nauru, Palau, RMI, Samoa, Tonga, Tuvalu, and Vanuatu.

Image: *Vanua Levu, Fiji*
Credit: *Elliot Wright*

The Boom of Pacific Tourism and COVID-19's Impacts

Tourism had become a major economic sector in the years before the pandemic. Despite the paucity of detailed tourism data in the Pacific, evidence reveals tourism's large and growing contribution to growth and development in most PICs over the last two decades. Tourism receipts for PICs were growing at more than 5 percent per annum before the pandemic, from USD 1.5 billion in 2010 to USD 2.4 billion in 2019, at which point they accounted for more than 10 percent of gross domestic product (GDP) for seven of the 11 studied PICs. This proportion was among the highest for Fiji, Palau, Samoa, and Vanuatu – approximately 25 to 35 percent of GDP – making them some of the most tourism-dependent countries in the world. The economic value of tourism extends beyond direct receipts, since many economic activities, such as agriculture, construction, and manufacturing, are indirectly associated with tourism and travel. Available data suggest that the total contribution of travel and tourism to GDP in PICs was well above the world average in 2019 (especially for Fiji and Vanuatu) albeit lower than the averages for SIDS in other regions, including the Caribbean and Indian Ocean. Although Pacific tourism supply chains depend on imports for many inputs, like other sectors of the economy, there is evidence of growing linkages with local food producers in several PICs, broadening the sector's impact and enhancing its inclusiveness. Likewise, local firms have generally captured a sizeable share of the income that Pacific tourism generates, and foreign players have contributed to the sector's development.

Tourism growth has generated many direct and indirect jobs in the Pacific. Before the pandemic, tourism directly employed approximately 71,000 people in formal jobs across the PICs, including a larger proportion of women than their share in PICs' labor forces. It directly represented approximately 26 percent of the formal workforce in Palau, followed by Vanuatu, Fiji, Tonga, and Samoa, where tourism jobs accounted for eight to 11 percent of direct employment. The quality of local tourism jobs varies within countries, with wages and other benefits depending on the size and sophistication of the employer. Beyond formal direct jobs, tourism supports many informal direct jobs, for which no official estimates exist. Moreover, tourism indirectly supports many jobs (e.g., providers of goods and services such as agricultural products in tourism businesses' supply chains). The available data suggest that, before the pandemic, total employment in PICs relied less on travel and tourism than in other SIDS, particularly in the Caribbean, where these sectors supported almost half of the jobs. That said, tourism directly or indirectly supported an estimated 88,200 jobs – one-quarter of total national employment – in Fiji alone in 2019.

Tourism jobs and income have helped reduce poverty in PICs in the years before the pandemic. There is evidence from the global literature that tourism can significantly reduce poverty. An elasticity analysis using the latest household surveys in several PICs suggested that a 1 percent increase in tourism sector GDP between 2016 and 2019 was associated with reductions in poverty by 0.68 percent in Fiji, 0.074 percent in Vanuatu, and 0.078 percent in Kiribati.[3] This is consistent with previous assessments that the fast growth of tourism-related service sectors and linked job creation have been a major source of poverty reduction in Fiji in recent decades (World Bank 2017a).

In addition to direct and indirect private revenues, tourism has become an increasingly essential source of tax revenue for PIC governments. In Fiji, tourism was among the largest sources of revenue for the state before the pandemic, generating about Fijian dollars (FJD) 1 billion (USD 452 million) annually, about 28 percent of total revenue in 2019/20. Although lower in absolute terms in other PICs, various sectoral taxes (e.g., airport departure taxes and arrival fees, turnover and bed taxes, site user fees) and value-added tax (VAT) or goods and services taxes (GSTs) from tourism contribute significantly to public budgets.

Beyond the regional picture, PICs are at very different levels of tourism development because they have different characteristics, endowments, and levels of government support. Although they share key traits that have influenced how they have emerged as tourism destinations, critical country-specific factors have also influenced the nature and scale of the sector, including size, location and accessibility, historical and strategic ties, and tourism assets. This study proposes a typology to classify PICs in four categories of Pacific destinations that can be used to identify the most relevant policy priorities for each.

COVID-19 dealt a major blow to Pacific tourism, disproportionately affecting the economies most reliant on the sector. Although COVID-19 is not the first shock to affect tourism in the region, where political crises and natural disasters have led to temporary declines in international arrivals on several occasions in the past, it is the largest on record and could prove the most durable. With the onset of the pandemic and the subsequent collapse of arrivals, tourism receipts in PICs were approximately 81 percent lower in 2020 than in 2019. Fiji, which accounted for more than half of aggregate receipts in 2019, faced the largest losses in absolute terms, although smaller economies also suffered significant losses. Given the continued border closures in 2021, receipts are expected to have been even lower that year. Public finances have faced a large shortfall in tourism taxes and a decline in VAT and GST receipts, which can partly be attributed to the sector's collapse. The crisis has resulted in a dramatic decline in tourism employment across PICs that persisted while borders remained closed. In turn, this has severely affected livelihoods and increased poverty rates in tourism-reliant economies, accounting for one-quarter to half of the poverty increase in Fiji, Kiribati, and Vanuatu between 2019 and 2020.

Targeting higher-value market segments based on PICs' comparative advantages would increase the economic value of tourism, support PICs' development

[3] Based on the upper-middle-income poverty line of USD 5.5 per capita per day in 2011 purchasing power parity terms.

agendas, and reduce negative environmental and social externalities. Increasing the value, sustainability, and inclusivity of the tourism sector is a dominant theme in all PICs' tourism strategies and polices, with a focus on generating revenue from higher-spending tourism markets. Nevertheless, although average spending per arrival varies according to country, most PICs have not managed to increase such spending significantly over the last decade. A few PICs have developed viable high-volume market segments, but all PICs can compete and increase their presence in various high-value segments (e.g., luxury tourism, adventure tourism, diving, cultural tourism) (Box ES1). Such segments, which are driven by destination and product uniqueness, have higher levels of spending per trip, prioritize sustainability, and can have more inclusive spending. They are therefore particularly attractive for PICs; but attracting travelers in these segments will require targeted efforts to adjust destination positioning and marketing and tourism offerings. Targeting higher-value tourism markets is a shared objective of tourism policy makers and businesses in PICs, but policies and metrics have often focused on increasing arrivals, even though simple numerical simulations conducted in this report suggest that welcoming fewer, higher-value tourists could yield higher total revenue in PICs over time, with fewer negative externalities.

Box ES1. Summary of Tourism Market Segmentation in the Pacific

Volume markets in Pacific Island countries (PICs) center on sun and sand, family, and cruise markets. A need for relaxation, rejuvenation, and spending time with family motivates visitors, who are typically price sensitive.

High-value markets in PICs include luxury tourists (couples, honeymooners, wedding, and wellness markets), long-stay tourists (digital nomads, retirees) and experiential or niche tourists, including adventure tourists, diving, and cultural tourism. Destination branding and unique experiences available drive these markets. Word of mouth, social media, and in the Pacific, trusted tour operator recommendations are strong influences. A friendly regulatory environment for visas, taxation, and land ownership; good information and communications technology infrastructure; and robust health care also motivate long-stay tourists.

PICs have the opportunity to leverage trends in high-value experiential tourism to increase revenues from tourism arrivals. A 2019 market research study identified three segments of Pacific adventure and cultural travelers – 'Adventure Intensives, 'Experience Samplers, and 'Cultural Explorers (IFC 2019a) – that together account for almost 20 percent of Australian and 29 percent of U.S. online, travel consumers who are motivated to travel for specific interests. Similarly, recent World Bank consumer research on three key European outbound markets (Germany, Sweden, United Kingdom) identified five market segments amongst travelers (World Bank 2022a). Three of these segments, which account for 66 percent of respondents, focus on nature-based and sustainable tourism and are the highest spending of all traveler types. These travelers tend to participate in more activities, are more likely to purchase local goods and services, and have greater interest in nature-based experiences. Tapping into these markets will require changes to PICs' marketing strategies – updating and expanding distribution channels; increasing the supply of active, nature-based experiences; and enhancing communication.

Both research studies reveal that market segments that purchase goods and services from a broad range of local micro, small, and medium-sized enterprises can drive high-value tourism. In both studies, market segments were developed based on psychographic models that consider motivations for travel, personality traits, and travel behaviors. They revealed that high-spending tourists seek unique experiences, desire connections with local communities and businesses, engage in travel as a way to learn, and engage in sustainable practices. This highlights an important difference between high-value tourism and high-end or luxury tourism, which may have more limited impacts on local economies.

Obstacles to Expanding Pacific Destinations' Presence in High-Value Markets

To achieve their goal of attracting more high-value tourists, PICs must identify binding constraints and priority actions for governments and businesses. The objective to refocus the sector on these segments has met limited success so far, due notably to (i) uncoordinated tourism governance, policy and management, (ii) limited tourism offerings and weak ecosystems of tourism service providers, including MSMEs, (iii) low availability of skills needed in high-value markets, (iv) the still limited adoption of resource efficient and environmentally-friendly practices by tourism businesses, and (iv) the vulnerability of tourism businesses to natural disasters. Although these challenges do not cover all the structural constraints undermining tourism development in the Pacific,[4] they were selected as particularly relevant to the objective of targeting high-value markets based on research and consultations with tourism stakeholders in PICs.

[4] These challenges include connectivity, land rights, security, health, and preservation of ecosystems, which are analyzed elsewhere or require country-specific analysis outside the scope of this regional report.

To maintain and increase tourism expenditures per arrival, it will be essential to ensure that a diversity of tourism facilities and services are provided locally by facilitating private sector growth, including of MSMEs. The entry of many new MSMEs before the pandemic has enriched the offering of tourism services and the quality of visitor experiences, making PICs more attractive as destinations, but structural challenges, including business environment constraints such as burdensome business regulations, poor hard and soft infrastructure, and lack of access to finance and skills have undermined entrepreneurship and business growth. Moreover, the COVID-19 shock disproportionally affected tourism MSMEs, which led many to close or switch to other activities and sell assets. The financial position of many tourism MSMEs has been significantly undermined and could remain fragile even after reopening. The ability of Pacific MSMEs to recover fully, invest in new and better services, and adapt to structural industry trends, including digitization, will be key to competing in higher-value markets, maintaining visitor satisfaction, and increasing spending. Simulations suggest that seemingly small decreases in visitor satisfaction can lead to significant losses in tourism revenue over time.

To cater to higher-value segments, the Pacific tourism industry requires specialized skills, which are often in short supply locally. Several factors can explain local skills shortages affecting Pacific tourism businesses, including restrictions on recruiting expatriates, lack of basic and advanced education, and occupational migration. COVID-19 has heightened skill constraints in the Pacific tourism sector. Public and private investments in specialized vocational training programs could help improve local skills that the industry needs, complementing other policies that may be needed in different PICs (e.g., public investment in basic education, reform of migrant worker programs, relaxation of restrictions on expatriate recruitment). Investments should be guided by international best practices and carefully designed, because there is no guarantee that their benefits will justify the investment cost.

Minimizing tourism's negative environmental impacts and mainstreaming sustainable tourism can help PICs preserve their fragile ecosystems and gain a competitive edge in high-value markets. Like in other regions of the world, there are cases of poorly managed environmental impacts of tourism in the Pacific, which harm the environment and assets for PICs' tourism offerings. Many Pacific tourism businesses rely on high-cost, high-impact energy sources, water supply, and waste management practices, often for lack of access to better alternatives. In addition to their economic benefits, greener practices and resource efficiency can help attract ecofriendly travelers willing to pay a premium for sustainable tourism experiences and generate broader economic, social, and environmental benefits. Despite these potential benefits, businesses and governments in PICs have struggled to invest in resource efficiency at scale, although numerical simulations show that there are profitable investment opportunities in energy, water, and material efficiency for different categories of Pacific tourism businesses.

Natural disasters, which climate change is exacerbating, will continue to affect the sector and test its competitiveness, highlighting the need for more investment in resilience. Tourism MSMEs often lack the awareness, knowledge, technical capacity, and financial resources to reduce their exposure to disaster and climate risks by making such investments. Governments have an important role to play in fostering more-resilient tourism sectors by adopting measures to reduce exposure (e.g., investment in resilient infrastructure, land-use planning and zoning, adoption, and enforcement of building codes) and manage the residual risk (e.g., early-warning systems) and helping firms and workers recover quickly from shocks. Establishing a stronger evidence base regarding potential long-term benefits of investment in resilience, which this report attempts to illustrate with simulations for several PICs, can help unlock public and private funding.

Policy Priorities for Competitive, Sustainable Pacific Tourism

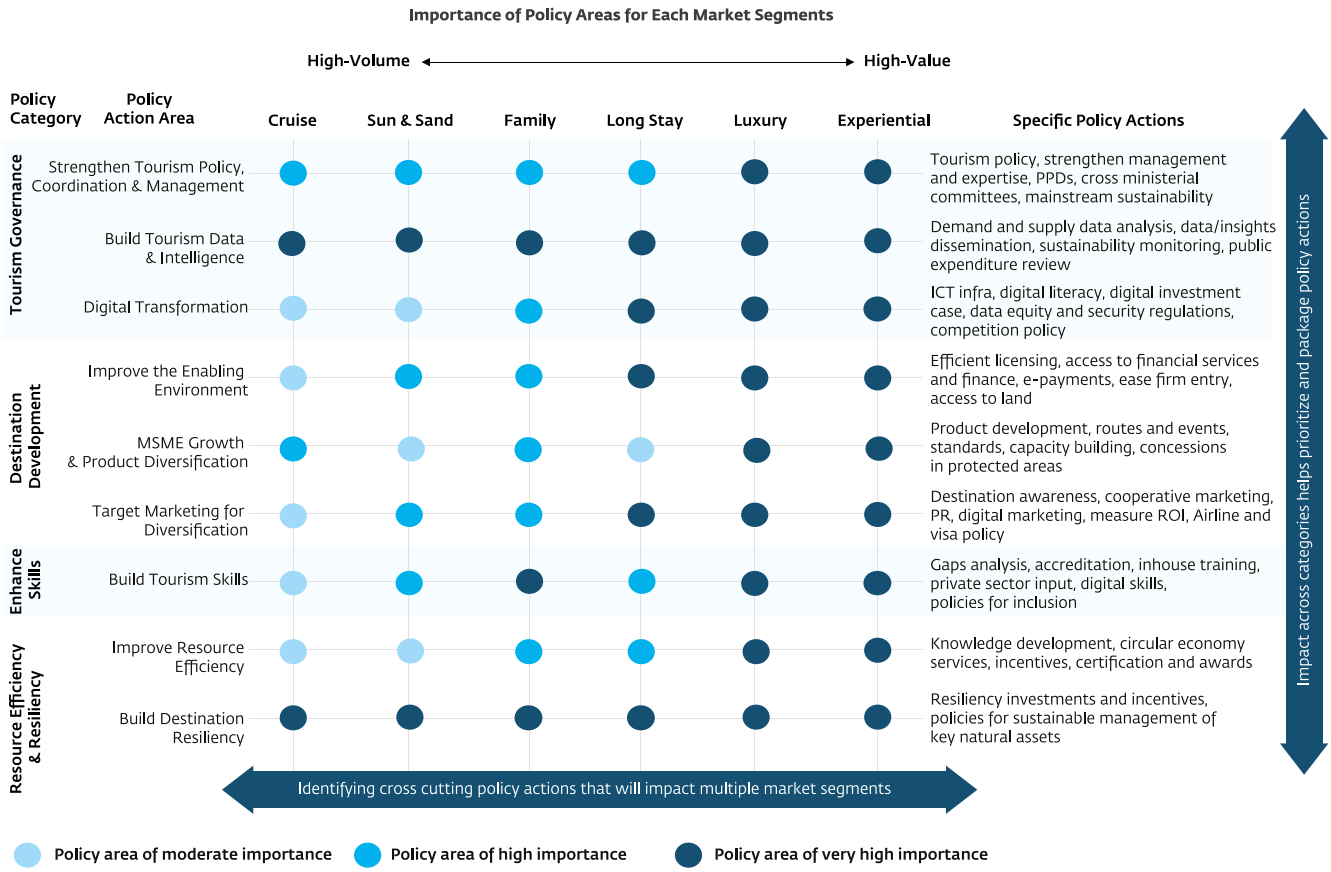
PICs have long strived for a more-valuable tourism industry and can leverage recovery from the pandemic as an opportunity for reset. To do so, they must prioritize policies and investments that address underlying tourism sector market failures and structural challenges that COVID-19 has exacerbated. Even before the pandemic, PICs struggled to implement strategies to enhance the sector's sustainability and attract higher-value tourists. Now, with additional pressures to regain visitor numbers and limited fiscal space, identifying and prioritizing the most effective policies and public sector investments is all the more critical. Moreover, to maximize tourism's role as a catalyst for development, stronger linkages between tourism development strategies, other national strategies (e.g., poverty reduction, resilience), and efforts to address structural barriers to inclusive growth and economic diversification in PICs will be needed.

This report's last chapter highlights four themes of policy challenges that must be addressed to add value in the tourism sector and create more competitive, sustainable, inclusive, resilient Pacific destinations in the medium to long term:[5] These include: (i) Improving tourism sector governance, (ii) Refocusing destination development priorities to enhance service quality and market diversification, (iii) Enhancing skills and training in the tourism workforce, and (iv) Mainstreaming resource efficiency and resilience in the sector. Prioritization of these themes and their subcategory policy areas can be informed by examining them at a market segment level and identifying where policy reforms can benefit the development of

[5] Although short-term measures to solidify and broaden the recovery from COVID-19 may be required in PICs, recommendations on this have been covered extensively in other publications and are not repeated here.

multiple market segments (Figure ES1). Targeted policies to strengthen tourism should be coordinated with efforts to address broader horizontal constraints on growth that are particularly problematic in PICs. Although the report attempts to distinguish policy priorities for PICs at different levels of tourism maturity, follow-up work and dialogue using country-specific data and information will be required to determine specific needs, depending on countries' endowments, obstacles faced in tourism, and policy aspirations as expressed in national tourism strategies.

Figure ES1. Framework for Policy Intervention Prioritization



Note: Dark blue indicates critical areas of policy reform to stimulate and cater to demand from specific market segments, medium blue indicates important areas, and light blue indicates moderatly important areas.

Improving Sector Governance

To achieve meaningful change in the sector, PICs must establish a more-integrated institutional and policy framework for tourism. Several factors, including a mismatch between tourism authorities' mandates and resources, the wide scope of regulatory areas relevant for tourism, and coordination failures (within the government and between the government and the private sector), partly explain the limited results of tourism strategies. Tourism policies and strategies can no longer be standalone documents with implementation left to tourism ministries and agencies. Across all types of PCIs, a new model should focus on (i) ensuring integrated policymaking through a strong "whole of government" approach, for instance anchored in permanent cross-ministerial tourism committees with high-level leadership and private sector engagement, and with a stronger role for ministries of finance/economy to coordinate reforms and investments given tourism' significant contributions to Pacific economies and public revenues; (ii) empowering national tourism authorities/offices and destination management organizations, notably by allocating appropriate resources to finance tourism policy and filling expertise gaps through partnerships; and (iii) institutionalizing and strengthening mechanisms for ongoing public-private dialogue on tourism.

Investing in data and digital technologies will be key for policy effectiveness. Although progress has been made in compiling sector statistics, lack of granular data on the supply and demand sides of tourism remains a major impediment to evidence-based policy making in PICs. This is a priority and offers avenues for cooperation between PICs, working with regional bodies such as the Pacific Tourism Organisation. Countries should aim to restart or launch international visitor surveys to collect data on existing markets and coordinate across regulatory and licensing agencies to create robust supply-side databases. National

tourism authorities or marketing agencies should seek partnerships with market research firms, universities, and regional organizations to build market intelligence on new target markets. Strong leadership and a clear strategy for digital transformation has been shown to be an essential part of supporting a mindset shift in digital adoption. This means raising awareness of digital opportunities, establishing the building blocks for an inclusive digital data economy, and building capacity in the public and private sectors.

Refocusing Destination Development

Building on integrated tourism planning, the right measures can help PICs build diversified high-quality destinations that attract high-value tourists. To do so, the public and private sectors must work together to invest in targeted destination development through marketing and product development paired with consistent, transparent communication to markets. This should include a focus on:

i. *Product development and diversification:* This is needed to respond to tourists' demands for unique, high-quality experiences, for example by disseminating market intelligence, creating product development support programs, developing tour routes, making better use of quality standards, and managing protected areas using modern methods.

ii. *Enabling environment for firms and investors:* This would include simplified business regulations, greater access to finance and payment services, and streamlined firm entry and exit processes. Targeted measures to open markets for female entrepreneurs are also needed as they face specific constraints, including in terms of access to land and credit, regulatory obstacles, and access to government support schemes. Reforms in this area would address barriers to growth for tourism and other important sectors in the region.

iii. *Market diversification:* This will require that destination management organizations invest in marketing to build awareness of the destination and its full offering in target markets and to communicate a consistent message. Public relations campaigns may be needed for countries with less-developed tourism sectors or those with a poor image. Regulatory reforms, for instance on immigration and aviation policy, may also be required to tap into certain high-value and niche markets.

Enhancing Skills and the Workplace Environment

Concrete action to address the skills shortage is necessary for Pacific tourism to shift to high-value markets and reduce economic leakage. Even before the pandemic, the Pacific tourism industry found it challenging to source workers with the right types and quality of skills. The labor shortage that the pandemic caused has exacerbated this challenge across the region, decreasing firm productivity and increasing the cost of in-house training. Addressing these systemic, economy-wide challenges will require a combination of skills development (e.g., technical and vocational educational training with deeper industry involvement, market-specific skills, digital skills). Measures to improve the workplace environment to attract and retain workers must accompany interventions to address skill mismatches: better labor policy[6] and reforms to promote respectful workplaces, for example by addressing risks of gender-based violence and sexual harassment.

Mainstreaming Resource Efficiency and Resilience

Enhancing tourism's resilience and resource efficiency will require a coordinated approach by governments, destination management organizations, and the industry. Enhanced knowledge, especially on climate adaptation and resilience at the destination level, and strategic investment in essential services (e.g., electricity, water, wastewater, and waste management), targeted policy and regulatory reforms (e.g., circular economy, construction standards), and programs that encourage and equip the private sector to make sustainable investments must underpin this approach. These supply-side actions must also be paired with robust disaster preparedness planning and management.

Policy recommendations made in this report focus on high-level constraints that must be addressed across market segments, but this guidance represents only a starting point for PICs, each of which must examine its policy objectives –economy wide and tourism specific – to determine the best strategic segment to target and the most important policy actions. This will need to be supported by deeper, country-specific analysis, which can be based on the models presented in the simulations included below, to provide the evidence-base and specific policy guidance to achieve greater value from each PIC tourism sector.

[6] Particularly for labor mobility programs that build the skill base rather than undermine it.

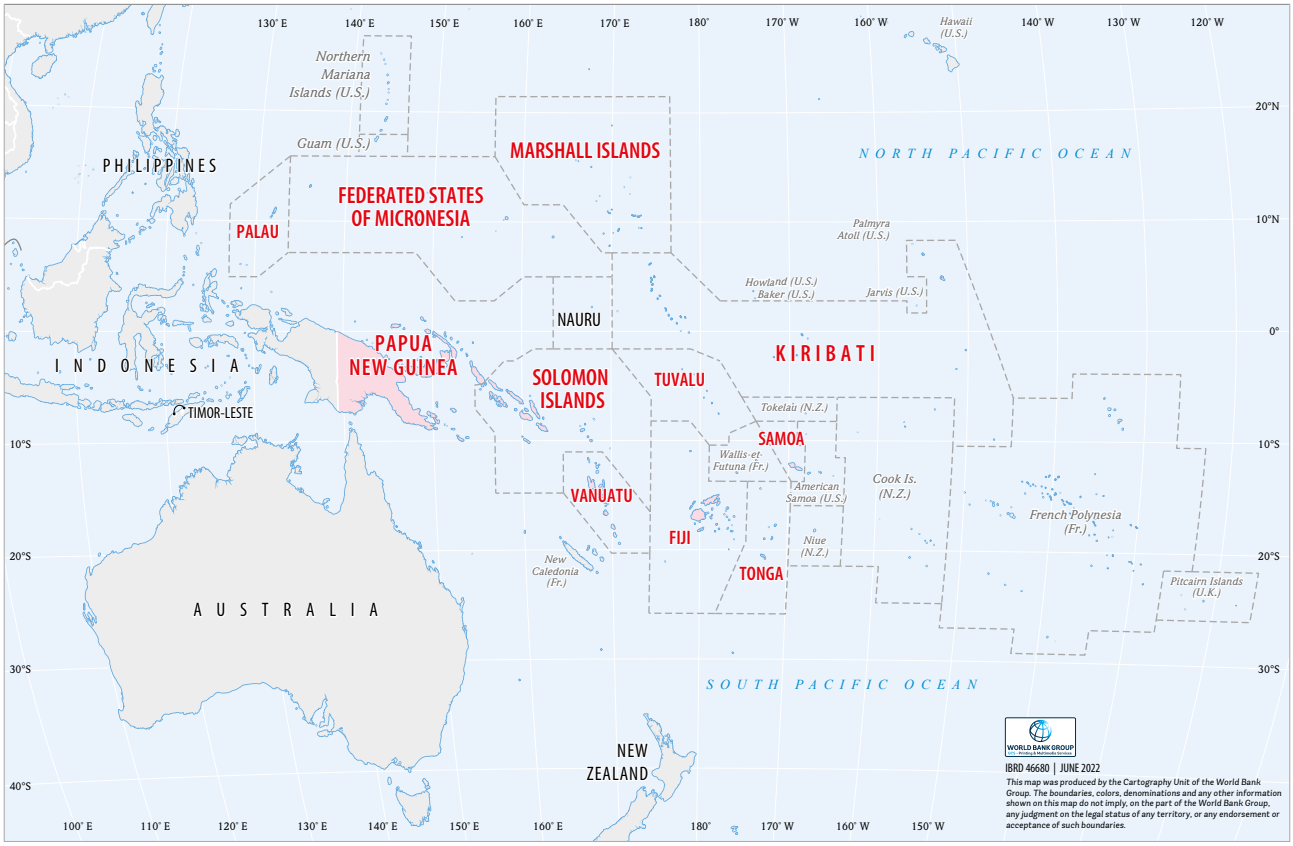
Image: *Tuvalu*

Image: *Papua New Guinea*

Introduction

The Pacific Island countries and Papua New Guinea face major structural challenges that have inhibited their ability to expand and diversify their economies. As illustrated in Map 1, the 11 PICs examined in this study (Federated States of Micronesia (FSM), Fiji, Kiribati, Palau, Papua New Guinea (PNG), Republic of Marshall Islands, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu),[7] with a combined population of about 11.3 million people (8.8 million of which are in PNG) (Table 1), are scattered on hundreds of islands across the Pacific in an area equivalent to 15 percent of the globe's surface. Lack of scale in the economies and limited access to markets, combined with high exposure to external shocks (e.g., commodity price fluctuations, natural disasters and other climate-related hazards), partly explain why the level and growth of gross domestic product (GDP) and real income per capita in the Pacific has been much lower since the 1990s than in comparator countries (Khor, Tumbarello, and Kronenberg 2016).[8] Manufacturing-led development models have not worked in the region, given major constraints on production and trade. PICs export only a few natural resource commodities and agricultural and fishery products, relying on imports for fuel, food, and most other products. Much of the region's growth in recent years has come from the services sector, including tourism.

Map 1. Pacific Island Countries and Papua New Guinea



[7] Although PNG is not usually classified as a PIC, it is covered in this study and included when referring to PICs. Other PICs and territories also have notable tourism industries (e.g., Cook Islands, Guam, Northern Marianas, New Caledonia, French Polynesia) but are not covered in this report because they are not World Bank members. Nauru, a World Bank member, is considered a PIC but is not studied here because of its limited tourism assets, low tourist volumes, and lack of sector data.

[8] The study cited uses different country groups as comparators, including Asian low-income countries, Eastern Caribbean SIDS, and other small states.

Table 1. Land Area and Population

Region	Country	Land area (km2)	Population (thousands)
Micronesia	Federated States of Micronesia	702	114
	Kiribati	811	118
	Palau	460	18
	Republic of the Marshall Islands	181	59
Melanesia	Fiji	18,000	890
	Papua New Guinea	463,000	8,776
	Solomon Islands	28,000	670
	Vanuatu	12,000	300
Polynesia	Samoa	2,800	197
	Tonga	748	105
	Tuvalu	26	12
Total		526,728	11,257

Source: World Development Indicators (database). World Bank, Washington, DC (accessed November 2022), https://databank.worldbank.org/source/world-development-indicators.

Between 2000 and 2019, tourism became one of the most important drivers of economic growth across the Pacific, generating revenue and employment, where opportunities for other sectors were limited. With few opportunities for PICs to enter global value chains, most of their governments have seen tourism as a pathway to economic prosperity and have sought to capitalize on their natural and cultural endowments to develop the sector by adopting targeted policies and making needed investments. As international tourist arrivals grew across the region, so did financial receipts and GDP contribution, although the benefits have been uneven across PICs. As this report shows, tourism has made a substantial economic contribution to PICs overall, but growing dependency on the sector has increased these countries' vulnerability to various shocks that can disrupt the sector, such as natural disasters and the COVID-19 pandemic. Another question that has become more relevant as tourism has grown is whether the policies adopted and investments made to foster this growth have benefitted other sectors and increased economic diversification.

The COVID-19 crisis has had a devastating impact on tourism in the Pacific, with severe immediate impacts and likely durable consequences. The pandemic has been the worst crisis in the history of modern tourism, with small island developing states (SIDS) especially hard hit (UNWTO 2020a; World Bank 2020a). COVID-19 brought international travel to and from the Pacific to a standstill in March 2020 for more than two years. It is estimated that international visitor spending declined by about 81 percent in PICs in 2020, more than in most other SIDS (PNG TPA 2022; SPTO 2021b; UNWTO 2022b). Tourism has now resumed across much of the region, and some Pacific tourism destinations could rebound fully by 2023 under an optimistic scenario (PATA 2022). Despite these positive trends, COVID-19's deep damage to global tourism value chains will continue to affect supply and demand for years. In PICs, the sector's prolonged closure is likely to leave long-lasting marks as many firms closed or transitioned to other activities and thousands of workers turned to alternative livelihood opportunities locally, notably in farming and fishing, or abroad. This means that some firms, particularly micro, small, and medium-sized enterprises (MSMEs); jobs; and skills may not come back even when aggregate demand recovers, with potential adverse impacts on tourism offering and PIC economies.

As the crisis subsides, tourism is likely to reemerge as a key driver of economic growth and source of livelihoods for PICs, despite differences in recovery pathways across the region. In the context of a weak private sector – especially in comparison with the heavy weight of the public sector in these economies – tourism is an important source of tax revenue and foreign exchange. It is also a key source of much-needed jobs and income for Pacific islanders, including women and youth. It is one of the few sectors that can offer formal employment opportunities to low- and semi-skilled workers. In 2017, the Bank's flagship report, *Pacific Possible*, estimated that, by 2040, PICs could reap an additional USD 1.7 billion in revenue annually and 116,000 jobs by boosting demand from certain high-potential markets (Box 1). Although overall growth potential remains strong, sources of growth may diverge from pre-pandemic projections, especially as countries seek a more-sustainable and -valuable tourism future. As governments have a chance to reset their tourism sectors, some previous opportunities should be reconsidered. For example, focusing on market segment diversification (e.g., adventure or wellness tourism) rather than specific source markets (e.g., China) can reduce vulnerability to future demand-side shocks. Similarly, with greater focus on value per arrival and sustainability, volume cruise tourism may no longer be an attractive segment to develop. The report presents and prioritizes policy guidance that supports holistic tourism sector growth across a range of market opportunities (including most outlined in Pacific Possible) to foster sustainable economic gains. In the context of small economies like PICs', tourism development policies can also be leveraged to address broader cross-cutting constraints on economic transformation in terms of such factors as the quality of the investment climate, the state of the infrastructure, connectivity, and level of skills.

Box 1. Pacific Possible Interventions and Long-Term Results

The *Pacific Possible* study examined opportunities in four tourism products and markets to generate long-term transformational change for Pacific Island countries' economies:

- Targeting the Chinese visitor market could add more than 650,000 tourists, bringing nearly USD 950 million in additional tourism receipts and generating more than 65,000 additional jobs.
- Engaging more directly in the growing Pacific cruise industry by introducing a home-based cruise offering could add more than 250,000 tourists, generating an additional USD 60 million in tourism receipts and more than 4,000 additional jobs.
- Expanding high-end resort offerings could add more than 130,000 tourists, bringing more than USD 450 million in additional tourism receipts, and generating more than 30,000 jobs.
- Expanding long-stay visitor options for retirees could add 10,000 resident foreign retirees, bringing USD 200 million in additional receipts and generating more than 13,000 additional jobs.

Policy recommendations focus on increasing transportation connectivity by expanding and establishing markets, developing long-term markets, improving the investment climate and effectiveness of public sector participation, reducing barriers to travel (e.g., visa regimes), and improving supply linkages with the tourism sector to increase efficiency and value (e.g., agricultural linkages). Market-specific actions were also identified for each of the four opportunities. These interventions centered mostly on destination development (product development and marketing) and enabling environment recommendations and did not directly address wider tourism governance challenges and key enabling factors such as skills, resource efficiency, and resilience, which are examined in the present report.

Source: World Bank 2017b.

The COVID-19 recovery provides an opportunity to address Pacific tourism's preexisting challenges, although there are also risks. Many observers expect the pandemic to catalyze durable changes in the global tourism industry. At the global level, COVID-19 has reignited debates about the industry's economic, social, and environmental impacts, particularly under a volume-driven growth model, and its role in the fight against climate change.[9] There have been calls to reimagine tourism by addressing its preexisting structural problems and rebuilding the industry's competitiveness in light of changes resulting from the pandemic (Destination Think 2020; IMF 2021a; UNDP 2020; UNWTO 2020b; World Bank 2020a).[10] Similar debates have been had about challenges faced in terms of competitiveness, inclusion, environmental sustainability, and resilience (UNESCAP 2020), many of which have been identified at least since the 1990s (Scheyvens and Russell 2009).[11] During the crisis, Pacific stakeholders have emphasized the role of a sustainable, ocean-based tourism sector to build back better (Krishnamurthi 2020; SPREP 2020; Taylor 2020; UNESCAP 2020). Recent surveys in tourism-dependent PICs have revealed community aspirations for a reset of the regional tourism model to provide broader benefits to the local economy (Movono and Scheyvens 2020). PICs have not taken specific action to chart a more-sustainable and -inclusive path for tourism growth. There is a risk that some policy makers will focus on short-term measures to increase visitor numbers to the pre-pandemic growth trend as quickly as possible. Although this is a justified objective, particularly for less-developed PIC destinations that can still arguably develop the carrying capacity for more visitors, in the longer run, broader economic benefits would come from addressing the structural problems that limit the sector's capacity to enter higher-value markets and undermine economic growth beyond tourism.

This study takes a fresh look at tourism's role in development in the Pacific; its future after COVID-19; and the scope to foster a green, resilient, competitive, inclusive sector. It complements and challenges the previous analysis in *Pacific Possible* by factoring in the impacts of the pandemic and considering changes to the industry that could maximize economic value for Pacific Islanders, in line with the World Bank's twin goals (eliminate extreme poverty, boost shared prosperity) and the Sustainable Development Goals.[12] It also takes a holistic approach to analysis and policy guidance, identifying policy interventions that can stimulate demand in different high-value tourism markets while generating as much benefit for the broader economy as possible, enhancing the sector's resilience, and improving its sustainability. The study was a core input to the World Bank's recent update to the Systematic Country Diagnostic for nine of the PICs, which highlights sustainable tourism as a key economic opportunity for development in

[9] See Gösling and Higham (2021) for reflections on climate mitigation challenges in tourism and a vision for a low-carbon, resilient, inclusive tourism development model that increases domestic value creation while stabilizing or reducing arrivals.

[10] For instance, the United Nations World Tourism Organization encouraged tourism stakeholders to focus recovery efforts on six pillars: public health, social inclusion, biodiversity conservation, climate action, circular economy, and governance and finance.

[11] As discussed in this report, key concerns include geographic concentration of tourism activity, limited diversity of products and markets, lack of entrepreneurship within the sector, "leakages" of tourism expenditures outside of PICs, and limited linkages with domestic goods and services providers (IMF 2021a, 37-40).

[12] See UNESCAP (2020) for a discussion of tourism's potential contribution to the Sustainable Development Goals.

these countries and emphasizes the role of resilience (Box 2).[13] It was prepared by analyzing available data and information from previous reports, government sources, and the academic literature and collecting new information in consultations with regional and national stakeholders. Given the scarcity of data on Pacific tourism and frequent discrepancies between sources, one of its main contributions is to provide a detailed quantitative assessment of the sector and its economic impacts, for instance on jobs, poverty, and public revenue, based on an extensive data collection, cross-checking, and integration exercise.

The study focused on selected challenges for long-term development of high-value tourism that are relevant at the regional level. Although the pandemic is not fully over, the study focuses not on immediate priorities to help the sector weather the crisis but on medium- and long-term needs for after COVID.[14] Although it is regional in scope and does not pretend to establish a precise diagnostic for any particular country in the region, the study strives to consider the different country contexts and to identify priorities of PICs with different endowments and tourism maturity and potential opportunities for regional cooperation. The analysis considers broad constraints on tourism development and particular attention is paid to small local providers of tourism services, referred to as MSMEs throughout this report, which can play a large role in increasing the quality and diversity of a destination's offering. Finally, the study does not address in detail all structural barriers to tourism development in the Pacific but focuses on priorities to increase economic value by repositioning the sector in higher-value markets that were identified through research and consultations with tourism stakeholders in PICs.[15] As such, it complements other ongoing World Bank analytics and operations addressing, for instance, tourism's environmental impacts and connectivity.

The study's structure provides a backward- and forward-looking analysis of tourism in the Pacific. The first chapter presents the available evidence on tourism's historical contribution to economic development in PICs and on COVID-19's impacts, differentiating between destinations at different maturity levels and reviewing several frequently debated topics, including tourism's role in poverty reduction and distribution of its gains. The chapter also discusses current and potential tourism market segments in the Pacific, assessing potential benefits of targeting higher-value markets. To inform strategic choices for the industry in the medium to long term, the second chapter more closely examines current obstacles to and potential opportunities for a more competitive, sustainable Pacific tourism, focusing on factors deemed key to targeting higher-value markets. The third chapter discusses and recommends medium- to long-term policy priorities and investment needs to (re)position the Pacific tourism model, focusing on competitiveness, environmental sustainability, resilience, and inclusiveness.

This report is intended to serve as a basis for a renewed policy dialogue on tourism's contribution to building more competitive, inclusive, sustainable, and resilient economies in the Pacific. This dialogue between PIC governments, tourism stakeholders, and development partners, including the World Bank, should take place at the country level to identify specific local challenges and opportunities. It could also be pursued at the regional level to explore potential synergies and cooperation modalities. As the Pacific recovers from the COVID-19 crisis, the World Bank stands ready to help the 11 countries covered in this report identify and implement priority reforms and investments in tourism and linked sectors through further analytical work, technical assistance, and financial support.

Box 2. Development Pathways Identified in the Systematic Country Diagnostic Update for Nine Pacific Island Countries (PICs)

Like the initial PIC Systematic Country Diagnostic, which the World Bank published in 2016, the 2022 update highlights the role of economic geography (extreme remoteness; small, dispersed populations) and exposure to shocks as key structural constraints on growth and economic diversification across the region. Given these challenges and considering challenges that have arisen because of the COVID-19 pandemic and increasing awareness of disaster risks, the Systematic Country Diagnostic update identifies three pathways to end extreme poverty and boost shared prosperity in the Nine PICs it covers:

1. **Expand economic opportunities:** Revitalize and realize sustainable tourism, expand economic opportunities in oceanic fishing, enhance labor mobility opportunities, and improve digital connectivity and services in the private and public sectors.
2. **Maximize human capital and its economic returns:** Improve the quality of education and increase access to secondary and higher education; strengthen health care systems to increase coverage, quality, and resilience; and increase women's paid employment and reduce gender-based violence.
3. **Build resilient incomes and livelihoods:** Strengthen climate and disaster risk management tools and policies, develop adaptive social protection systems, and support resilient agriculture for small-scale farmers and coastal fisheries.

[13] The update to the PIC9 Systemic Country Diagnostic covers FSM, Kiribati, Nauru, Palau, RMI, Samoa, Tonga, Tuvalu, and Vanuatu.

[14] On short-term priorities for recovery of tourism, see IMF (2021) and World Bank (2020).

[15] Such priorities include connectivity, land rights, security, health, and preservation of ecosystems. As discussed in Chapter 3, some have been analyzed elsewhere, and others are too complex to cover in a regional report and require an in-depth, country-specific analysis.

Image: Fiji

Image: *Vanua Levu, Fiji*
Credit: *World Bank*

1. The Boom of Pacific Tourism and COVID-19's Impacts

1.1. Tourism's Contribution to Economic Development in the Pacific

Tourism has had increasingly strong benefits for PICs' economies since the turn of the century. Tourism receipts and employment indicators have been the prevailing measures of the sector's economic impact, although data shortcomings make detailed analysis and regional comparisons challenging (Box 3). One of this report's main contributions is to consolidate data from existing sources and provide new quantitative evidence of tourism's contribution, for instance to public revenue and poverty reduction.

Box 3. Measuring Tourism's Economic Impact in the Pacific

Calculation and reporting of economic indicators for tourism are relatively new for Pacific Island countries (PICs), and methods are often inconsistent. Use of a tourism satellite account was unique to Fiji until 2022, when PNG released its first tourism satellite account report.[a] Otherwise, PICs have determined the value of tourism using balance of payments or the more rudimentary approach of multiplying visitor numbers by average visitor spending, where available. Agencies such as the Pacific Tourism Organisation, the United Nations World Tourism Organization, and the World Travel and Tourism Council use country data to produce reports on key tourism indicators using different methodologies. As a result, different sources cite conflicting figures for some countries. This study draws on receipts, gross domestic product (GDP), and employment data from a variety of sources. UN World Tourism Organization data were used for receipts where available and substituted for data from countries' tourism or statistics authorities.[b] Tourism's contribution to GDP was calculated using these receipts data and World Development Indicator data for national GDP. Tourism employment data were sourced from the Pacific Tourism Organisation's 2019 Annual Review, except where more-recent data were available from statistics authorities. The report also includes supplementary data for the six countries for which the World Travel and Tourism Council estimated the total (direct, indirect, and induced) contribution of tourism to GDP. As argued in the last chapter of this report, developing the capacity to collect and analyze different types of tourism-related data should be a priority for PICs, to enable more evidence-based policy for the sector.

a. Tourism satellite accounts are standard statistical frameworks for economic measurement of tourism that allow tourism statistics to be harmonized and reconciled from a national accounts perspective and enable economic data on tourism comparable to other economic statistics to be generated.

b. Tourism receipts are expenditures of international inbound visitors, including payments to national carriers for international transport and prepayment for goods and services received in the destination country. Tourism receipts are not perfectly equivalent to the sector's value added (as included in GDP) because they do not deduct tourism businesses' domestic and imported supply chain purchases.

Historical Tourism Demand

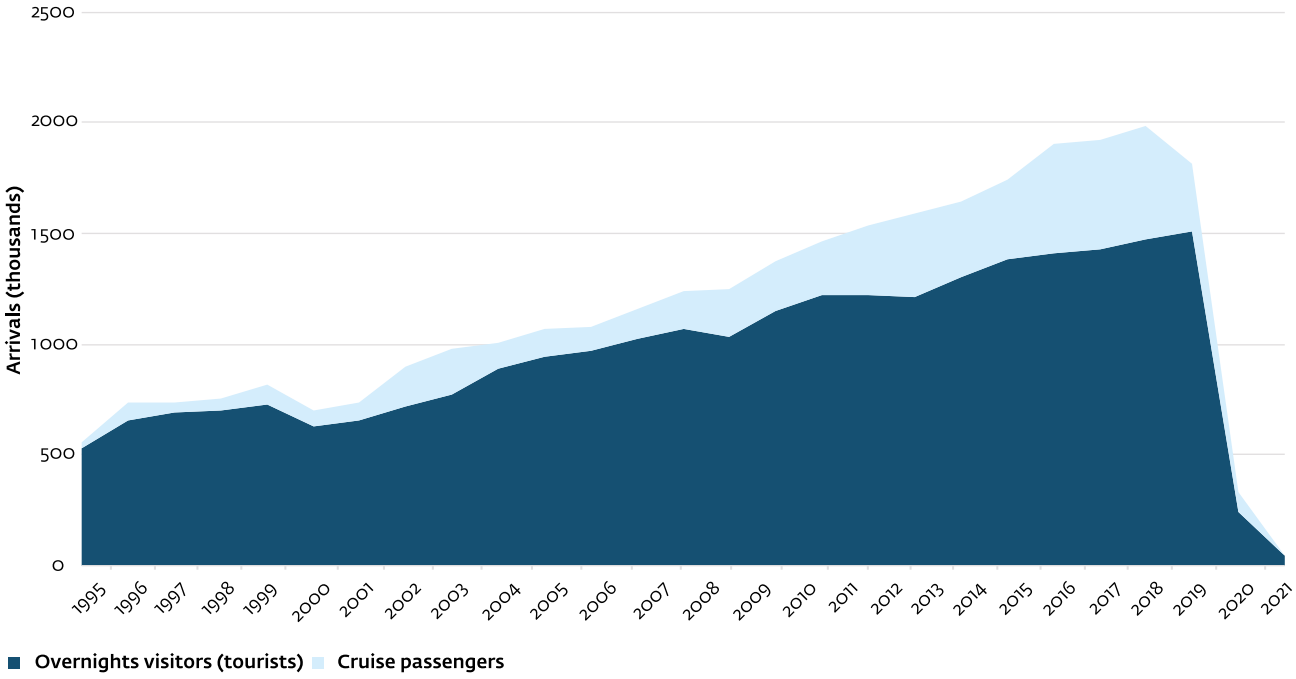
Arrivals of international tourists to the Pacific doubled from 2000 to 2019. In 2019, PICs saw combined international overnight tourism reach an all-time high of 1.5 million arrivals[16] (1.8 million including cruise ship and day visitors) (Figure 1), but volumes and growth were highly uneven between countries, with Fiji accounting for more than half of overnight arrivals, followed by Samoa, Vanuatu, PNG, Palau, and Tonga, with a combined share exceeding one-third.[17] Growth in arrivals had averaged 3.6 percent per annum over the two preceding decades, although individual country compound annual growth rates ranged from 0.6 to 6.1 percent (Figure 2). Some other PICs that account for a small percentage of total arrivals to the region have seen sustained growth in arrivals since 1999, with Tuvalu achieving the fastest pace (albeit from a low base). Several countries, notably Fiji, PNG, and Vanuatu, have also seen strong, if uneven, growth in the cruise ship market, a segment that more than tripled from 1999 to 2019, to reach approximately 511,000 day-passenger visits (Figure 3).[18] COVID-19 significantly and temporarily impacted visitor arrivals growth (Box 4).

[16] These arrivals accounted for 73 percent of international overnight visitors to a larger group of 16 PICs: the above countries plus American Samoa, Cook Islands, French Polynesia, New Caledonia, and Niue.

[17] Based on data from the United Nations World Tourism Organization Tourism Dashboard and updates from national tourism and statistics authorities.

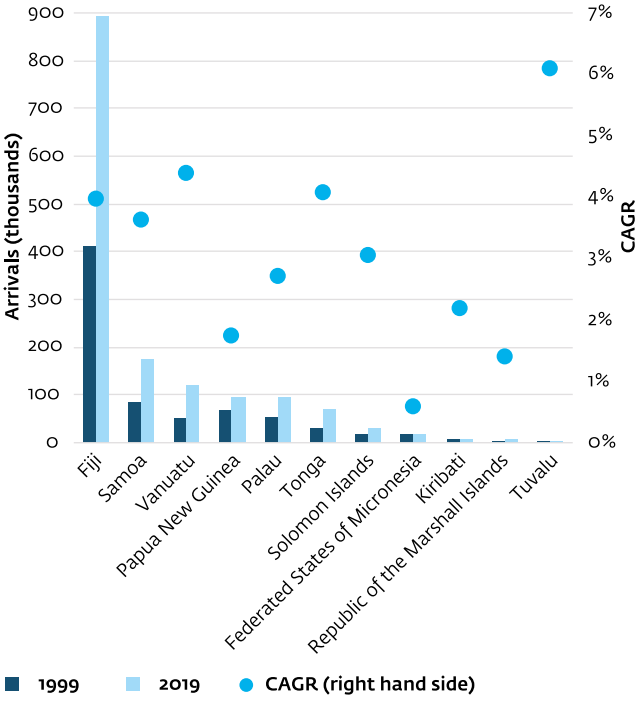
[18] Arrivals data uses UNWTO data where available and reliable. SPTO, NTO and NSO data used where not available.

Figure 1. Regional Growth in All Visitor Arrivals in Pacific Island Countries, 1995-2021



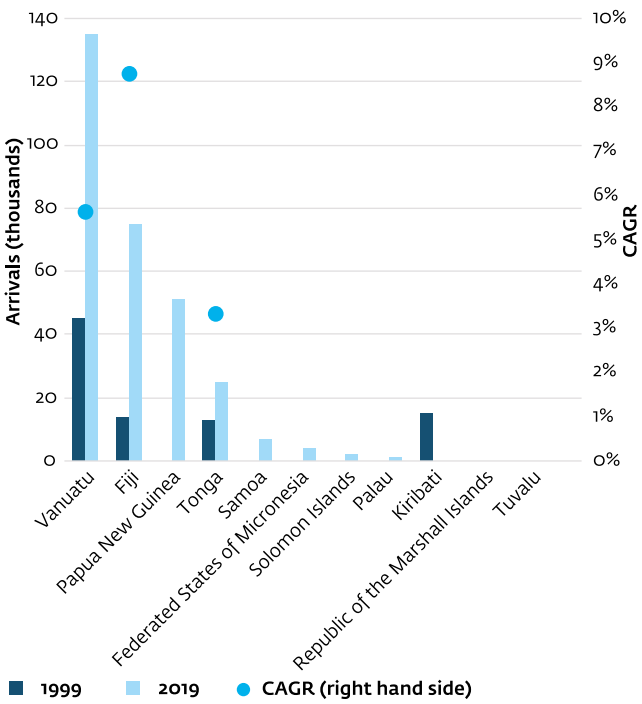
Source: UNWTO 2022b; FSM Statistics 2022; PVA 2021; PNG TPA 2022; Solomon Islands NSO 2022; STA 2022; Tonga Statistics Department 2022.

Figure 2. Disaggregated Growth of International Overnight Visitor Arrivals in Pacific Island Countries, 1999–2019



Source: UNWTO 2022b; FSM Statistics 2022; PNG TPA 2022; STA 2022; Tonga Statistics Department 2022.

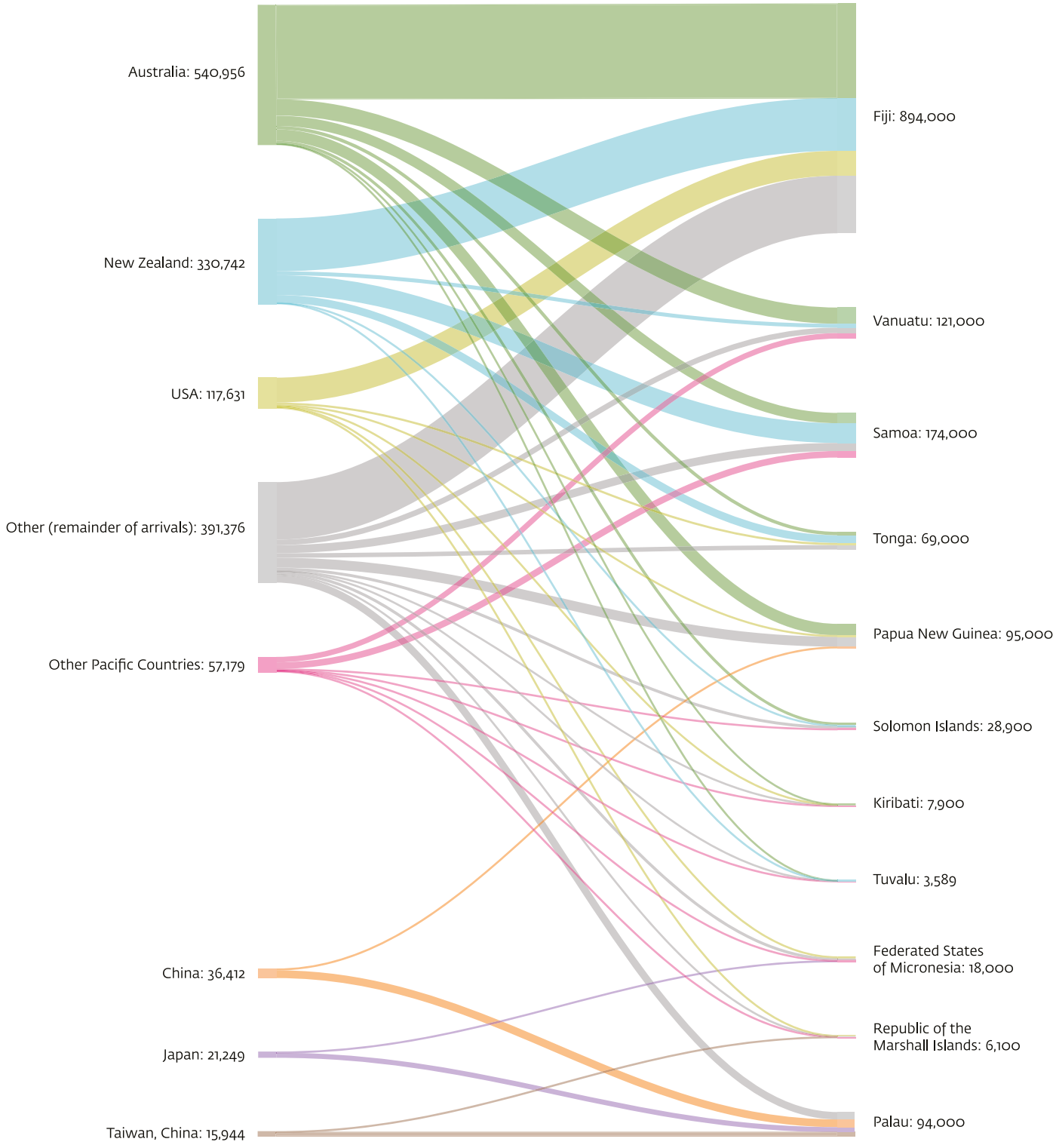
Figure 3. Growth of Cruise (Day) Visitor Arrivals in Pacific Island Countries, 1999–2019



Source: UNWTO 2022b; FSM Statistics 2022; PVA 2021; Solomon Islands NSO 2022; STA 2022; Tonga Statistics Department 2022.

Neighboring markets have accounted for most arrivals in PICs, driven by proximity, air connectivity, and targeted marketing. Australia and New Zealand are by far the dominant source markets for PICs as a whole (Figure 4), accounting for more than 60 percent of arrivals to Fiji, Samoa, Tonga, and Vanuatu in 2019, but for some countries, such as FSM and Palau, more tourists arrive from China, Japan, and the United States. Some countries have taken steps to diversify source markets, with Palau, for instance, targeting Taiwan, and Fiji increasing marketing activities in Japan and North America. Fiji was able to increase arrivals from Canada and the United States by 63 percent between 2013 and 2019 and tripled arrivals from Japan between 2014 and 2019.

Figure 4. Top Source Tourism Markets for Pacific Island Countries, 2019

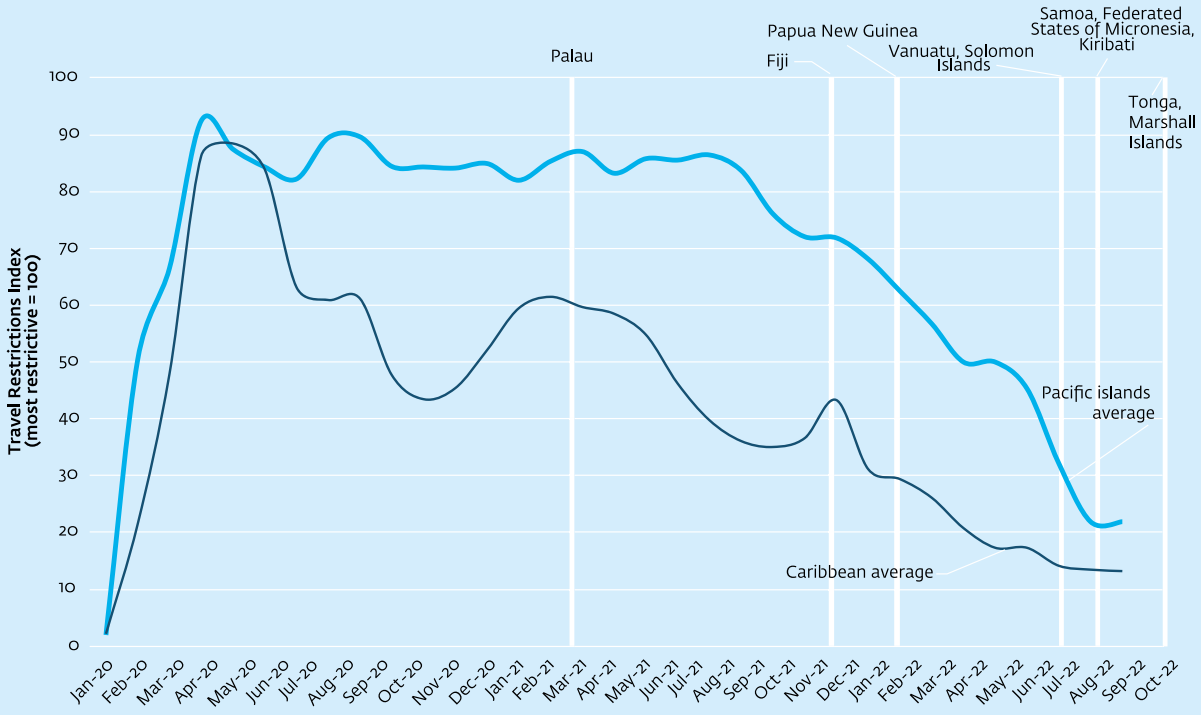


Source: FBOS 2022; FSM Statistics 2022; Kiribati NSO 2022; PVA 2021; PNG TPA 2022; RMI EPPSO 2022; Solomon Islands NSO 2022; STA 2022; Tonga Statistics Department 2022; Tuvalu CSD 2022; Vanuatu NSO 2022.

Box 4. COVID-19 Impacts on Tourism Demand and Recovery

PICs rapidly closed their borders to international visitors in March 2020 at the onset of the pandemic and maintained strict travel restrictions during the crisis. They imposed rigorous, prolonged restrictions on inbound and outbound travel to contain the spread of the virus, with restriction levels remaining long after Caribbean small island developing states decreased restrictions (Figure 5). The extended border closures protected public health but resulted in an unprecedented 84 percent decline in combined annual visitor arrivals to PICs in 2020 and a further 83 percent decrease in 2021. Combined inbound overnight visitors plummeted from an all-time high of 1.51 million in 2019 to around 240,000 in 2020 (mainly first quarter arrivals). Combined international overnight arrivals remained low in 2021, at about 40,000.

Figure 5. Stringency of Travel Restrictions in the Caribbean and Pacific and Pacific Island Country Reopening Dates



Source: University of Oxford 2022.

Notes: Caribbean countries include Aruba, Bahamas, Barbados, Belize, Cuba, Dominica, Dominican Republic, Guyana, Haiti, Jamaica, Suriname, Trinidad and Tobago, and U.S. Virgin Islands. PICs include Fiji, Guam, Kiribati, Papua New Guinea, Solomon Islands, Tonga, and Vanuatu.

The Travel Restrictions Index is calculated on a scale of 0 (least restrictive) to 100 (most restrictive), using data from the Oxford COVID-19 Government Response Tracker.

As PICs gradually reopened their borders in 2022, visitor arrivals to the region began to rebound, with partial or full recovery anticipated by 2024. Risk appetites for reopening to tourism varied across PICs, but most took a conservative approach.[a] By October 2022, all but Tuvalu had reopened their borders with some vaccination, testing, and masking restrictions in place. Tuvalu was expected to reopen by the end of 2022. As of August 2022, Fiji had received 354,277 visitors (60 percent of 2019 levels for the same period) with third quarter arrivals anticipated to be 80 percent of third quarter 2019 volumes. In its first month of opening, Vanuatu received 3,439 international visitors, 27 percent of July 2019 levels. By July 2022, Palau experienced a 13 percent recovery for the second quarter. Interest was strong for the late 2022 dive season in Palau, but evidence indicated that expensive and infrequent flights constrained demand.[b] The Pacific Asia Travel Association forecasts for selected PICs indicate that arrival volumes will recover fully by 2023 under an optimistic scenario and to 80 to 90 percent by 2024 under a conservative scenario (PATA 2022).

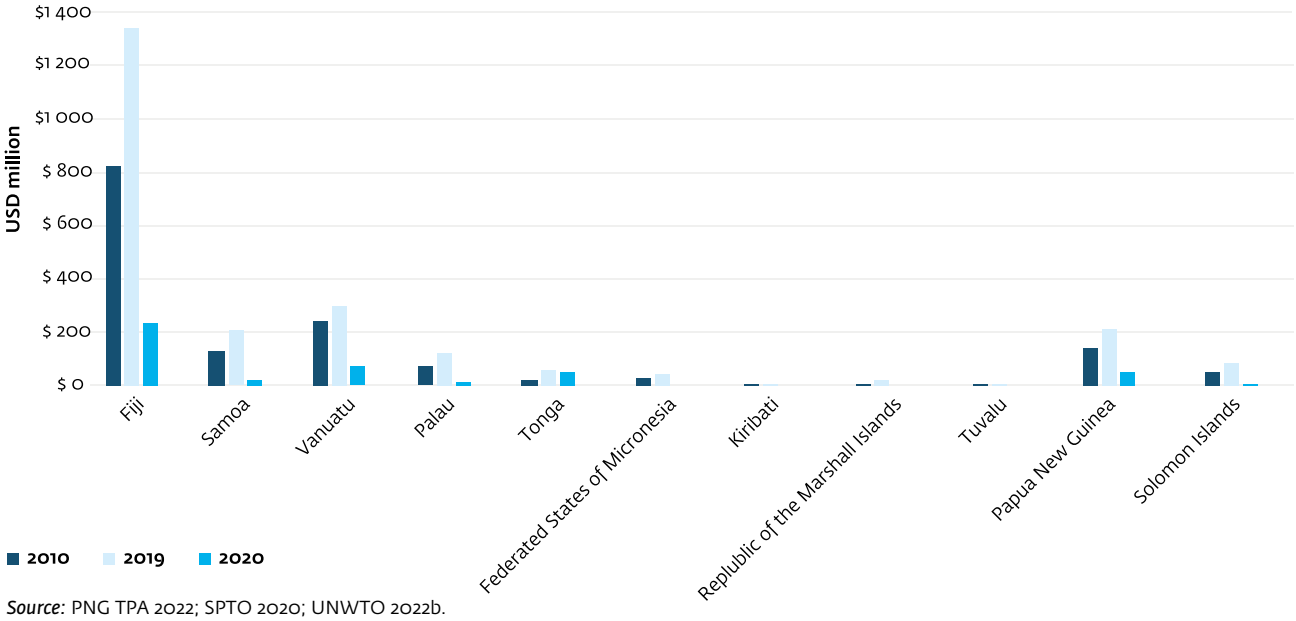
[a] The rate of vaccine rollout was slower in some countries than others. Vaccination targets were cited as a reopening criterion for Fiji, Kiribati, Samoa, Tonga, and Vanuatu. Visitor entry conditions for reopening borders have varied from country to country and over time, but have included requirements for traveler vaccination, pre- and post-travel testing, restricted movement, use of contact tracing systems, and mask wearing.

[b] As reported to the Palau Visitors Authority at the Scuba Show in the United States in May 2022.

Contribution of Growing Tourism Receipts to GDP

Tourism revenues for PICs were growing at more than 5 percent per annum before the pandemic. At the regional level, the value of tourism receipt – expenditures of international inbound visitors[19]—rose from USD 1.5 billion in 2010 to USD 2.4 billion in 2019 (PNG TPA 2022; SPTO 2020; UNWTO 2022b).[20] This growth represented a compound annual growth rate (CAGR) of 5.2 percent between 2010 and 2019, although growth was uneven because some countries grew faster and started from a higher base. Most notably, Fiji accounted for more than half of total receipts in 2019, reflecting its dominance in the region (Figure 6). This performance can be linked to an advantageous location and a history of substantial government support of tourism through policy reforms, early establishment of a national tourism organization (NTO), investment incentives, and public investment since the end of World War II. Before COVID, Palau, PNG, Samoa, and Vanuatu, which together shared more than one-third of receipts, followed Fiji.

Figure 6. Tourism Receipts in Pacific Island Countries, 2010, 2019, 2020



Source: PNG TPA 2022; SPTO 2020; UNWTO 2022b.

Before the pandemic, tourism receipts accounted for a considerable share of GDP in many PICs, demonstrating the sector's weight in the economy. As international tourist arrivals grew across the region, so did tourism receipts expressed as a share of GDP, although the benefits have been uneven across the studied countries (Table 2). Throughout the 2010s, tourism receipts grew faster than GDP in five of the eleven PICs and slightly slower than GDP in the others. Before the pandemic, they exceeded 10 percent of GDP for seven of the 11 studied countries (Figure 7). Some PICs are among the most tourism-dependent countries in the world; Fiji, Palau, Samoa, and Vanuatu had the highest receipts relative to GDP, at around 25 to 35 percent in 2019 (Figure 8),[21] but other countries in the region (e.g., PNG and Kiribati) were considerably less dependent on the sector. In PNG, this is particularly because of the large natural resources and mining sectors.

The economic value of tourism extends beyond direct receipts because many economic activities are indirectly associated with tourism and travel. Tourism stimulates economic activity in several linked sectors, such as construction, agriculture, manufacturing, the arts, and cultural industries. World Travel and Tourism Council estimates suggest that the total contribution of travel and tourism to GDP in some PICs (e.g., Fiji, Vanuatu) is well above the world average (Figure 8),[22] although they also show that it is lower than the averages for SIDS in the Atlantic, Caribbean, and Indian oceans.[23] Supply linkages with agriculture and fisheries, which are among the main channels to broaden tourism's economic impact in other sectors and to generate income for lower-income households, have grown in some PICs, as recent studies have shown, and could be developed further (Box 5). Beyond supply linkages, tourism can generate productivity spillovers in other economic sectors (Box 6), but research is yet to be conducted on this in the Pacific.

[19] In addition to expenditures in the destination country, they include payments to national carriers for international transport and any other prepayments for goods or services received in the destination country. Receipts are lower for countries without national carriers.

[20] PNG data reported in PNG Kina converted to USD.

[21] In Tonga's case, the relatively low contribution of tourism receipts to GDP (11.1 percent) is because of the high value of remittances.

[22] The World Travel and Tourism Council estimates the total (direct, indirect, and induced) contribution that travel and tourism have made to GDP in six PICs. They attempt to capture the sector's value added plus indirect (domestic) supply chain purchases plus induced effects through the spending of workers directly and indirectly employed in the sector. This approach complements data on receipts only.

[23] Unweighted averages. Countries included for the Caribbean average are Antigua and Barbuda, the Bahamas, Barbados, Dominica, the Dominican Republic, Grenada, Jamaica, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines. Countries included for the Atlantic and Indian Ocean averages are Cabo Verde, the Maldives, Mauritius, Sao Tome and Principe, and the Seychelles.

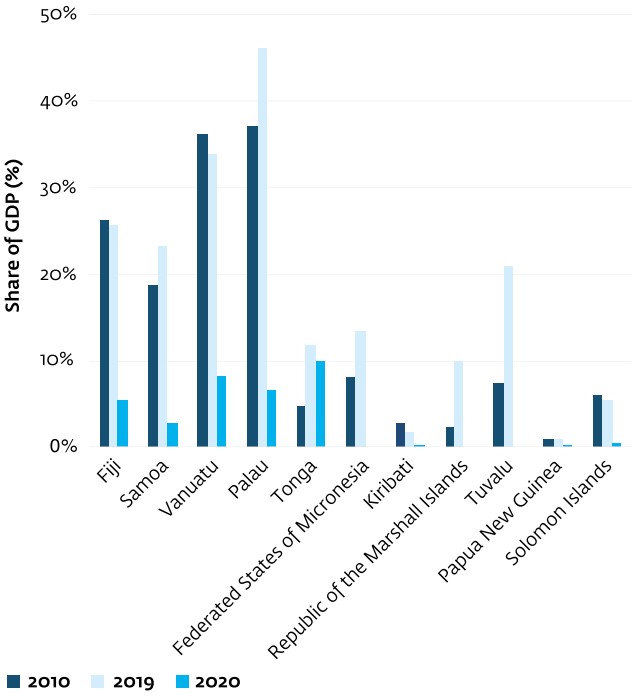
Table 2. Profile of Pacific Island Economies and Tourism Sectors, 2010-2020 (USD Million)

Country	Gross domestic product[a]			Tourism receipts[b]		
	2010	2019	2020	2010	2019	2020
Federated States of Micronesia	297	412	408	24	44	-
Fiji	3,141	5,496	4,574	825	1,345	236
Kiribati	155	178	181	4	3	0
Palau	186	274	258	69	96	17
Papua New Guinea	14,251	24,751	24,667	141	211	45
Republic of the Marshall Islands	160	239	244	4	21	-
Samoa	663	852	807	124	206	23
Solomon Islands	847	1,570	1,546	51	82	7
Tonga	367	512	489	17	57	48
Tuvalu	32	54	55	2	9	-
Vanuatu	671	937	897	242	295	67
Regional	20,769	35,277	34,126	1,504	2,370	443

Sources: a. World Development Indicators (database). World Bank, Washington, DC (accessed November 2022), https://databank.worldbank.org/source/world-development-indicators. Data for 2019 and 2020 in current USD.

b. PNG TPA 2022; PVA 2021; SPTO 2020; UNWTO 2022b.

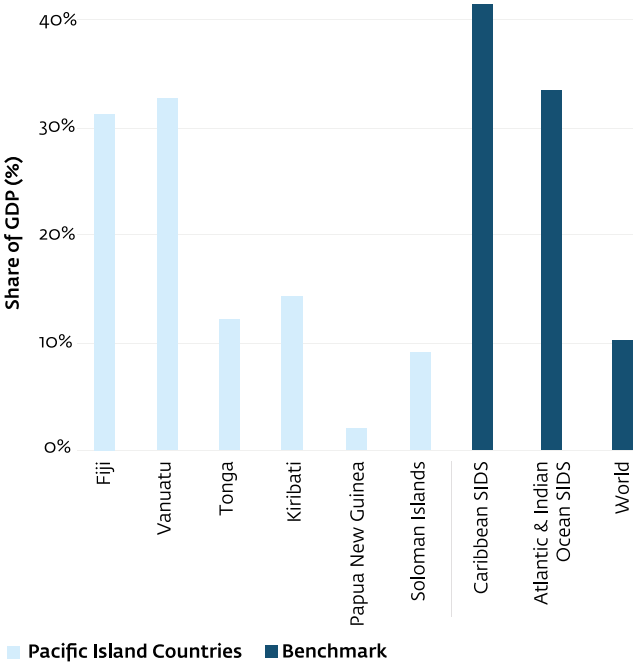
Figure 7. Evolution of Tourism Receipts as a Share of Gross Domestic Product (GDP) in Pacific Island Countries



Source: PNG TPA 2022; PVA 2021; SPTO 2020; UNWTO 2022b; World Development Indicators (database). World Bank, Washington, DC (accessed November 2022), https://databank.worldbank.org/source/world-development-indicators.

Note: Federated States of Micronesia, Republic of the Marshall Islands, and Tuvalu did not have data for 2020.

Figure 8. Total Contribution of Travel and Tourism to Gross Domestic Product (GDP) in Select Pacific Island Countries (PICs) and Comparators, 2019



Source: WTTC 2020.

Note: Benchmark data are averages.

Accommodation providers in the PICs offer a range of services, including food and beverage,[24] but most do not function on an all-inclusive model like many Caribbean resorts. Those that are all-inclusive tend to be luxury resorts located in remote areas that have limited or no external options for food and beverage services nearby. However, many guests still tend to concentrate a large portion of their spending within the hotel. Inbound tour operators and airlines work with outbound tour operators in source market countries to provide tour packages that contract, book, and deliver various components of a holiday (such as hotel, in-destination transportation, and flights).[25] They also provide on the ground services to visitors once in destination, mostly focusing on activity organization (e.g., tours, site visits, entertainment) and local transportation. This is a major source of revenue for operators and provides a link between visitors and local activity providers, who might not otherwise be able to access the market.

Box 5. Tourism Businesses' Food Procurement in Pacific Island Countries (PICs)

Demand for fresh food from accommodation providers and restaurants is an important opportunity for local producers of these products in the Pacific and can support typically lower-income farming households. Evidence from studies in several PICs suggests that local production accounts for about half of this demand, imports meeting the rest.

- *Fiji:* Of the 74.4 million Fijian dollars (USD 36.4 million) that hotels and resorts in Fiji's main tourism areas spent on fresh produce in 2017, 48 percent was procured locally, and 52 percent was imported (down from 70-80 percent 10 years earlier) (FAO 2011; IFC 2018a).
- *Palau:* A 2020 survey of hotels and restaurants in Palau found that almost all fish and root vegetables used were sourced locally but only 65 percent of fruits and 50 percent of other vegetables.[a]
- *Vanuatu:* Of the 1.5 billion vatu (USD 15.6 million) that hotels and restaurants in the capital Port Vila spent on fresh produce in 2014, 46 percent was spent on local produce (IFC 2015).

Several constraints must be addressed to maximize local supply linkages of fresh produce in PICs. Accommodation providers and restaurants in the region have long expressed a willingness to reduce reliance on imported fresh foods, but key barriers to doing so include lack of networking between key decision makers in hotels and local producers and suppliers; inconsistency of local supply, particularly for fruits, vegetables, seafood, and dairy products; seasonality of produce available locally (particularly fruits and vegetables); poor quality of some local products (particularly meat, seafood, and dairy products); and lack of food safety standards for meat and seafood (IFC 2018a).

a. Source: unpublished survey of hotels and restaurants by Sustainable Travel International.

Box 6. Tourism, Productivity Spillovers, and Growth

There is strong theoretical and empirical evidence that productivity is a key driver of economic growth. In addition to its direct contribution to value addition, productive sectors and firms can foster overall economic growth if they develop innovative, efficient production techniques (including using more-skilled workers) that spill over to other sectors and firms, making them more productive. In tourism, such spillover effects may occur through supply chain linkages (e.g., suppliers to a foreign-owned hotel learn new management techniques, tourism growth increases local firms' access to productivity-enhancing business services), movement of workers (e.g., workers apply skills learned as tourism employees when they move to other sectors), or linkages with foreign markets (e.g., links with particular tourism markets facilitate establishment of export relationships with these markets for local merchandise producers).

Identifying potential productivity spillovers to other sectors can help reveal tourism's overall economic impact and justify more-targeted support for this sector, but empirical evidence of productivity spillovers from tourism is limited. One study that has been conducted to fill this knowledge gap (Faber and Gaubert 2019) focused on Mexico and found that tourism has a strong, significant positive effect on local economic activity, with a 10 percent increase in local tourism revenues leading to a 2.5 percent increase in employment and a 4 percent increase in municipality gross domestic product. Sizable local multiplier effects on production of manufacturing, including for sectors that are not intensively used as inputs in the tourism supply chain, drive these effects in part. At the aggregate level, the positive effects of tourism are partially offset by reductions in manufacturing scale and productivity. Overall, however, the study estimates that tourism provides benefits to the average household of the order of 5 percent of household consumption.

[24] Breakfast or half-board is often included in the price.

[25] Some tour operators are considered land only operators and focus on the aspects of the package once tourists are in destination.

Assessing the extent of local value retention in Pacific tourism requires a nuanced approach. Like in other countries and regions, there have been frequent debates in the region about the respective shares of tourism income staying in PICs and "leaking" abroad. Economic leakage can occur at various stages of the tourism supply chain, starting with the booking process, during which overseas travel intermediaries and online travel agents retain a portion of visitor spending through commissions or fees.[26] Although these can account for 15 to 30 percent of the price of the product, consolidators also provide value to local tourism businesses that do not have the resources to manage this essential business function themselves. Leakages also occur when tourism revenue is spent on imported goods and services. This is often unavoidable in PICs where certain inputs are not available locally and where it is not efficient to produce these products locally.[27] However, as previously discussed, there is potential to further develop supply linkages.

Debates about leakages often focus on repatriation of profits by foreign-owned tourism businesses or hotels managed by international brands. Although holistic data do not exist on hotel ownership, corporations (domestic and foreign) and national provident funds typically own large and medium-sized hotels, or they have strata title ownership structures. Property development companies or high-net-worth individuals and some domestic corporations generally own small to medium-sized, high-end resorts. There are also small resort properties that are lifestyle investments that expatriates and returned diaspora own. Of the 42 internationally branded hotels in PICs[28] 60 percent are locally or regionally owned,[29] 19 percent have mixed local and foreign ownership (including strata titles), and 21 percent are wholly foreign owned.[30] Although such leakage happens to some extent in all sectors with foreign direct investment, it must be weighed against the benefits of the foreign direct investment in developing tourism. Foreign-owned hotels provide much-needed jobs, knowhow, and investment capital in the region, including in infrastructure that benefits local communities. They also, especially those with international brands, typically invest in marketing that promotes the destination to target markets and provides skills development through in-house training programs.

With the onset of the pandemic and the subsequent collapse of arrivals, tourism receipts in PICs were 81 percent lower in 2020 than in 2019. Receipts for the group dropped from USD 2.4 billion in 2019 to USD 443 million in 2020 (Table 2). Fiji, which accounted for more than half of aggregate receipts in 2019, faced the largest losses in absolute terms, although the losses were also significant for the smaller economies (PNG TPA 2022; PVA 2021; SPTO 2020; UNWTO 2022b; World Bank 2022c.).[31] At the time of writing, annual regional receipts data are not available for 2021, but it is anticipated that revenues will have been considerably lower than for 2020, based on the 83 percent drop in arrivals between 2020 and 2021.[32] Expressed as a share of GDP, tourism receipts in PICs also fell substantially during the pandemic, particularly in the most tourism-reliant countries, declining by as much as 29 percent for Palau, 24 percent for Vanuatu, 21 percent for Samoa, and 19 percent for Fiji. The decline varied for the other less-tourism-dependent PICs but was nonetheless substantial.

Tourism as a Major Source of Public Revenue

In addition to private income that is directly and indirectly generated, tourism has become an increasingly essential source of tax revenue for PIC governments. In Fiji, tourism was among the largest source of revenue for the state before the pandemic, generating about FJD 1 billion (USD 452 million) annually (Government of Fiji 2021), about 28 percent of the total in 2019/20, and in PNG it contributed 122 million kina (USD 34 million) (PNG TPA 2022). Although lower in absolute terms, tourism makes significant contributions to public budgets in other PICs. The most common form of direct tourism tax is an airport departure tax (factored into airline tickets for visitors and residents), although arrival fees (including for visitor visas), turnover and bed taxes, site user fees, and special environmental taxes[33] have been used in some countries (PSDI 2021a).[34] In Fiji's case, the FJD 200 per passenger departure tax would have collected around FJD 179 million (USD 80 million) based on international visitor numbers in 2019. Value-added taxes, service turnover taxes, and goods and services taxes (GSTs) also generate significant revenues from international

[26] Detailed data are not available for PICs, but accommodation providers typically must factor up to 30 percent into their rate structure to cover booking administration and marketing costs that distribution partners incur (e.g., market-based travel wholesalers and agents).

[27] For example, in the case of Fiji, the IFC study on local agricultural linkages found that locally grown carrots and onions could not compete on price and quality with imports.

[28] Most internationally and regionally branded resorts are in Fiji, Samoa, and Vanuatu. Development of brand hotels in PNG was initiated when the country became host of the Asia-Pacific Economic Cooperation Ministerial Meeting in 2018.

[29] Including only owners from other PICs.

[30] Data on accommodation ownership based on research by authors.

[31] Estimate of Direct Contribution in USD million.

[32] No 2020 data were available for FSM.

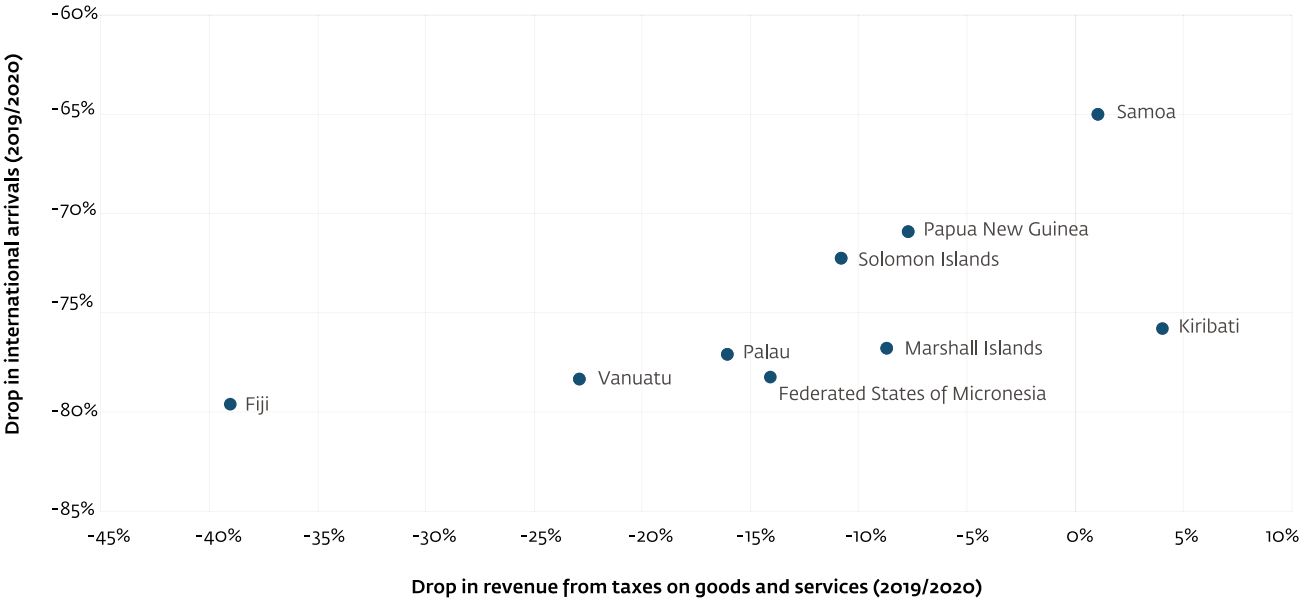
[33] Fiji's Environmental Climate Change Adaptation Levy, introduced in 2018, was collected through different businesses, including accommodation providers, tour operators, and restaurants. Generating an estimated FJD 270.2 million in 2019, Environmental Climate Change Adaptation Levy collection was suspended in 2022 as a relief measure for businesses. In Palau, the USD 100 Pristine Paradise Environmental Fee applies to arriving visitors. Based on 2019 arrivals, it would have earned USD 95.5 million.

[34] Some countries also have departure taxes for cruise and yacht passengers, and visitor visa fees apply in some instances, although holiday arrivals from key source markets are typically exempt.

visitors and tourism businesses. Although some taxes, such as environmental levies in Fiji and Palau, have been earmarked for environmental conservation projects, most tax revenue that the tourism sector generates has been used to finance public policy priorities through the general public budget.

Tourism's importance as a source of public revenue has also increased PICs' budget exposure to shocks affecting the sector. For example, the decrease in visitors in 2020 and 2021 translated to forfeited departure tax income of approximately USD 321.82 million in Fiji and USD 8.32 million in Palau.[35] In Vanuatu, government revenue was about 14 percent lower in 2020 than in 2019, partially as a result of the suspension of tourism travel. In PNG, there was an estimated 81 percent (USD 26 million decrease in tourism-related tax revenues in 2020 from 2019 (IMF 2022). GSTs in almost all of the studied countries were lower in 2020 than 2019 (Figure 9). GST revenues were affected most dramatically in three of the most tourism-dependent economies, declining by USD 165 million in Fiji (39 percent), USD 2 million in Vanuatu (23 percent), and USD 2.3 million in Palau (16 percent). Although this shortfall cannot be attributed solely to tourism's decline, the high ratio of tourists to population in these countries suggests that their contribution to GSTs before 2019 was considerable.

Figure 9. Relationship Between Decreases in Arrivals and Goods and Services Tax Receipts in Selected Pacific Island Countries, 2019/20



Sources: International Financial Statistics (database). IMF, Washington, DC (accessed Jun 2022), https://data.imf.org/?sk=4c514d48-b6ba-49ed-8ab9-52b0c1a0179b; Schedules Analyzer (unpublished database). OAG, Luton, England (accessed Jun 2022), https://analytics.oag.com/analyser-client/home.

Tourism's Contribution to Employment: Reducing Poverty and Providing Employment Opportunities for Women

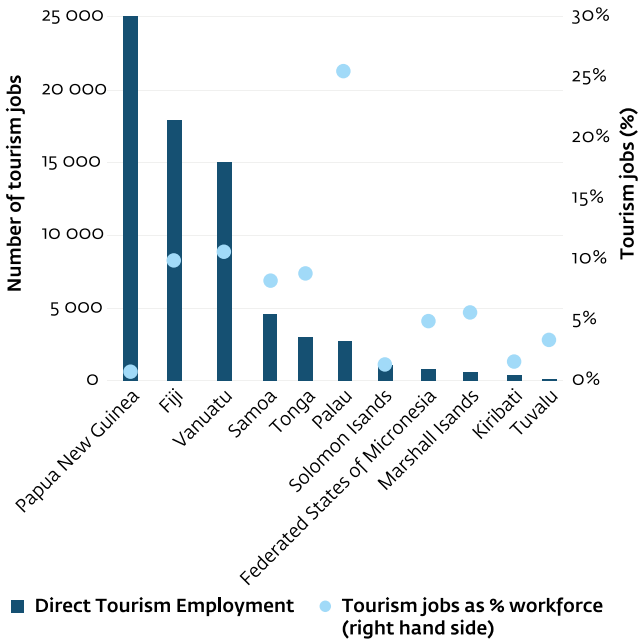
Before the pandemic, tourism directly employed approximately 71,000 people in formal jobs across PICs. In Fiji, Samoa, Tonga, and Vanuatu, such formal jobs directly accounted for eight to 11 percent of employment (Figure 10).[36] In Palau, formal tourism employment in accommodations and food service was considerably higher, accounting for about 26 percent of national employment. On the low end, available data suggest that tourism accounted for only 0.8 percent of formal employment in PNG because of its large natural resource sector. Compared to other tourism dependent SIDS regions, tourism contributes a lower share to overall tourism employment (Figure 11). Like most tourism data in the Pacific, detailed employment data are scarce, and there are sometimes large discrepancies between sources.[37]

[35] Based on a conservative assumption that 2019 departure tax revenues would have been replicated in 2020 and 2021 had borders not closed. These figures reflect the difference between this assumption and actual receipts for the two years combined; losses for Fiji were even higher because the departure tax was halved in mid-2020.

[36] Based on country data available between 2014 and 2019 in the Pacific Tourism Organization Annual Review 2019. Data are from employment surveys or censuses that national statistics offices publish using the same or closest available year. This roughly corresponds to the total number of persons employed, although for Fiji, it is the number of wage and salary earners. Employment data were compared workforce data from national statistics authorities.

[37] National statistics offices report data not on tourism jobs per se but on jobs in accommodations and food services, although this is narrowly defined and does not differentiate between those that serve international tourists and domestic markets.

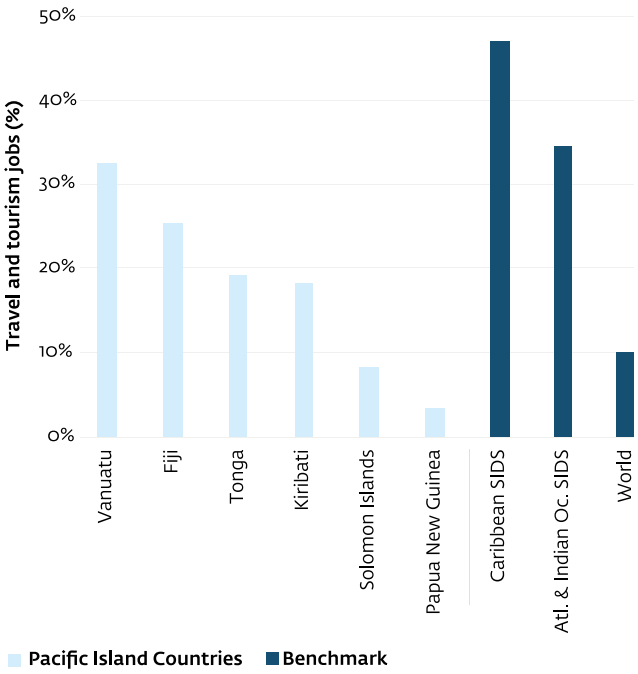
Figure 10. Tourism Jobs and Share in Formal Employment in Pacific Island Countries before COVID-19



Source: FBOS 2022; SPTO 2020; STA 2022.

Note: The Pacific Tourism Organisation did not obtain data for the Federated States of Micronesia (FSM) (2018), Republic of the Marshall Islands (2015), Tuvalu (2016), and Vanuatu (2018). Alternative sources were used.

Figure 11. Total Contribution of Travel and Tourism to Employment in Select Pacific Island Countries (PICs) and Comparators, 2019



Source: WTTC 2020

Beyond formal direct jobs, the true impact of tourism on employment extends to a large number of *informal direct* jobs and *indirect* jobs that the sector supports. Although there are no official data on informal tourism employment for the studied countries, the sector provides a large number of *direct informal* jobs, such as independent tour guides, cultural performers, and souvenir sellers. Given the size of tourism in PICs and the fact that informal workers account for a large share of total employment in these countries (estimated at 78 percent in Tonga, 37 percent in Fiji, and 33 percent in Samoa) (ILO 2020a), it is likely that total direct tourism employment – including formal and informal jobs – was much higher than before the pandemic. In addition, tourism *indirectly* supports many jobs, including providers of goods and services in tourism businesses' supply chains (e.g., construction services, retail outlets, farm products). Although data are limited, these direct and indirect channels provide substantial earnings for local populations. The evidence suggests that jobs created through tourism growth reduced poverty in the region before 2020 (Box 7), although the pandemic's impact on the sector pushed many back into poverty in 2020, when tourism employment was reduced by up to 50 percent in some countries.[38]

Box 7. Measuring Tourism's Poverty Impacts

Although there is a need for additional study to determine the contribution of tourism to poverty reduction, recent simulations suggest that the sector reduced poverty in the years preceding the pandemic. A simple elasticity analysis suggested that a 1 percent increase in tourism sector gross domestic product during this period was associated with reductions in poverty of 0.68 percent in Fiji, 0.074 percent in Vanuatu, and 0.078 percent in Kiribati (based on the upper-middle-income poverty line of USD 5.5 per capita per day in 2011 purchasing power parity terms). When assessing tourism's poverty impacts at the USD 3.20 poverty line, lower impacts were found in all three countries. Although the limited data make it difficult to draw firm conclusions, especially over a long period of time, this may imply that tourism offers greater economic mobility once above the lower threshold of poverty—that is, from vulnerability to economic security. A microsimulation analysis of the distributional impacts of the COVID-19 shock on household welfare and poverty in 2020, when border closures affected tourism employment, supports these findings.

[38] A regional business survey that the Pacific Tourism Organisation conducted in March 2021 found that tourism employment was 51.5 percent lower than in March 2020 (before travel restrictions) (SPTO 2021b).

COVID-19 has severely affected livelihoods and increased poverty in Pacific Island countries (PICs), notably because of its impacts on tourism. The sudden collapse of international travel had dramatic economic and social impacts on firms and workers that relied on tourism, which relief measures that some PIC governments adopted only partially offset (Connell 2021). The crisis has pushed many into poverty, particularly in the most tourism-reliant countries, such as Fiji and Vanuatu (Gounder 2020, World Bank 2020b). Anecdotal evidence of increasing poverty linked to loss of tourism jobs has been the subject of media reports throughout the crisis, including in Fiji (Baleinakorodawa and Vaai 2021), Palau, Samoa (Tahana 2020), Tonga, and Vanuatu. For this study, a macro-micro simulation analysis was conducted in three PICs for which reliable data are available: Fiji, Kiribati, and Vanuatu (Montanes and Nakamura 2022). Translating aggregate output and employment data to individual and household income for 2019 and 2020, it found that adverse developments in the tourism sector accounted for one-quarter to half of the poverty increase. Specifically, the decline in tourism accounted for poverty increases of some 2.5 percentage points in Fiji, 1.5 percentage points in Vanuatu, and 0.9 percentage points in Kiribati based on the upper-middle-income poverty line of USD 5.5 per capita per day in 2011 purchasing power parity terms. Given tourism's relatively small employment shares in these countries—about 11 percent in Vanuatu, 10 percent in Fiji, and 1.6 percent in Kiribati—its contribution to the recent poverty growth is sizeable.

These results confirm previous studies that have found similar poverty-reducing impacts of growth in tourism and tourism-related employment. A 2015 study of several small island developing states (American Samoa, Aruba, Fiji, Jamaica, the Maldives, Mauritius, the Seychelles) using input-output analysis, linkage analysis, and a computable general equilibrium model found that tourism had a positive effect on economic and poverty indicators (Pratt 2015). It found that, for Fiji, a 10 percent increase in international tourism expenditures led to a 3.06 percent increase in household consumption (the highest rate in the sample group) and a 2.16 percent increase in welfare (second only to the Maldives). The study also identified a positive relationship between the size of the economy and the size of the tourism multipliers, as evident in Fiji and Jamaica, which are larger economies. A 2011 study conducted in 49 small island developing states—including Fiji, Papua New Guinea, Samoa, Solomon Islands, Tonga, and Vanuatu—also found that tourism had a positive impact on the poor (Jiang et al. 2011).

The quality of local tourism jobs varies within countries, with wages and other benefits depending on the size and sophistication of the employer. Tourism has been one of the few sectors to offer formal employment opportunities and associated benefits to low- and medium-skilled workers. Although detailed data is lacking, tourism wages in the Pacific are reportedly above the minimum wage for most roles and relatively high for skilled jobs. However, wages and other benefits can vary between larger and smaller businesses (Scheyvens & Russell, 2012). Larger tourism firms more often provide job security to their employees through formal contracts that also typically contain more generous compensation packages.

The tourism sector employs a significant share of female and low-skilled workers, with implications for the sector's potential to bridge gender gaps in employment and reduce poverty in vulnerable groups. Persistently low female labor force participation and a large gender gap in employment rates characterize PIC economies. The average female labor force participation for PIC economies is 45.8 percent, compared with 58.8 percent overall in the East Asia and Pacific region (ILO n.d.). Across the Pacific, the tourism sector tends to employ men and women in similar proportions, with the hospitality and retail sectors being a key source of income for women. In all PICs, hospitality represents a larger share of women's than men's employment, and in Fiji, FSM, Solomon Islands, and Tonga, women working in hospitality outnumber men nearly two to one.[39] As such, tourism tends to be more inclusive than other sectors in a region where women's labor force participation remains, on average, 22 percentage points lower than men's (ILO 2020a). Tourism has been particularly important for women and rural workers in the Pacific, who still face more-limited opportunities than men in urban areas, especially for paid employment and entrepreneurship. In Fiji, most rural men's and women's direct tourism employment consists of wage jobs. Nearly 70 percent of rural women's retail work (and 40 percent of men's) consists of self-employment and is concentrated in the sale of traditional handicrafts and textiles, partially to the tourism sector.[40]

1.2. Differentiating PICs as Tourism Destinations

PICs are at very different levels of tourism maturity because they have different characteristics, endowments, and levels of government support. Although the PICs share traits that have influenced how they have emerged as tourism destinations, critical country-specific factors have also influenced the nature and scale of the sector, including:

[39] Based on latest national survey estimates retrieved from ILOSTAT.

[40] Based on analysis of the Fiji Bureau of Statistics Household Income and Expenditure Survey 2019/20. World Bank staff calculations as part of the poverty analysis.

- ***Size:*** PICs vary widely in land mass, number of islands, population, and other characteristics that influence their endowments and ability to deliver sustainable tourism.
- ***Location and accessibility:*** These factors influence the scale of arrivals and major origin markets. PICs are widely dispersed across the Pacific. Although some countries (including Fiji, the regional hub for air transport) are relatively well connected, others are harder to reach. Geography and long flight times also significantly affect regional tourism opportunities.
- ***Historical and strategic ties:*** Similar to labor migration, political and historical ties—such as the Compacts of Free Association linking FSM and the Republic of the Marshall Islands (RMI) to the United States—and relations with historically linked countries, such as the United Kingdom (Fiji, Tonga) and Australia (PNG), determine tourism flow patterns.
- ***Tourism assets:*** Most PICs are attractive for "sun and sand" tourism and offer a wide range of marine and nature-based activities, but these are not unique to PICs. Tourism development depends on the destinations' ability to continue to develop differentiated or unique natural (e.g., volcanoes, bird watching), cultural (traditional performances), and historical (World War II dive sites) assets, as has been done in some PICs.
- ***Other:*** Important determinants that vary according to PIC include government tourism policies, availability of supporting infrastructure, and recent history of internal shocks, including political unrest and natural disasters.

Although each PIC has specific challenges and opportunities as a destination, they fall into broad types that can be used to differentiate policy advice for this study. Identifying groups of countries facing similar challenges can provide a framework for delivering policy advice across this broad group of countries. This study, therefore, uses a typology of Pacific tourism destinations to allow for generalizable comparisons in the following chapters. It identifies four types based on several quantitative indicators (Table 3), including economic reliance on tourism (proxied by receipts expressed as a share of GDP), volume of tourism arrivals, and development of leisure tourism markets (proxied by share of arrivals with leisure as the main reason for traveling).[41] The typology also considers destinations' profiles in terms of the dominant leisure market segments and safety and security, both of which are key determinants of tourism appeal and potential.[42] This typology is designed to help differentiate policy priorities and investment needs.[43]

Table 3. Typology of Pacific Tourism Destinations

Factor	Type 1 (Fiji)	Type 2 (Palau, Samoa, Tonga, Vanuatu)	Type 3 (Federated States of Micronesia, Kiribati, Republic of the Marshall Islands, Tuvalu[a])	Type 4 (Papua New Guinea, Solomon Islands)
Economic reliance on tourism (tourism receipts as % of GDP)	High (>20%)	Medium to high (>10%)	Medium to low (<10%)	Low (<5%)
Volume of international visitor arrivals	High (>800,000)	Moderate (60,000–200,000)	Low (<16,000)	Varying
Share of leisure tourists	Large (>55%)	Medium to large (>30%)	Medium to low (<55%)	Low (<30%)
Dominant leisure segment	Couples and families	Marine and adventure	Marine	Marine and adventure
Profile as a safe, secure destination	Yes	Yes	Yes	No

a. Tuvalu is an exception, with greater economic dependence on tourism but overall low arrivals, mostly because of the limitations of other industries.

Type 1 and 2 countries are advanced tourism destinations, although they differ in some regards. The only Type 1 country, Fiji, emerged early on as the leading destination in Pacific tourism because of the magnitude and quality of its offerings. It hosts most of the internationally branded hotels and has a set of tour operators offering differentiated experiences based predominantly on the islands' compelling nature and culture. It has also leveraged government involvement over the decades to improve the performance of the industry. Type 2 countries—Palau, Samoa, Tonga, Vanuatu—have also witnessed the emergence of a sizeable leisure segment in recent decades.[44] These countries have benefited from their larger size (aside from Palau)[45] and a relative proximity to their source markets (3- to 4-hour flight from the closest ports of departure). Business environment barriers and limited public investment in infrastructure are common in these four countries, although they have benefited from some government interventions.

[41] Leisure tourism refers to travel for the purpose of vacation or holidays, as opposed to other travel motivations such as business or visiting friends and relatives.

[42] Countries not considered to be safe, secure destinations are those on the World Bank's fragile and conflict-affected situations country list and those that have experienced violent unrest in the past five years.

[43] See Annex A for a more detailed description of these categories.

[44] Tourism activities originated from those countries mainly by tourists visiting friends and relatives.

[45] Country size has also played a role in the scale of tourism in these countries, with all, but especially Vanuatu, having the geographic capacity to develop a critical mass of supply.

Image: Solomon Islands

More notably, they have found it difficult to differentiate themselves, although each has unique selling points (e.g., Palau's dive sites, Tonga's whale watching, Vanuatu's volcano). Despite these difficulties, the growth of tourism has made it a critical contributor to their economies.

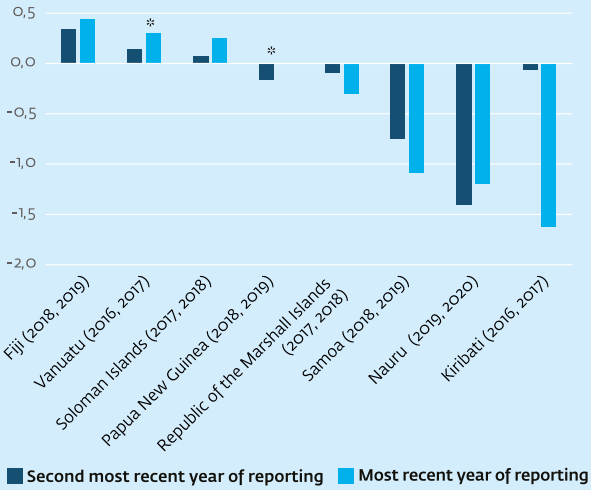
Type 3 and 4 countries are less developed as tourism destinations. Countries categorized as Type 3 (FSM, Kiribati, RMI, Tuvalu) have never had vibrant tourism sectors. Together, they accounted for only 2 percent of arrivals to the region in 2019, explaining tourism's limited economic weight. Large distances from source markets, small land size and the threat of rising sea levels have limited tourism infrastructure and the product offer. In recent years, however, the governments have recognized the potential of their marine assets, driving tourism development ambitions, although the countries continue to deal with stagnating tourism investment and arrivals. By contrast tourism development in Type 4 countries – PNG and the Solomon Islands – has been inhibited by a different set of constraints. These countries are not held back by the uniqueness of their offer, but rather by significant safety and security issues. Over the past several decades, frequent episodes of violence and civil unrest have led to extended travel advisory warnings in source markets, deterring prospective travelers. While the countries each have unique and differentiated offers for Leisure, Business, and Visiting Friends and Relatives (VFR) segments have been more common drivers of travel. Yet growth in these segments is both naturally limited and more exogenous to the tourism industry's own performance than leisure segments.

The typology is not linear, because countries can pursue different tourism development pathways. Type 1 corresponds to the most mature market in the region and Type 3 to the least mature markets; political and safety concerns constrain Type 4 markets. This does not imply that all PICs should strive to expand international arrivals and receipts to Fiji's level or that Fiji cannot enhance the developmental impact of the sector. Value per arrival is an equally important success metric, and countries must consider their carrying capacities, notably from environmental and social perspectives. Countries may move between types nonlinearly as they pursue tourism development. For instance, PNG and Solomon Islands could leapfrog to Type 2 if they addressed safety, product, marketing, and domestic connectivity problems. To the extent possible, Chapter 2 uses this framework when developing simulations, which attempt to quantify the effects of certain policy objectives.

Box 8. Challenges of Connectivity and Air Transportation in the Pacific Region

Geographic and demographic characteristics that hamper development of connectivity through air transportation characterize the Pacific region. With relatively small populations spread across thousands of islands, connectivity is challenging. Although governments subsidize some routes, directly or by cross-subsidization of domestic routes through international fares (IMF 2021b), many regional airlines are not able to attract sufficient demand. Of 22 million available seats, an estimated 15.5 million passengers flew to the Pacific from 2012 to 2019, representing a seasonally stable 71 percent load factor (OAG 2022), which is lower than passenger load factors in the overall Asia Pacific region (81.6 percent) in December 2019 (IATA 2019). This remoteness, geographic dispersion, and thin traffic levels result in financial losses and limit profitability for many Pacific airlines. Fiji Airways is the only airline that made consistent profits in the pre-pandemic years (IMF 2021b) (Figure 12).

Figure 12. National Airlines' Profit and Loss, in Percentage of Gross Domestic Product of Year of Financial Reporting



Source: IMF 2021b. Asterisk denotes media reports used for Vanuatu and Papua New Guinea in absence of recently published financial statements.

Note: Reporting years in brackets. Excludes government subsidies and payments.

Governments have been committed to maintaining some routes as an essential public service and for national security even while recognizing their inefficiency. Without support from governments, some routes in the Pacific would be forced to shut down or significantly reduce operations (Cummins 2020). During COVID, most national airlines received financial support to sustain domestic services and retain basic capability to operate internationally while borders remained closed,[46] but governments are conscious of the cost of maintaining them and seek ways to maintain and enhance connectivity at a minimum efficient scale. Growth of passenger demand from foreign arrivals will be necessary to enable the scale needed for operation of many routes. By leveraging growth in tourist passengers, many international and domestic routes may be able to improve basic connectivity for the local population.

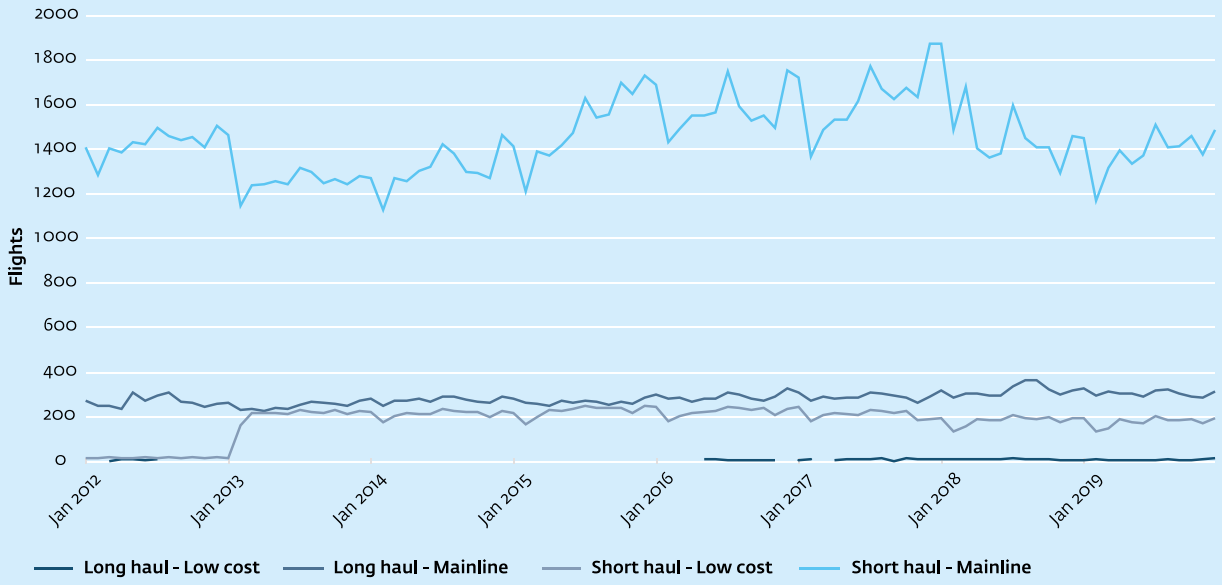
Most passengers to the Pacific, including high-value tourists from long-haul source markets, reach their final destination through mainline carriers operating short-haul connections.[47] From 2012 to 2019, 85 percent of commercial flights to Pacific Island countries (PICs) (156,554), not including private flights, came from short-haul source markets, which include Australia, New Zealand, and other PICs, with the remaining 15 percent coming from long-haul markets such as Europe, Korea, and the United States. Mainline carriers dominate the market in both cases; in that period, they operated 89 percent of short-haul flights and 98 percent of long-haul flights. Low-cost carriers operated 11 percent of short-haul routes (Figure 13). Thus, passengers from long-haul markets rely on mainline carriers to travel to the final destination, first through the main flight to the region and then with an intraregional (from Australia, New Zealand, or a PIC) or domestic (after landing in their destination country) flight. From 2012 to 2019, 21 percent of scheduled flights coming from long-haul markets stopped for a domestic connection before arriving at the final destination (OAG 2022).

Mainline carriers have historically been important for connectivity in PICs, and their capabilities will continue to be necessary for tapping into high-value markets. Such carriers typically offer a mix of ticket classes (business and economy) and have the ability to facilitate air route connections outside of the region (including with partner airlines). These enhanced service characteristics help in improving connectivity to high-value and long-haul markets. This is important because tourists coming from long-haul markets typically spend more in both transport and at the destination, as they stay for longer time periods than tourists from short-haul markets and, often, pay for more activities (Government of Fiji 2020).[a] As a result, attracting travelers from long-haul markets can increase length of stay and spending per trip. Recovering the number of long-haul flights from mainline carriers to pre-pandemic levels will therefore be important for ensuring connectivity, with more positive spillovers for the local economy.

[46] Operators of airport infrastructure face similar challenges, with revenue from international airports and government often subsidizing the operations of rural and remote domestic airports.

[47] Short-haul countries include American Samoa, Australia, Christmas Island, Cook Islands, Fiji, French Polynesia, Guam, Kiribati, Marshall Islands, Micronesia, Nauru, New Caledonia, New Zealand, Niue, Norfolk Island, Northern Mariana Islands, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu, and Wallis and Futuna Islands

Figure 13. Monthly Frequency of Low-Cost and Mainline Flights to Pacific Island Countries, 2012-19



Source: Schedules Analyzer (unpublished database). OAG, Luton, England (accessed Jun 2022), https://analytics.oag.com/analyser-client/home

The low-cost carrier model being concentrated on basic services (transportation), with additional services subject to charges and generally discouraged, is more aligned with high-volume tourism markets. This model reduces operating costs while improving margins and passenger volumes from particular source markets (Schlumberger and Weisskopf 2014). The introduction of low-cost airlines in the early 2000s reduced airfares by as much as 30-40 percent for some non-stop routes linking Australia/New Zealand to certain Pacific destinations (ADB, 2007). However, since the low-cost carrier model generally operates by connecting two discreet nodes from secondary airports in source markets, long-haul connections are generally less viable through such low-cost carriers. Thus, although these carriers improve intraregional connectivity from limited geographies, they do not generally enhance interregional connectivity and access to high-value markets.[b] World Bank consumer research also found that higher-spending market segments were 11 to 26 percentage points less likely to use low-cost carriers (World Bank 2022b). As such, it is unlikely that growth in passenger arrivals from low-cost carriers would mean an increase in high-value markets.[c]

To improve connectivity, the region needs enhanced frameworks to ensure growth in long-haul connections while ensuring that passenger volumes are maintained and seat capacity increases. Pro-competitive efforts to liberalize the aviation market, including free competition and coexistence of low-cost carriers, should be undertaken to enable growth of long-haul connections. This should be done in parallel with efforts to encourage mainline carriers to become financially sustainable, such as through joint ventures and partnerships. Such efforts to enhance connectivity and competitiveness were taken seriously in 2003 with the Pacific Islands Air Service Agreement, which was designed to establish a framework for gradual integration of aviation services, but these efforts stalled (ADB 2007). In 2021, the Pacific regional aviation ministers agreed to implement the Pacific Regional Aviation Strategy 2022-2032, which has four main goals: sustainable aviation, regional connectivity, aviation regionalism, aviation development (PASO 2022). Such efforts will be important for maintaining or increasing the efficiency benchmarks of servicing airlines while increasing passenger volumes from mainline carriers.

[a.] A detailed ticket class analysis shows that business class bookings are more common from long-haul markets than from within the region. From 2017 to 2022, business class bookings from Asia, Europe, Latin America, and North America to the Pacific accounted for 30 percent of total bookings (including business and economy); intraregional business bookings accounted for 9 percent.

[b.] Moreover, low-cost carriers typically do not focus on generating revenue from cargo (which is time intensive) and instead focus on maximizing passenger revenues through quick-turnaround times. This feature of the low-cost airline market limits positive externalities to merchandise trade.

[c.] The one exception is for long-stay tourists, particularly backpackers, who tend to spend less on flights and more on in-destination purchases. Given their long lengths of stay and high concentration of spending in local businesses, they are considered a high-value market.

Image: *Solomon Islands*
Credit: *Tom Perry*

1.3. Strategic Tourism Market Segmentation in PICs

Targeting higher-value market segments based on PICs' comparative advantages would increase the economic value that tourism generates, support PICs' development agendas, and reduce negative environmental and social externalities. Increasing the value, sustainability, and inclusivity of the tourism sector is a dominant theme across all PICs' tourism strategies and polices, with a focus on generating revenue from higher-spending tourism markets. High-value tourism is defined in this report as market segments that are driven by destination and product uniqueness, actively engage in multiple experiences, and have higher levels of spending per trip, thus contributing more to the economy per arrival and promoting more-inclusive tourism. This type of tourism is also sometimes referred to as high yield, because a higher share of tourist expenditures remains in the local economy based on spending patterns and preferences. On the other end of the spectrum is high-volume or mass tourism. Generally speaking, volume markets are driven by price when selecting a destination, participate in fewer activities and have low spend per trip, thus benefitting the economy less on a per arrival basis. Although some destinations are able to provide value and volume markets simultaneously, focusing policies and strategies on high-value tourism can result in higher aggregate tourism revenues (see section 1.4).

Tourism Spending in PICs

Current spending per arrival varies across the region, influenced by connectivity, cost of travel, and market segment.[48] Using receipts figures, the Type 3 countries (RMI, Tuvalu and FSM) and Type 4 countries (Solomon Islands) earn over USD 2,450 per international arrival, likely due to the high cost of travel to these countries and the overall low arrival volumes. On the other hand, relatively better-connected countries in the Type 1 and 2 categories – including Fiji, Samoa, Palau, and Tonga – have receipts ranging between USD 1,504 (Fiji) and USD 828 (Tonga) per arrival. Vanuatu and PNG stand out as having particularly high spend per arrivals at USD 2,438 and USD 2,224 respectively, which is influenced by their adventure and cultural tourism offers (UNWTO 2022).[49] Within the Pacific, long-haul markets spend more than regional markets (Box 8). Information from available international visitors surveys demonstrates that tourists from the United States, Europe and Asia are the highest spending markets, while tourists from Australia and New Zealand spend between about 15 and 60 percent less across the countries for which data is available.[50]

Visitor spend per arrival is higher in PICs on average than in the Caribbean (Figure 14) because of higher levels of air arrivals, longer stays, and more high-value market visitors.[51] In the Caribbean, cruise passengers make up nearly 59 percent of all visitors to the region but contribute less than 10 percent of total expenditure (USD 0.5 billion compared to USD 7 billion for other tourists) (UNWTO 2021a).[52] This results in average spend per visitor of less than USD 600. On the contrary, the majority of tourists arriving to the PICs do so by air; cruise access to most PICs is limited by the geographic distance between Australia (the main cruise market).[53] Furthermore, PICs benefit from longer average stays than Caribbean destinations. In 2015, the average length of stay in the Caribbean was 6.7 nights

[48] Visitor spend includes all expenditures from inbound arrivals in the destination country, which may include expenditures on accommodations, activities, tours, food and beverages, and transportation; payments to national carriers for international transport; and other prepayments for goods and services received in the destination country. Spend per arrival is calculated as average expenditure (using receipts figures) per international visitor arrival (using overnight arrivals data).

[49] Visitor spend data is from multiple sources, including UNWTO, SPTO and NSOs, that have limited information on methodologies for calculation. The lack of reliable data is a limitation for this country comparison.

[50] Note that the spend per arrival determined via 'receipts' is sometimes different from IVS visitor spend conclusions, since these sometimes do not include international airfare.

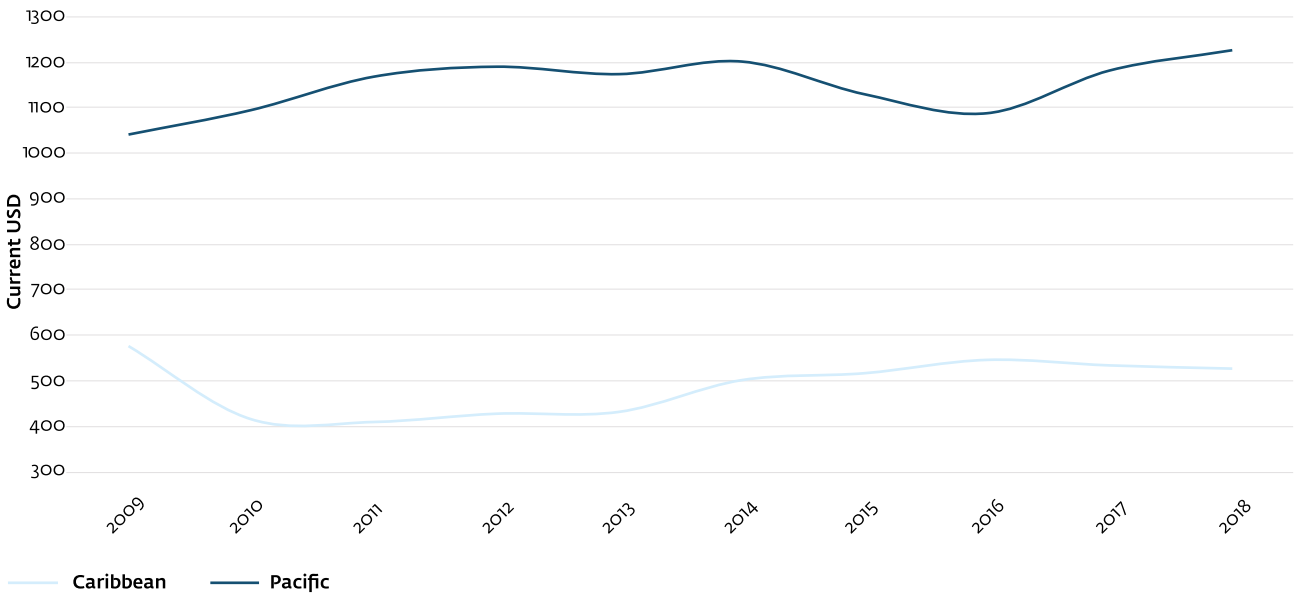
[51] Spend per arrival in Figure 14, comparisons are calculated using total arrivals (air and cruise) for consistency. Caribbean expenditure data include cruise passenger spending, and Pacific sources are unclear on calculations. All other spend per-arrival data for the Pacific include only international overnight arrivals.

[52] Expenditures include international receipts for travel items and exclude international transport.

[53] For example, only less popular cruises of 12 days or more from Australia can reach Fiji.

(Mastercard 2016), whereas in 2019, the PIC average was around 9.6 nights in Fiji and Solomon Islands and 8.5 nights in Samoa (Government of Fiji 2020; NZTRI 2020a; 2020b). Longer trips can be attributed to trends in the dominant source markets of Australia and New Zealand and distance from long-haul source markets such as Europe and the United States. Finally, PICs have a higher proportion of high-value markets than Caribbean countries, especially in Type 1, 2, and 4 countries, with 24 percent of total arrivals in Fiji (Government of Fiji 2020), 51 percent in Vanuatu (World Bank 2020d), and 56 percent of holiday arrivals in PNG being from high-value niche markets (PNG TPA 2019).

Figure 14. Tourism Spend per Arrival, Caribbean and Pacific, 2009-2018



Source: PNG TPA 2022; PVA 2021; SPTO 2020; UNWTO 2022b.

Note: Travel spending divided by total arrivals (air and cruise). Caribbean includes Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Dominican Republic, Grenada, Jamaica, Sint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, and Trinidad and Tobago. Pacific includes Fiji, Kiribati, Marshall Islands, Federated States of Micronesia, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu.

Market Segments and Drivers of Spend in the Pacific

Attracting high-value tourists requires an understanding of market segments and drivers of spend including engaging in niche activities and prioritizing destination sustainability and resilience. Although tourism statistics often generalize demand in terms of source countries, this is a simplified categorization based on easily available statistics. To better differentiate between the qualities of consumer demand that make a functional difference for in-country spending, it is important to develop consumer segmentation that explains what drives visitor spending and choices. Within this framework, some market segments in PICs can be competitive in generating higher value and are more inclusive than others (Box 9). For example, consumers who are motivated to travel to the Pacific to engage in niche market activities, such as diving and adventure and cultural tourism, typically spend more than traditional sun-and-sand, family, and cruise tourists. Although prepaid spending (especially on airfare, since long-haul tourists are disproportionately represented) drives some of this, evidence from PNG suggests that niche market travelers spend similarly regardless of where they come from (PNG TPA 2019). Drivers of visitor spend are nuanced, and consumer segmentation can provide insights to help predict and increase visitor spend.

Box 9. Tourism Market Segmentation and Drivers of Spend in the Pacific

Volume markets in Pacific Island countries (PICs) center on the sun-and-sand and family markets. A need for relaxation, rejuvenation, and spending time with family motivates travelers, who are typically price sensitive. Fiji, Palau, and Vanuatu are the only PICs with sizable arrivals from these volume markets. Samoa and Tonga also receive sun-and-sand visitors but at lower volumes given air access constraints and more-targeted marketing and experiences. Key competing destinations for PICs include Bali and Phuket, which offer low-cost, high-quality beach holidays.

- **Sun-and-sea** visitors are motivated to travel for relaxation and rejuvenation or to spend time with family. World Bank research found that this segment comprises about 34 percent of European outbound markets surveyed and spends 20 percent less than other segments. This market segment typically engages in fewer activities once on the ground and is price sensitive (World Bank 2022b). In the Pacific, these visitors will often book flights, hotels, and some transportation together in a package deal, prepaying to cover these costs out of their set budget before travel. High-quality, comfortable accommodations, good destination infrastructure (e.g., water, roads, electricity), and safety are important. Given their more-limited engagement in activities and entertainment, price-sensitive nature, and tendency to concentrate spending within the accommodation, they are often the lowest-spending markets in a destination and provide less local economic benefit.
- Globally, **cruise tourism** was growing rapidly before the pandemic, with 29.7 million passengers in 2019; since the pandemic, the Cruise Lines International Association anticipated that passenger volumes would reach 78 percent of 2019 levels by the end of 2022 (in the worst-case scenario) (CLIA 2022). Cruises were increasing in popularity for Australians before the pandemic, with 5.8 percent of the population taking a cruise in 2018 (higher than the United States (4 percent) and United Kingdom (3 percent)) (CLIA 2019). Timing (dates and duration), departure and return ports, seasonality, and price of itineraries and services on the ship drive cruise visitors in the Pacific. The IFC found that satisfaction with variety of things to see, do, and purchase and length of time spent in port drive spend by cruise passengers. Economic impact of cruise tourism depends on number of ships per year and ports of call per ship, along with individual passenger spending. Although cruises directly contributed only USD 4.3 million to PNG's economy and USD 0.4 million to Solomon Islands' in 2015, they directly contributed USD 25 million to Vanuatu's economy in 2014 and USD 21.4 million to Fiji's in 2018/19 (IFC 2019b). Although most cruises are high volume and low value, small expedition cruises that allow visitors to access remote areas are often high value and important for destinations like PNG with poor transportation infrastructure.

High-value markets in PICs include luxury tourism (couples, honeymooners, weddings, wellness markets), long-stay tourism, and experiential or niche tourism, including adventure tourism (soft and hard), diving, and cultural tourism. These markets, driven by destination branding and unique experiences, have been growing rapidly over the past 20 years.

- Although they vary, industry market analyses estimate that **luxury travel** will grow between 6 and 15 percent CAGR over the next 10 years, with the global luxury hotel market valued at more than USD 93 billion in 2020 (Adroit Market Research 2022; Fortune Business Insights 2021; ReportLinker 2022). Within luxury tourism, **wellness tourism**, with a global market share of 6.5 percent of global leisure trips and 16 percent of expenditures in 2020, holds potential for PICs (Global Wellness Institute 2021).
- The **romance market** in the Pacific is well established, with the Pacific Tourism Organisation estimating that, in 2015, approximately 15 to 20 percent of all leisure arrivals to the region were traveling as part of a honeymoon couple or wedding party (SPTO 2015). Uniqueness of the destination, quality accommodation offerings, advice from experts (travel agents) and word of mouth, and social media inform destination selection. Traditionally, this market did not deeply engage in local experiences, but global trends indicate that participating in local activities is increasing in this market.
- For countries with limited luxury offerings, high-value **adventure and cultural tourism** offers potential. Adventure tourism accounts for approximately 30 percent of global tourism (ATTA 2020), with top activities including cycling, hiking safaris and wildlife viewing, and culinary. The Adventure Travel Trade Association's Adventure Travel Industry Snapshot May 2022, which surveys adventure tour operators, found that 70 percent of the total trip price is spent with local suppliers (ATTA 2022). Similarly, compared with the 14 percent of

revenues that remain in the local economy from mass tourism, adventure tourism leaves 65 percent of revenues in the local economy and creates 2.6 local jobs per USD 100,000 in revenue (compared with 1.5 jobs for similar mass tourism spending) (ATTA 2020). There are subsegments within adventure and cultural tourism that are important for certain PICs, such as diving and sport fishing, especially for Type 3 PICs.

- **Long-stay tourists** also offer potential for PICs to tap into emerging high-value markets. Although little information is available, there are an estimated 35 million global digital nomads, with 83 percent being self-employed and 17 percent remote workers (A Brother Abroad 2022). In addition, although the exact number of **overseas retirees** is unknown, the U.S. government estimates that 8.7 million citizens live abroad, with more than half a million of them drawing social security payments. Although they account for just 6 percent of Americans living abroad, the number of people receiving these payments increased by 40 percent between 2007 and 2017 (USGAO 2018; Walker 2016). The aging global population is fueling this growth, with the proportion of the population aged 65 and older expected to rise from 9 percent in 2019 to nearly 17 percent by 2050. Closer to the Pacific, sources estimate that approximately 90,000 Australian retirees were living overseas in 2016, with COVID-19 only temporarily slowing strong growth (SuperGuide 2022). A positive regulatory environment for visas, taxation, and land; information and communications technology and health care infrastructure; and the presence of a likeminded community motivate long-stay tourists.

PICs have accessed high-value markets to varying degrees of success. Type 3 and 4 PICs rely on highly motivated niche markets for their relatively small leisure arrivals, whereas Type 2 countries have all engaged in some product development or marketing activities to attract these markets. Fiji has been successful at tapping into volume markets in Australia and New Zealand and high-value markets in Europe and North America through separate destination positionings in each source market, although it has had limited success in increasing high-value arrivals from regional markets. Vanuatu is the only PIC with a dedicated long-stay tourism strategy, but long-stay tourism is now being considered as a potential market in other PICs. All PICs have stated goals of increasing arrivals from high-value markets, but competition is strong for these high-value markets with regional destinations such as Hawaii, Maldives, and Singapore and global destinations such as Costa Rica, Dominica, and Mauritius.

PICs have the opportunity to leverage trends in high-value, experiential tourism to increase revenues from tourism arrivals. A 2019 market research study conducted for Fiji, Vanuatu, PNG, and Solomon Islands on Australian and United States travelers identified three segments of travelers with high potential to travel internationally for entertainment purposes: 'Adventure Intensives, 'Experience Samplers, and 'Cultural Explorers (IFC 2019a). Together these account for almost 20 percent of Australian and 29 percent of U.S. online, travel consumers, and notwithstanding different experience preferences and levels of engagement, they are motivated to travel for specific interests. PICs can develop a competitive edge by targeting these interest groups through destination marketing and development of underlying assets, which allows for product and destination differentiation. If successful, such differentiation allows destinations to have more targeted marketing, which becomes a more cost-effective way of connecting with consumers.

New consumer trends sparked by COVID-19 have increased the rationale for PICs to target high-value tourism markets. Recent World Bank research on three European outbound markets (Germany, Sweden, United Kingdom) identified five market segments (World Bank 2022b). Three of these segments, which included 66 percent of respondents, have a core focus on nature-based and sustainable tourism and are the highest-spending of all traveler types. These travelers tend to participate in more activities, are more likely to purchase local goods and services, and have more interest in nature-based experiences. Although the research was conducted in Europe, it is likely that the market segments are applicable across a range of source markets. Tapping into these markets will require changing PICs' marketing strategy by updating and expanding distribution channels; increasing the supply of active, nature-based experiences; and enhancing communication.

Both research studies revealed that market segments that engage with a range of service providers in country can drive high-value tourism. In both studies, market segments were developed based on psychographic models that consider motivations for travel, personality traits, and travel behaviors. They revealed that high-spending markets are also those with travelers who seek unique experiences, desire connections with local communities and businesses, engage in travel as a way to learn, and engage in sustainable practices. This highlights an important difference between high-value tourism and high-end or luxury tourism, which may have more-limited benefits for local economies.

The urgent dialogue on climate change, impacts of the pandemic, and the rise of the Generation Z[54] traveler have catalyzed shifts in tourism demand that must be considered in destination positioning. At the global level, an extended period of travel restrictions and uncertainty about the future have led travelers to reconsider their priorities, intentions for travel, and expectations from destinations. In particular, COVID-19 has pushed more travelers toward shorter booking lead times, more direct booking, and more in-destination booking, as travelers seek flexibility in travel planning (World Bank 2022a). This creates uncertainty in demand, which may affect airline decisions on route relaunching and will affect MSMEs that have fewer resources for direct marketing, struggle to accept e-payments, and have less flexibility overall. COVID-19 has also increased the focus on health and safety (Amadeus 2021). PICs must maintain enhanced health, hygiene, and safety protocols in the post-pandemic context. Similarly, the climate crisis has increased the focus on sustainability in the industry (Booking.com 2021) and interest in nature-based tourism (World Bank 2022a). The travel industry in PICs must consider these trends as it prioritizes investments in assets and new products. Finally, as a new generation of travelers enters into adulthood, destinations and businesses will face pressures to compete digitally and offer new levels of personalization.

Destination Positioning to Attract High-Value Markets

Each market segment requires different destination positioning, including appropriate tourism supply and effective marketing, to reach and attract travelers. Destination positioning is the process of creating and delivering on a specific impression of the country's tourism offering in the minds of consumers, especially in relation to competitor destinations.[55] Psychographic characteristics (behaviors and beliefs) often drive underlying market segment characteristics more than demographic characteristics (e.g., location, age, sex). Reaching high-value segments requires using targeted marketing approaches to create an image of the destination that responds to the psychographic needs and motivations of travelers. This includes developing appropriate distribution channels depending on the sophistication of supply and complexity of travel in the destination and creating specific experiences that can be delivered at the right quality. Delivering on this positioning requires coordinated efforts between the public sector, as the leader of destination policies, strategies, and marketing, and the private sector, as the provider of tourism experiences. This coordination should extend across marketing because the private sector has an important parallel role to play in destination marketing to ensure that the destination position, brand, and value offering are communicated consistently.

As PICs seek to increase value from tourism, understanding current positioning and how to balance policy reforms and investments to expand specific markets will be critical. In a global context, all PICs except Fiji would be considered low-volume destinations, but that does not necessarily equate to high-value positioning. Kiribati, Palau, Samoa, and Tonga struggle to gain value from arrivals, whereas PNG, Solomon Islands, and Vanuatu[56] are more successful in encouraging spend per arrival, particularly because of their niche market strategies (Figure 15). Most Type 3 countries (FSM, RMI, Tuvalu) are able to capture higher spend levels per arrival, but this is mostly because of high transport costs associated with the destinations. For countries with lower spend per arrival, increasing focus on quality tourism product supply and targeted marketing can increase value, although countries with high spending and low volumes must address connectivity challenges and increase destination awareness and market penetration. That said, investments that target one segment may do so at the expense of other segments, so it is important to understand the difference between such segments, their potential for growth, and the implications this has for growth and development. Chapter 3 discusses the policy levers needed to stimulate and cater to demand from the high-volume and high-value segments and identifies which policy reforms cut across segments and could be prioritized for growth.

Coordinated Marketing and Product Development Approaches

Strategic, coordinated destination-level marketing is critical to tourism recovery and development and market diversification. Under a tourism development policy, destination-level marketing focuses on identifying target markets; developing a destination brand that aligns with national objectives; and engaging in promotional tactics, public relations, and media activities to connect with potential tourists throughout the customer journey. In PICs, NTOs or marketing agencies with joint public-private leadership and core public sector funding have traditionally led marketing. In Type 1 and 2 countries, NTOs and marketing agencies have also, to some extent, led cooperative marketing campaigns that coordinate with the private sector to deliver the same message and leverage private sector funding. This coordination between the public and private sectors is essential to ensure that a consistent destination brand and position is being put forth.

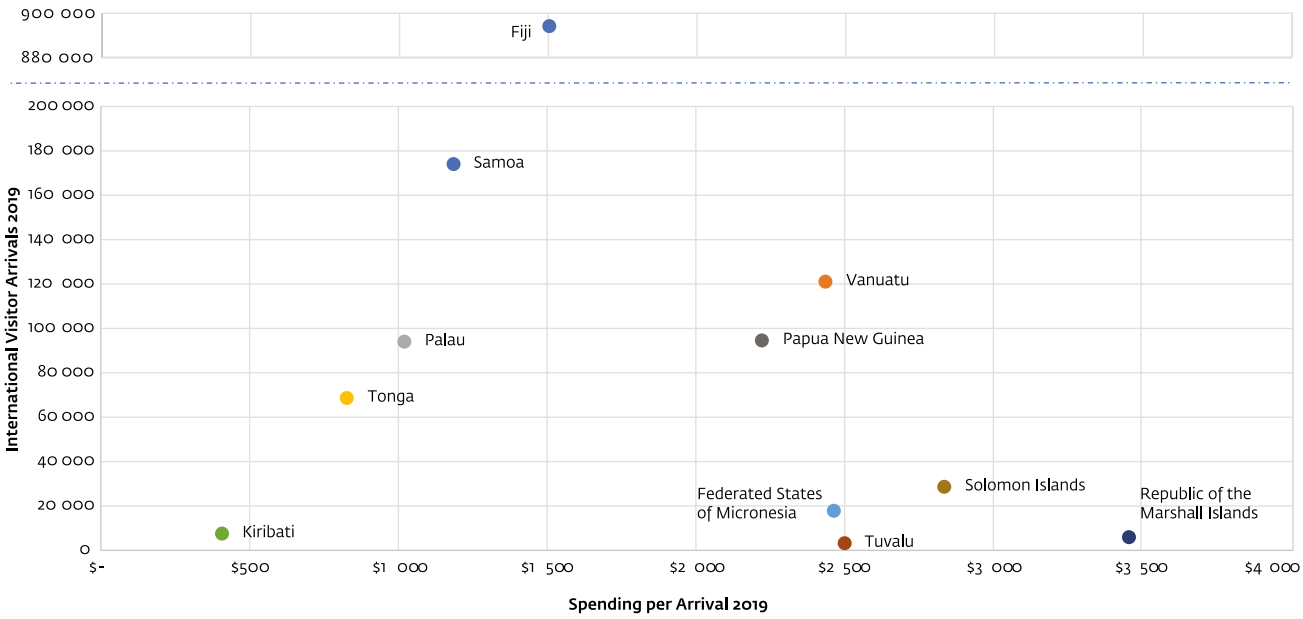
Public sector leadership and investment in destination-level marketing is often critical to success. Public sector funding for marketing can be considered a public good that promotes the overall destination, benefitting all tourism businesses and stakeholders. Insufficient or poor marketing can be detrimental to a destination's success (Box 10). Research has shown that public sector support

[54] Generation Z refers to the generation of people born in the late 1990s and early 2000s.

[55] Destination positioning relies on all elements of marketing, including prices, product (the entire tourism experience), distribution channels, and promotional activities such as branding and advertising.

[56] PNG arrivals in the figure include all arrivals, with only 19 percent being holiday visitors. Thus, PNG would be considered a low-volume destination.

Figure 15. Pacific Island Country Tourism Positioning: International Arrivals versus Spend per Arrival 2019



Source: FSM Statistics 2022; PNG TPA 2022; PVA 2021; Solomon Islands NSO 2022; SPTO 2020; STA 2022; Tonga Statistics Department 2022; UNWTO 2022b.

for marketing can address gaps in information asymmetry, coordination, and concentration of market power that tourism market failures have caused. Coordination failures are generated by a fragmented industry that benefits widely from destination-level marketing and contributes to overall economic impact but includes firms that may not consider themselves as part of the tourism industry and therefore would not be likely to contribute to private sector-led marketing (e.g., supermarkets, garment manufacturing). Concentration of market power is also an important constraint in the Pacific, where there are few large, anchor firms that could lead marketing on their own. In these cases, marketing may benefit only the lead firms and risks excluding other geographies, experiences, and services not aligned with the lead firm's goals. Public marketing also decreases transaction costs, reduces firm-level risk, and supports growth-stimulating effects across the destination (Dwyer 1992; Smeral 2006). Given the predominance of MSMEs in the tourism supply in the Pacific, transaction costs for coordinated marketing would be high, with limited financial resources to support destination marketing efforts.

Box 10. Colorado Tourism: What Happens When Public Funding for Marketing Is Cut?

The tourism literature has analyzed several examples of the consequences of cutting government tourism marketing and promotion budgets. The most often cited and vivid case is that of the state of Colorado in the United States. In 1993, Colorado cut all of the states' USD 12 million tourism promotion budget. By 1997, Colorado's share of the U.S. domestic leisure market had dropped by 30 percent, an estimated USD 2 billion in annual visitor spending was being forfeited, USD 134 million in tax receipts had been lost, and the state's rank in summer resort destination category dropped from first to seventeenth place. The state reinstated the Colorado Tourism Office the early 2000s and increased the budget to USD 19 million in 2006, noting a return on investment of 10 to 1 (Siegel 2021; U.S. Travel Association 2017).

Although product development is largely a private sector activity, public sector leadership in addressing core market failures is required to ensure that tourism products and services are available to attract and cater to high-value markets. Information asymmetry is a critical market failure for successful tourism product development, especially because governments and NTOs set the policy and strategy agenda that informs accessible markets (e.g., through immigration and aviation policy and destination marketing) and collect and analyze tourism statistics and data. NTOs have a role to play in private sector consultations and coordination to inform strategies, sharing market intelligence to inform product development, and strategically using incentives to align private investment in product development with policy goals. Equally important is the government's role in managing, maintaining, and developing the public goods on which tourism is based, such as natural or protected areas, cultural heritage, transportation, and essential service infrastructure. In these cases, the assets are either of national importance or are

non-excludable, thus making private ownership impractical (Blake 2003). However, established concession, Public Private Partnerships (PPP) and joint venture frameworks that adequately incentivize private sector management of public goods usually result in higher quality and more financial sustainable tourism products than publicly managed assets.

1.4. Potential Benefits of Targeting High-Value Markets for PICs

Could value-led tourism growth provide equal or greater economic benefits than a volume-led model while minimizing negative environmental and social externalities? As discussed in the following section, focusing marketing and product development efforts to target higher-value tourism markets is a broadly shared objective of tourism policy makers and businesses in PICs, but evidence of potential tradeoffs compared with a volume-led strategy focusing on increasing arrivals is limited. To inform policy debates on this topic, this section discusses the potential interplay of value and volume in Pacific tourism.[57] It sets the scene for analysis of the constraints and opportunities for PICs to expand their presence in high-value market segments (Chapter 2) and related policy implications (Chapter 3).

Focus and success metrics of national tourism development policies that governments adopt can influence the market positioning of destinations. Despite strategies emphasizing value, NTOs in PICs have often focused marketing efforts and key performance indicators on increasing arrivals and visitor spend through mass distribution channels and provided incentives for mass tourism investments. Such volume-led (rather than value-led) strategies can weaken brand positioning in target markets and create a disconnect with the product offering. Destination positioning among price-conscious consumers would be reinforced as the country became known as a budget destination. Moreover, high-volume tourism can degrade assets, making it difficult to offer high-quality experiences for higher-spending travelers. Over time, it will become increasingly difficult to transition to value-driven markets and increase tourism yield.

Welcoming fewer, higher-value tourists could yield higher total revenue in PICs over time, with fewer negative externalities from tourism. A simple numerical simulation was developed to illustrate the potential impacts of value-led and volume-led strategies in the medium to long term, with results suggesting that Fiji, PNG, and Vanuatu could welcome fewer tourists while generating higher aggregate tourism spend (Box 11). Although the economic gains could be significant, attracting higher-value markets would also align with other policy objectives of PIC governments, notably regarding minimizing tourism growth's impacts on the local environment and communities, which is not modeled here. Such a strategy would require commitment from industry and government and willingness to sacrifice some arrivals in the short term.

Box 11. Simulation of High-Value and High-Volume Tourism Growth Trajectories in Pacific Island Countries (PICs)

This simulation assesses the impacts of targeted marketing approaches on overall revenue in a country over the medium to long term. It assumes that, as prices in the destination increase over time, the overall number of visitor arrivals will decrease slightly and that, as a destination focuses marketing and tourism supply efforts on value-led market segments, the proportion of high-value arrivals will increase and the proportion of lower-value arrivals will decrease.[a] It estimates revenue impacts over 30 years by summing expenditures of all high-value and low-value arrivals in the destination using different parameter values for price variations and price elasticities to test the sensitivity of the results. The simulation was applied to three countries based on data availability: Fiji (Type 1), Vanuatu (Type 2), and Papua New Guinea (Type 4). Information was collected on key variables such as growth rate forecasts, current composition of total arrivals into higher-value and lower-value segments, and spend per higher- and lower-value arrival per trip.

Value-led marketing could result in fewer tourist arrivals. Table 4 shows total estimated visitor arrivals in 2042 at each combination of price increase and price elasticity for the value-led scenario. Unsurprisingly, for all countries, the simulation finds the largest arrival numbers when price increase and price elasticity are at their minimum. Conversely, the largest growth in high-value markets results in the fewest arrivals. These results alone are not a sufficient indication of the outcome of value-led marketing strategies, because it is possible for fewer arrivals to produce higher overall revenues.

[57] As previously argued, this is not to say that PICs should not aim to maintain or even increase arrivals, particularly in less-developed destinations. The two strategies can be pursued in parallel, with different emphasis depending on each country's context.

Table 4. International Visitor Arrivals by 2042 Under Value-Led Marketing Scenario

Country	Price elasticity	Price increase		
		Lower bound (5%)	Mid-point (10%)	Upper bound (15%)
Fiji	Lower bound (0.36%)	**1,404,150**	1,379,067	1,354,411
	Mid-point (0.55%)	1,390,858	1,353,054	1,316,227
	Upper bound (1.24%)	1,343,588	1,262,450	1,185,980
Vanuatu	Lower bound (0.36%)	**286,771**	281,648	276,613
	Mid-point (0.55%)	284,056	276,335	268,814
	Upper bound (1.24%)	274,402	257,831	242,214
Papua New Guinea	Lower bound (0.36%)	**303,329**	297,911	292,585
	Mid-point (0.55%)	300,458	292,291	284,336
	Upper bound (1.24%)	290,246	272,719	256,199

Note: bolded numbers represent the highest number of overall arrivals for each country, when price increase and price elasticity are at their minimum.

Despite decreasing arrivals, shifting to higher-value markets could increase revenue from tourism. The volume-led scenario refers to a situation in which the destination does not implement a value-led product development and marketing strategy but continues as usual with mass-market, high-volume tourism. In this case, the price does not increase, the number of arrivals continues to grow at a rate similar to pre-COVID-19 rates, and spending per arrival remains the same. For all three countries, the simulation finds that total tourism revenue in the value-led case (i.e., growing share of high value tourists) would be higher than in the volume-led case (Table 5). As expected, the higher the growth in high value markets as a portion of all arrivals, the more tourism revenue is earned by the country. However, even lower-bound and mid-range estimates for this growth also saw revenue in the value-led scenario exceed that of the volume-led scenario by over 5 percent. In Fiji, the mid-range and upper bracket market proportions yielded revenues 21 percent and 33 percent higher than that of the volume-led scenario, respectively.

Table 5. Total Tourism Revenue in 2042

Country	Marketing strategy	Total tourism revenue (USD milllion) according to growth scenario for high-value arrivals		
		Lower bound	Mid-range	Upper bound
Fiji	Value led	2,174.6	2,425.1	2,675.6
	Volume led	2,005.9		
Vanuatu	Value led	572.7	580.2	587.7
	Volume led	544.7		
Papua New Guinea	Value led	738.0	742.0	752.0
	Volume led	701.7		

Note: With mid-point price elasticity and price increase. Cells shaded orange indicate revenue more than 5 percent higher than the price-led scenario; cells shaded green indicate revenue more than 20 percent higher than the volume-led scenario.

[a.] For details about the simulation, refer to Annex B.1.

The potential of high-value strategies differs for countries of the different destination types used in this report. For countries with a larger share of high-value tourists, such as PNG and Vanuatu, the challenge is less to increase this share than to develop the supply diversity and quality to boost overall spend per high-value arrival. For countries with a higher proportion of low-value tourists, such as Fiji, significant benefits could be expected from increasing the share of high-value tourists by investing in value-led supply and marketing. This opportunity would be similar for countries such as Samoa and Tonga, which could focus marketing, supply development, and air connectivity on high-value markets to increase long-term revenues. For Type 3 countries with lower market penetration in high- and low-value markets, developing supply and marketing that shape a strong, value-led brand reputation will be important, although increasing lower-value arrivals can also be a sensible objective in the short term.

Image: *Samoa*
Credit: *Elliot Wright*

2. Obstacles to Expanding Pacific Destinations' Presence in High-Value Markets

This chapter focuses on factors undermining PICs' capacity to attract more tourists from high-value markets, including uncoordinated tourism governance, policy and management; a lack of diverse tourism offerings and a weak ecosystem of tourism service providers, including MSMEs; limited availability of skills needed in high-value markets; limited adoption of resource-efficient, environmentally friendly practices by tourism businesses; and vulnerability of tourism businesses to natural disasters. The following sections summarize the nature of each of these factors and the extent to which COVID-19 and climate change affect them and provide a quantitative analysis of potential benefits of adopting targeted measures to address them. These simulations are only simple illustrations meant not as precise diagnostics to guide policy but as tools to explore these factors and stimulate policy dialogue, paving the way for more in-depth analysis at the country or destination level.[58] Based on research and consultations with tourism stakeholders in PICs, these factors were selected as particularly relevant for the objective of targeting high-value markets. As mentioned in the introduction to this report, they do not cover several structural challenges undermining tourism development in the Pacific (e.g., connectivity, land rights, security, health, preservation of ecosystems), which are analyzed elsewhere or require country-specific analysis outside the scope of this regional report.

The first three sections examine key elements of a high-value tourism industry: a coordinated industry with strong governance, a broad supply of local MSMEs, and a skilled workforce. Given the cross-cutting nature of the tourism sector, coordinated tourism policy setting and strong implementation is required, especially to enact the reforms and initiate the programs required to attract high-value markets. The first section thus discusses existing challenges within tourism governance and management. Global evidence shows that the range of activities and services available locally determine tourist satisfaction to a significant extent, which in turn determines tourist expenditures (Alegre, Cladera, and Sard 2011). Since Pacific tourism industries largely consist of MSMEs, a robust, healthy MSME ecosystem is needed to provide such services. The second section therefore discusses the business landscape in PICs' tourism sectors. It estimates the potential impacts of closures of small enterprises on satisfaction rates and tourism revenue, highlighting the importance of continued support for MSME development in the sector. Equally important to high-value tourism is availability of a workforce possessing the hard and soft skills necessary to provide quality services. The third section therefore discusses how current skills constraints on Pacific tourism are affecting growth of high-value tourism. In addition to supporting the industry's competitiveness, supporting tourism governance, MSMEs, and workers would broaden tourism benefits in PICs and increase sector inclusivity.

The fourth and fifth sections assess the benefits of investing in greener, more-resilient tourism. High-value tourism markets put a premium on sustainability, with tourists willing to pay more for sustainability, including at their accommodations. For PICs to attract these higher-value, more-discerning markets, hotels, and resorts must identify opportunities for investing in resource efficiency in parallel with broader environmental preservation efforts. The fourth section investigates the potential return on such investments. Similarly, their vulnerability to external shocks from the pandemic and from natural disasters, which are expected to increase in severity with climate change, undermines PICs' capacity to attract and cater to high-value foreign tourists. This highlights the need for more-resilient businesses and infrastructure and is important not just from an economic standpoint, but also from a tourist safety and security perspective. This last section therefore estimates returns on investing in more-resilient tourism infrastructure.

2.1 Uncoordinated Tourism Development Efforts

All PIC governments have adopted tourism development strategies to capitalize on the sector's recent growth and address its vulnerabilities, with a focus on inclusiveness and increasing the value of tourism. As of mid-2022, nine of the 11 PICs had a medium- to long-term tourism policy or plan that expresses goals and conditions for sector development.[59] Six of those plans were released in 2021/22 and take COVID-19's impacts into account, with Fiji's new national sustainable tourism framework under development.[60] The extent of evidence-based planning and detail varies across the documents. Most plans have common, high-level goals focused on increasing the economic contribution of tourism and the revenues and

[58] Further information on the methodologies used for the scenarios can be found in Annex B.

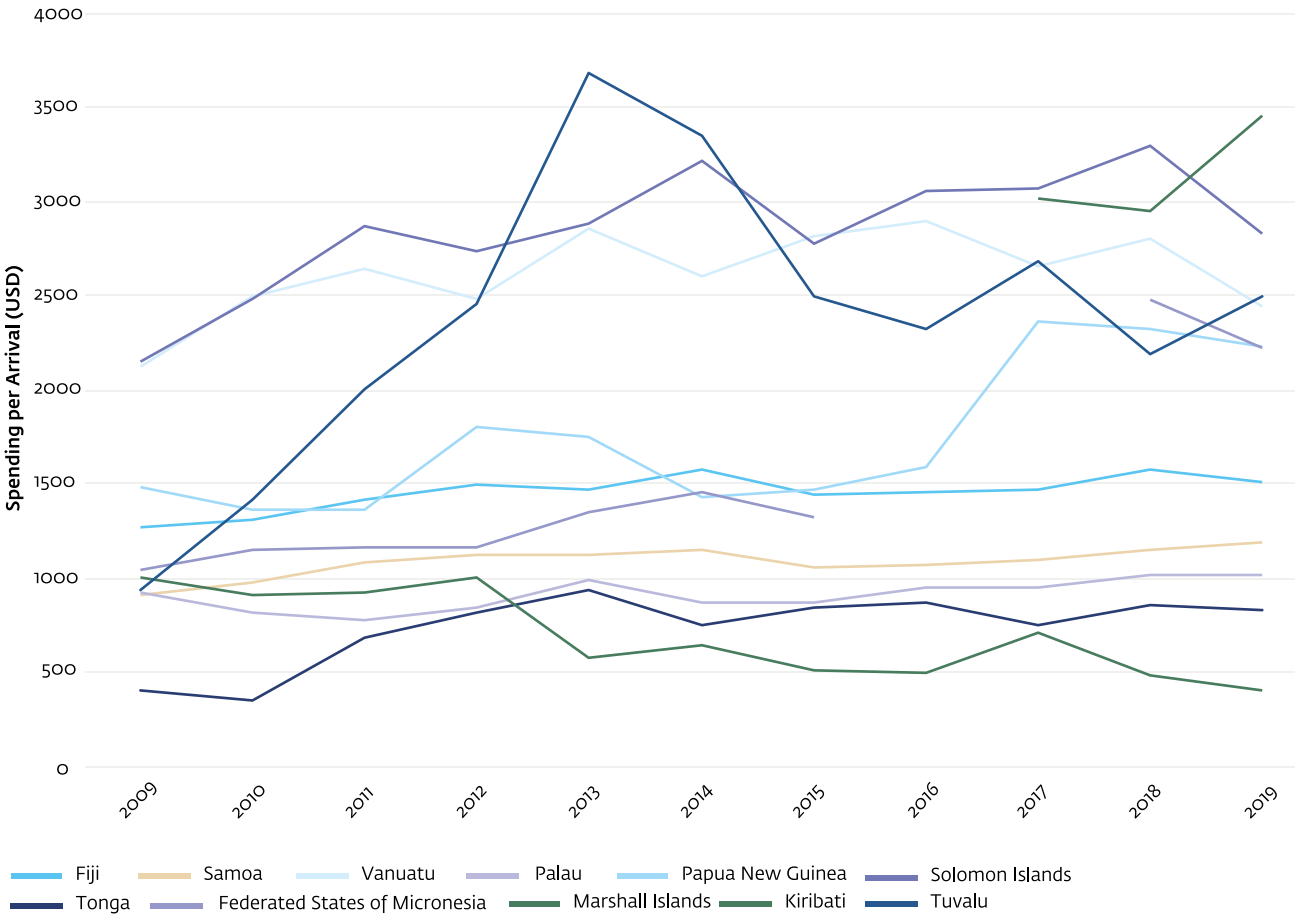
[59] See Annex C for an overview. This excludes short-term, tactical planning (related, for example, to marketing or reopening borders) that changes frequently.

[60] Kiribati, Palau, PNG, RMI, Solomon Islands, Samoa, Tonga, Tuvalu, and Vanuatu have current medium- to long-term tourism development policies or plans.

employment that it generates while ensuring more-inclusive growth. Arrivals, yield (revenue per arrival), and contribution to GDP are the most frequently used metrics. The various national strategies also share several cross-cutting priorities, including environmental sustainability and resilience. Although this last theme rarely appeared in previous tourism development strategies, it dominates the latest ones. However, the documents usually contain little specific analysis of the potential costs and benefits of green and resilient investments.

Many PICs have struggled to make concrete progress toward the visions set in their tourism strategies. Although they have been discussed throughout the Pacific tourism community for the past decade or more, sustainability, inclusiveness, and high-value tourism emerged as policy themes in more-advanced PIC destinations only in the years just before COVID-19.[61] These themes have also become more common in the new tourism strategies that countries with less-developed tourism markets and destinations, such as Kiribati, RMI, and Tuvalu, have developed since the crisis began. Environmental and social sustainability and increasing tourism yield and contributions to GDP are now featured as high-level goals in most PIC tourism strategies. The motivations to change from a volume-led to a value-led model support national-level policy objectives for increasing environmental sustainability and creating a more-productive and -inclusive tourism industry. However, most tourism strategies still set targets for increases in visitor arrivals, rather than more-value-based metrics. Moreover, the data suggest that most PICs have made little or no progress on increasing tourism expenditures per arrival over the last decade (Figure 16).

Figure 16. In-Country Receipts According to Tourist Arrivals



Source: FSM Statistics 2022; PNG TPA 2022; PVA 2021; Solomon Islands NSO 2022; SPTO 2020; STA 2022; Tonga Statistics Department 2022; UNWTO 2022b.

Note: Computed as travel spending divided by international overnight arrivals. Marshall Islands data used only from 2017 Pacific Tourism Organisation data, because UNWTO data are inconsistent.

[61] The government of Palau introduced a Responsible Sustainable Tourism Policy Framework as early as 2016 that emphasizes avoiding mass tourism and focuses on developing tourism products that attract low-volume, high-yield tourism; maintain a sustainable carrying capacity; and are community driven. Vanuatu followed with a dedicated Sustainable Tourism Policy in 2019, and in 2021, the Pacific Tourism Organisation launched the regional Pacific Sustainable Tourism Framework, marking a regional commitment to sustainable tourism development.

PICs have varying tourism governance, development, and marketing structures, with government funding for tourism often falling short of planned investment due to competing budget priorities. Across PICs, tourism policy, research, and development are primarily the responsibility of ministries, and marketing is the responsibility of destination marketing organizations.[62] FSM's and RMI's tourism management is fully under a government office or department[63] and only Kiribati, PNG, and Samoa have integrated tourism authorities that oversee all functions.[64] Such dedicated agencies provide integrated solutions to holistic destination development by linking together policy, statistics, product development, and marketing. In all countries, these structures are considered NTOs, as they provide national leadership in tourism management and marketing (Box 12) (UNWTO 2007). However, most are poorly networked throughout the government, with little ability to influence policy. This can be driven by limited financial and human resources. Most NTOs receive funding through the annual government budget or a dedicated bed tax. A 2018 assessment of NTO budgets by the Pacific Tourism Organisation found that most money was spent on marketing and promotion rather than planning, research, or product development. Tourism Fiji's budget was exceptionally high (USD 21.3 million, about 1 percent of Fiji's overall budget). Other PICs with developed tourism sectors had NTO budgets between USD 2 million and USD 4.6 million, whereas NTO budgets for PICs without substantial visitor arrivals were between USD 150,000 and USD 300,000. Product and skill development to improve the quality of visitor experiences is high on the agenda for all countries, although budgets for interventions in these areas are limited, and interventions are not always effectively designed. There has been little to no effort to evaluate Pacific NTO performance or understand returns on investment in tourism development or marketing.

Overly ambitious strategies, regulatory purview mismatch, lack of institutional capacity, poor program design, and budget shortfalls have prevented PICs from delivering on their visions for more-sustainable, high-value tourism. Implementation of tourism strategies through concrete reforms and investments has been difficult. Needed regulatory reforms are rarely discussed explicitly or defined according to best practice, and when they are, mismatches in regulatory purview often prevent effective intervention.[65] For example, tourism ministries often do not have regulatory purview over zoning, licensing, immigration, marine regulations (e.g., those related to mooring), and infrastructure,[66] all of which can significantly affect tourism's competitiveness. Although some countries have adopted a whole-of-government approach in principle, it is often not put into practice. In other countries, tourism ministries are not involved in critical decision making on factors that affect the sector. Difficulty developing an integrated policy framework to implement sustainable, inclusive tourism development strategies is not unique to the Pacific (Box 13).

Box 12. Models for Destination Management

Destination management can be defined as the "coordinated management of all the elements that make up a destination (attractions, amenities, accessibility, human resources, image, and price) … [Its role is] to lead and coordinate activities under a coherent strategy or plan, serving the interests of all stakeholders" (UNWTO 2007 10). Effective destination management ensures a balance between maximizing the tourism experience for visitors and maximizing tourism value for the local economy, businesses, and population.

Different public and private sector organizations are typically involved in destination management. National governments and ministries of tourism set policy direction and prioritization, which departments of tourism and other regulatory bodies then implement. However, overall destination management also requires active private sector engagement. Therefore, many destinations have a national tourism authority or office or a destination management or marketing organization to implement the operational elements of national tourism strategies. A board of directors with public and private sector membership usually oversees these organizations, which receive direction and funding from the national government and have an execution-oriented role and some autonomy. In some destinations, destination management organizations can be run as private sector associations with more-limited involvement from the government. One key distinction between the two models is that national tourism authorities function at the national level, whereas destination management organizations can be subnational and focused on a specific destination within the country.

Source: UNWTO 2007.

[62] Designated marketing agencies include Tourism Fiji, Vanuatu Tourism Office, Palau Visitors Authority, Tonga Tourism Authority, and Tourism Solomons. In FSM, each state promotes its islands via its tourism bureau.

[63] Integrated tourism authorities include Samoa Tourism Authority, Tourism Authority of Kiribati, and PNG Tourism Promotion Authority. In RMI, the Office of Commerce, Industry, and Tourism manages destination promotion. In Tuvalu, the Ministry for Foreign Affairs, Trade, Tourism, Environment, and Labour manages tourism promotion.

[64] Since 2021, the United Nations Economic and Social Commission for Asia and the Pacific–funded 'Every Policy is Connected' tool has been trialed with the Samoa Tourism Authority to ensure that tourism policies and indicators are integrated with national and sector frameworks. This exercise has highlighted the importance and complexity of cross-sectoral planning.

[65] In terms of sustainability goals, many strategies can be idealistic, contain contradictory priorities, and lack measurement systems. This is a challenge despite efforts to define tourism sustainability indicators and collect and process data.

[66] Accountability for investment in public infrastructure lies outside tourism ministries, so most plans only allude to what is needed from other agencies (rather than making a commitment).

Box 13. Global Challenges in Sustainable Tourism Policy Implementation

A recent review of the literature on sustainable tourism policies around the world found that tourism ministries often face obstacles to implementing such policies given the complexity of the sector, interaction with other policies, and need to align with national governance, which may not always promote sustainability. This analysis determined that, even in developed economy destinations, state-level interventions can limit the effectiveness of sustainability measures in tourism policies. This results in a "gap between policy development and implementation . . .[and] an inconsistency between the priorities of officials and the goals of sustainable tourism policies in national tourism strategies" (Guo, Jiang, and Li 2019 9). Sustainable tourism policies often include conflicting goals, even when policies and regulatory frameworks support sustainability at the highest level. In the Pacific, the research found that "legal provisions are ambiguous, many organizational responsibilities are repeated, and the definition of responsibility is not clear" (Guo, Jiang, and Li 2019 9). The literature on the topic concludes that shifting the focus from short-term economic growth to long-term sustainability will require stronger political will, empowerment of tourism leaders, and implementation of more-effective institutional arrangements that define responsibilities of and place accountability on government ministries and agencies at all levels.

Source: Guo, Jiang, and Li 2019.

2.2 MSMEs' Fragility Threatens Tourism Competitiveness and Diversity

Supply in the tourism sector consists of a wide range of products and services. The available data suggests that, prior to COVID-19, there was a relatively large number of tourism businesses in the PICs, unsurprisingly concentrated in the largest destinations (Table 6). At the broadest level, tourism businesses include lead firms (e.g., travel agents, tour operators, airlines, cruise, and accommodation providers), which play a key role in bringing in tourists, and local providers of goods and services (e.g., food and beverage, activities and entertainment, local transportation), which contribute to the quality and diversity of tourists' experiences. In the Pacific, most firms in both categories would fit typical, global definitions of MSMEs, mostly because of the small market sizes,[67] although lead firms tend to be larger. The term "MSMEs" is used throughout this report to refer to small- and medium-sized local providers of tourism services.

Table 6. Tour Operators and Product and Accommodation Providers in Pacific Island Countries

Country	Tour operators	Pre-COVID in-bound flights		Accommodation providers	
		Country connections	Flights/week	Hotels (of which international or regional brands)	Rooms
Fiji	160	19	142	423 (31)	12,888
Samoa	36	6	29	150 (3)	2,747
Vanuatu	200	6	38	473 (3)	3,700
Palau	43	6	18	118 (1)	2,409
Tonga	60	4	19	156 (1)	1,300
Federated States of Micronesia	50	3	13	30	500
Kiribati	6	6	10	47	500
Republic of the Marshall Islands	20	4	11	12	281
Tuvalu	0	2	4	10	60
Papua New Guinea	102	8	64	501 (3)	6,195
Solomon Islands	20	6	19	181	1,991
Regional total	**697**	**70**	**366**	**2,101**	**32,571**

Sources: PSDI 2021b; STPO 2020; Schedules Analyzer (unpublished database). OAG, Luton, England (accessed Jun 2022), https://analytics.oag.com/analyser-client/home; World Development Indicators (database). World Bank, Washington, DC (accessed November 2022), https://databank.worldbank.org/source/world-development-indicators; various other sources.

[67] Most of the region's businesses are thought to be MSMEs (using a threshold of >100 employees for large firms), although lack of granular data makes it difficult to analyze the size and growth dynamics of tourism businesses in PICs. Only five PICs have an official definition of "micro," "small," "medium," or "large" businesses (Fiji, PNG, Samoa, Solomon Islands, Vanuatu), all of which differ. Beyond such national definitions, stakeholders often refer to business size in a way that is more relevant to the local tourism industry (e.g., a hotel could be considered large (relative to others), although it is formally within the bounds of the official small and medium-sized enterprise definition.

The entry of new MSMEs, which made these destinations more attractive, was the major source of the growing diversity in tourism supply across PICs before the pandemic. Research has shown that (i) independent (non-chain) businesses enhance a destination's appeal and competitiveness by increasing visitor satisfaction (Liang 2021), (ii) tourists who are more satisfied with the diversity of tourist facilities and attractions spend more in a destination than those who are less satisfied with these factors (Jurdana and Frleta 2016),[68] and (iii) tourists motivated by sun-and-sand basics are less likely to be in a high-spending segment than those motivated by good tourist facilities and cultural environments (Alegre, Cladera, and Sard 2011). World Bank research also found that diversity of attractions and activities available in a destination was a key driver of satisfaction and travel intention, especially in higher-spending market segments (World Bank 2022b). While large firms, such as hotels, act as anchor investments in destinations, providing employment and marketing inputs, most tourism activities are provided by small local firms, which create diverse and authentic tourism experiences that add value to destinations and spread the economic benefit of tourism throughout the economy. MSMEs are typically more flexible and able to adapt to market trends and opportunities and more able to provide the personalized service that high-value market segments desire (Khokhobaia 2019). Furthermore, MSMEs are usually locally owned, use less foreign labor, and are more likely to be women-led (particularly micro and small enterprises), generating more direct economic and social impacts for countries. Some evidence suggests that MSMEs may also have lower negative environmental and social externalities and be more aligned with local cultural norms (Aslan 2019).

Even before the pandemic, various supply-side constraints hampered small providers' capacity to develop new tourism products and grow. This includes industry-specific challenges as well as general constraints that undermine private sector development across sectors in PICs, such as cumbersome business regulations, and poor hard and soft infrastructure, including infrastructure related to digital payment systems (UNCDF 2021). A 2022 survey of more than 130 hotels in the Pacific found that they paid 211 percent more for international transactions than their peers in other regions and that 54 percent of them did not offer card payment at the time of booking (Kovena 2022). The cost, quality, and availability of financial services have been among the main constraints that MSMEs in the Pacific have reported, with many failing to obtain loans from financial institutions because of inadequate collateral or financial records and limited capacity to prepare bankable proposals.[69] Financial system constraints include small markets with limited competition, lack of financial market infrastructure, and ongoing challenges in meeting anti-money laundering/combating the financing of terrorism requirements. Development banks that have attempted interventions in some PICs with financing products tailored to MSMEs' needs and capacities have had varying success. Beyond financing, lack of managerial and specialized tourism skills has undermined the growth of tourism MSMEs in PICs (see section 2.3).

The COVID-19 pandemic disproportionally affected tourism MSMEs. Although firms suffered across sectors, the sudden, prolonged collapse in arrivals hurt tourism businesses most. Furthermore, survey evidence in Fiji shows that, although large tourism businesses lost twice as much revenue as large businesses in other sectors, tourism MSMEs lost seven times as much as those in other sectors (IFC 2020a).[70] Despite relief measures that several PIC governments adopted (e.g., tax relief, wage and other subsidies, soft loans, loan repayment deferrals), the crisis forced many tourism businesses to close or hibernate, with small providers (e.g., niche visitor experience, local transport, remote accommodations) experiencing higher closure rates than larger providers.[71] Although detailed data on business reopening rates in different countries are lacking, a regional survey of exporting firms suggested that, by the first quarter of 2022, 6 percent of tourism firms had permanently closed, compared with 1 percent in manufacturing (PTI 2022).[72] Many firms that remained open or hibernated faced severe liquidity problems because they still had payment obligations (e.g. debt service, utilities, retained staff) and ongoing maintenance costs to avoid assets falling into even costlier disrepair.[73] With limited alternatives, there are many accounts of tourism MSMEs having had to sell off assets (e.g., vehicles, boats, furniture) to pay debts and survive.

[68] Based on data from Croatia, this study finds that daily tourist expenditures per person are positively correlated with satisfaction with the diversity of tourism facilities, which encompasses sports facilities, entertainment opportunities, cultural events, facilities for children, excursion offerings, and shopping opportunities. This dimension is the only one of four satisfaction dimensions considered found to be statistically significant.

[69] In a recent survey of exporting firms, 74 percent of respondents in tourism said obtaining financing was difficult, compared with 57 percent of those in manufacturing (PTI 2022). The COVID-19 crisis has increased financial institutions' perception of tourism as a risky sector.

[70] Findings from an April 2020 survey that received responses from 3,596 businesses, including 620 in tourism.

[71] With the exception of a few large hotels and resorts that used the time to close for renovation. Information provided through consultations with tourism leaders in Fiji, FSM, Kiribati, Palau, Samoa, Solomon Islands, Tonga, and Vanuatu in the first half of 2022.

[72] Based on an online survey of 200 firms conducted in February–April 2022 in 14 PICs. In Fiji, the share of accommodation providers resuming operations was around 60 percent when borders first reopened in December 2021 and had reached about 90 percent by June 2022. Industry leaders were confident that most accommodations will be operating by the end of 2022.

[73] Surveys conducted early in the crisis in countries such as Fiji and Samoa confirmed the extent of liquidity shortages and risk of default among tourism firms (IFC 2020a; Samoa Chamber of Commerce and Industry 2020). Although reports of tourism sector financial difficulties escalated across PICs in 2021 and 2022, there have been no comparable surveys since 2021.

The financial position of many tourism MSMEs could remain fragile even after reopening. Although the return of tourists was long awaited, firms have generally faced additional costs to resume operations before earning revenue (e.g., employ and [re]train staff, get assets in working condition, buy stock and consumables, renew licenses). This is especially true of small and medium-sized enterprises, because large enterprises were better placed to access funds upon reopening, and micro enterprises typically have lower operating costs. Some businesses could face liquidity challenges for months or even years after reopening, depending on the pace at which revenue returns and firms' capacity to service outstanding debt and manage cash flow as expenses resume. In turn, this could affect the quality of the experience provided to tourists and ultimately destinations' reputation. Tourism stakeholders consulted in several PICs for this study reported that financially strained firms were underinvesting in visitor services, leading to lower quality than what they were able to offer before COVID.[74]

The ability of Pacific MSMEs to recover fully, invest in new and better services, and adapt to structural industry trends, including digitization, will be key to competing in higher-value markets. Difficulties of small and medium-sized local tourism service providers in regaining their financial footing and increasing their investment capacity could harm the quality of offerings in Pacific destinations over time. Moreover, although use of digital technologies has been an important driver of growth and productivity for the tourism industry globally and key to enhancing resilience during the pandemic, the depth of digitization is limited in Pacific tourism businesses despite recent progress in terms of Internet connectivity in most PICs.[75] Beyond connectivity, common constraints across the region include limited digital literacy of firms and workers and weakness of the digital payment infrastructure.

To maintain and increase tourism expenditures per arrival, it is essential that a diversity of tourism facilities and services be provided. Numerical simulations suggest that seemingly small decreases in visitor satisfaction can lead to significant losses in tourism revenue over time, with local MSMEs losing the most and therefore reducing the sector's inclusiveness (Box 14). Rebuilding, increasing, and diversifying, the services and facilities that MSMEs offered before the pandemic will be essential to maintaining high visitor satisfaction levels and accessing higher-value market segments. To do so, governments must foster a positive enabling environment for MSMEs and support product development to add value to the tourism sector.

Box 14. Potential Impacts of Declining Visitor Satisfaction on Expenditures

Availability and quality of a broad range of tourism facilities, services, and attractions partly drives higher visitor satisfaction, which in turn results in higher spending by tourists. Although other broader country-level factors (e.g., state of infrastructure) also influence visitor satisfaction, a diverse, authentic experience is particularly important for high-value market segments.

A simple simulation was prepared to illustrate the potential negative impacts that a gradual loss in the diversity and quality of tourism micro, small, and medium-sized enterprise (MSME) offerings in Pacific Island countries (PICs) could have on visitor expenditures by undermining visitor satisfaction. Using conservative annual declines with lower and upper bounds (0.3- to 1.1-percentage-point decrease per year) over 10 years results in sizeable decreases in tourism expenditures over time. Specifically, an annual decrease of 1.1 percentage points in visitor satisfaction could result in 0.5 percent lower local tourist expenditures for all countries from the main short-haul source market over 10 years (USD 10.5 million in Fiji, USD 2.4 million in Samoa, USD 0.3 million in Solomon Islands, USD 0.03 million in Federated States of Micronesia (FSM)), than under a business-as-usual scenario, without considering inflation. These are large numbers considering that they reflect only in-country spending from a single market in the PICs studied, which in 2019 represented 35 percent of total spending in Fiji, 49 percent in Samoa, 5 percent in Yap (FSM) (2015-18), and 39 percent in Solomon Islands.

These estimates of potential losses in tourism revenue caused by declining satisfaction only are conservative. This simulation is based on results of an empirical study that assessed satisfaction with diversity of tourism facilities and spending at a moment in time. Another factor that could reduce tourism revenues if the quality and diversity of MSME service offerings declined is loss of visitors over time because of lack of tourist services, excursion offerings, and cultural diversity options, leading to negative reviews and generating poor word-of-mouth marketing. The decrease in diversity of facilities might also shorten length of stay, which would further limit overall expenditures and the flow of tourism spending into the local economy, because spending would become centralized within the accommodations.

a. For details about the methodology, see Annex B.2.

[74] Globally, the pandemic delayed tourism investment pipelines by an estimated one to two years, with firms restarting investment plans in late 2021 (World Bank 2022a).

[75] An (unpublished) business survey that the World Bank conducted on digital adoption in seven PICs (Fiji, Kiribati, PNG, Samoa, Solomon Islands, Tonga, Vanuatu) between March and September 2020, collecting responses from 656 firms across sectors, revealed that, although most firms had access to the Internet and that approximately 80 percent used social media for business purposes, few had online sales, and fewer still were able to conduct end-to-end digital transactions including payment.

Image: *Samoa*

2.3 Inadequate Skills Inhibit Tourism Value Creation

Higher-value segments require more-specialized skills that are often in short supply across the Pacific. Employers in tourism generally reported few problems in recruiting low-skilled, generalist workers before the pandemic (e.g., housekeepers, waitstaff, drivers). However, recruiting for positions requiring intensive training or highly specialized roles (e.g., SCUBA diving instructors, chefs, spa attendants) or highly-skilled managers for hotels, resorts, and tour operators (particularly those with digital or other high-demand skills), was more problematic. Table 7 categorizes some examples for the degree of skill investment in three levels: high, medium, and low.[76] The rate of local employment in high skilled roles has reportedly increased in recent years due to training efforts and local employment policies, but there are still gaps in labor supply. The industry has thus relied on foreign labor to fill its immediate needs, although there are also challenges associated with this strategy. These challenges include higher costs, higher rates of turnovers based on two-to-three-year contracts and expatriate workers' sometimes limited understanding of the Pacific tourism sector and cultures.

Table 7. Types of Positions and Skill Requirements in the Pacific Tourism Sector

Skill level	Position	Hard skills required	Soft skills required
Low	Housekeeper, groundskeeper, busser	Fitness, dexterity	Punctuality, diligence, teamwork
	Waitstaff, driver, small boat captain	Language facility, fitness, dexterity	
Medium	Receptionist, flight attendant, travel agent	Language mastery, computer facility	Problem solving, conflict resolution, accountability, communication
	Concierge, tour guide	Language mastery, destination knowledge	
	Kitchen staff, chef assistant	Culinary skills	
High	Management	Industry experience	Leadership, problem solving, communication, human resource management
	Pilot; SCUBA instructor, large boat captain	Industry certifications, experience	
	Chef (sushi, pastry, executive), sommelier		

Several structural factors that existed before COVID-19 can explain local skills shortages affecting Pacific tourism businesses, including restrictions on recruiting expatriates, lack of basic and advanced education, and physical and occupational migration. Visa regulations in some PICs are designed to encourage tourism firms to recruit locally, for instance high visa costs and restrictions on lengths of contracts for foreign workers. This imposes significant costs on businesses needing to recruit expatriate labor to make up for local unavailability of needed skills and may also constrain firms in other sectors.[77] Local shortages of highly skilled workers are also a function of inadequate primary and secondary education.[78] Technical and Vocational Education and Training (TVET) in PICs and neighboring countries is often cost prohibitive, particularly for more-reputable programs with a good track record of producing skills that industry needs.[79] Lack of industry input into curricula and absence of rigorous evaluations for local training programs in most PICs also raise questions about the quality of tourism-specific TVET courses, a challenge not limited to the Pacific. Moreover, as higher education developed across the region, more students enrolled in tourism and hospitality management courses than in TVET programs, with reports that they often graduated without acquiring the practical skills that employers required or failed to meet industry standards. Finally, short-term labor mobility programs with Australia and New Zealand may have exacerbated skills shortages. Industry stakeholders in Fiji noted that workers do not always return to their jobs, or do so with fewer skills than before, notably when they went abroad to work in different, less-qualified activities (e.g., fruit picking).

COVID-19 has heightened skills constraints in the Pacific tourism sector. At the onset of the pandemic, a large portion of tourism workers in the PICs left the sector, many of whom returned to villages to work in the agricultural sector. Anecdotal evidence indicates that many have been reluctant to return to tourism, because they perceive the sector to be vulnerable to downturns. Since the reopening of international borders, stakeholders interviewed in Fiji, Samoa, and Vanuatu explained that this has created significant challenges in recruiting qualified

[76] A diversity of skills is required for delivery of tourism services, some of which are highly specialized (e.g., SCUBA diving instructors), whereas others are more generalist (e.g. housekeepers, managers), although those generalist roles are not necessarily low skill; some generalist positions require high levels of investment in training to become proficient.

[77] For example, visa limits on contract length result in turnover of contracted expatriates that is detrimental to product quality and productivity.

[78] PICs rank poorly on the World Bank's Human Capital Index, and workers in PICs are estimated to be between 42 and 59 percent as productive as they would have been had they received satisfactory education and health services during childhood.

[79] Major providers include the College of Business, Hospitality, and Tourism Studies at the Fiji National University and Blue Mountains International Hotel Management School in Australia.

local workers for skilled and unskilled positions in tourism.[80] For instance, the Fiji National Provident Fund, which owns and operates several hotels in the country, reported that, as of mid-2022, it had been unable to fill approximately 30 percent of available positions with qualified, experienced workers. Major employers, such as Marriott, report that recent recruitment drives have attracted an overwhelming number of applicants from various backgrounds but few with experience in tourism.

Skills shortages limit the opportunity to develop competitive high-value tourism destinations and can increase the cost of tourism services. For PICs to increase value in the tourism sector, they must develop the skill base on which this higher-yielding industry can grow. As discussed, workers in high-value tourism markets need hard and soft skills (e.g., customer service, timeliness, ownership, accountability). An undersupply of skilled workers undermines the quality of tourism services, which reduces tourist satisfaction and spending and increases costs for tourism businesses because they must compete to recruit employees with scarce skills or use foreign labor. High costs of hiring skilled labor reduce profit margins for tourism businesses and can inhibit private investment in the sector. Finally, because skilled workers are more productive, undersupply of skills reduces overall economic productivity and suppresses economic growth. Accordingly, the extent to which tourism businesses can recruit skilled workers strongly affects the contribution of the tourism sector to employment, poverty reduction, and economic development.

Tourism growth could play a larger role in addressing gender inequalities in the labor market, provided that plans and interventions in the sector target the constraints that women face. As discussed in Chapter 1, the tourism industry is a critical source of employment opportunities for women in the Pacific, and the industry relies on women to deliver its services (ILO n.d.). Although vertical segregation in the sector means that women's employment in tourism tends to be concentrated in medium- and low-skilled occupations, they are more likely to be in management positions in the tourism sector than in non-tourism sectors.[81] However, their full and equal participation in the tourism workforce is constrained by skills mismatches,[82] persistent vertical segregation, gender-based violence (including sexual harassment),[83] inequitable social norms limiting employment choices (e.g. childcare duties), and barriers to entrepreneurship (e.g., access to finance and information, business and financial literacy).[84] The economic impacts of the pandemic exposed and were exacerbated by these entrenched gender inequalities, leaving women and the industry worse off.

2.4 Limited Progress Toward Environmentally Sustainable Tourism

Minimizing tourism's environmental impacts and mainstreaming sustainable tourism can help PICs preserve their fragile ecosystems and gain a competitive edge in high-value markets. Like in other regions of the world, there are cases of poorly managed environmental impacts of tourism in the Pacific.[85] Growth of tourism infrastructure across the islands in response to growing visitor numbers has raised concerns about associated clearing of land and impacts on coastline and the seabed. Some countries have responded to increased visitor arrivals with rapid growth in accommodation supply. For example, Vanuatu's accommodation supply grew 16.2 percent between 2017 and 2019, and estimates indicate that 50 percent more rooms will be required by 2030 than in 2018 (World Bank 2020d). In Tonga, accommodation supply grew 7 percent between 1997 and 2010, almost twice the growth in overnight arrivals (TRIP Consultants 2013). Although regulations are in place across the region to prevent uncontrolled development, mainly through environmental impact assessment regulations, there are concerns about their adequacy, policing, and compliance.[86] Across the region, there are reports of untreated wastewater polluting fresh water and saltwater sources and damaging coral reefs. Weak solid waste management infrastructure, services, and regulations contribute to marine litter. In addition to harm to the environment, these impacts erode PICs' tourism offerings, particularly because outdoor nature-based activities have featured prominently in the list of experiences that international travelers seek after COVID-19.[87] In this context, PICs have an opportunity to position themselves as low-impact, blue tourism destinations centered on promotion of local communities

[80] Expatriate workers have generally returned to work because many had contracts with businesses.

[81] Based on World Bank analysis of Fiji 2019/20 Household Income and Expenditure Survey data (FBOS 2020).

[82] Latest national estimates (retrieved from ILOSTAT) show that in the majority of Pacific countries, female youth unemployment (15-24) is significantly higher.

[83] A 2016 study conducted by the Fiji Women's Rights Movement showed that 35 percent of women working in the hospitality sector have experienced sexual harassment, making it the sector with highest incidence of sexual harassment (Fiji Women's Rights Movement, 2016).

[84] See, for instance (ADB, 2018).

[85] The World Bank's ongoing *Pacific Ocean Advisory Program* will provide a detailed assessment of threats to the sustainability of ecosystems that support tourism in PICs, including pollution, waste, resource overexploitation, biodiversity degradation, and climate change.

[86] In 2018, resort developers in the Malolo Islands irreversibly damaged mangroves and coral in Fiji after disregarding environmental regulations and numerous warnings. The investors were fined FJD 1 million (USD 460,000) in 2022 (ABC News 2022).

[87] Research that NielsenIQ conducted found that, for European outbound travelers, the effects of COVID-19 have increased interest in outdoor and nature-based activities by 3 percentage points. The research demonstrated increased interested from these travelers in selecting destinations that offered sustainable, eco-, and nature-based experiences, along with cultural and wellness activities. World Bank research similarly found that nature-based activities dominated the list of experiences travelers were seeking in post-COVID-19 holidays.

and conservation of natural resources in coastal and maritime areas, in line with the growing focus on the blue economy in the region.[88]

Many Pacific tourism businesses rely on high-cost, high-impact energy sources and water supply and waste management practices, often for lack of access to better alternatives. Geographic constraints, lack of economies of scale, and small and outdated power infrastructure have led to greater reliance on diesel imports for power generation, high electricity tariffs (or costly subsidies),[89] transmission and distribution losses, and low electrification rates in several PICs (ADB 2021). For many tourism businesses that cannot be connected to the central electricity network, self-generation, usually using diesel-powered generators, is the only option.[90] The relatively high cost of power generated using diesel lowers the price competitiveness of PIC destinations, accounting for up to 25 percent of hotels' operating costs, compared with a global benchmark of 4 to 8 percent (International Institute for Energy Conservation 2015). Investments in energy efficiency can reduce a hotel's energy cost by 10 to 40 percent, depending on measures taken (International Institute for Energy Conservation 2015).

A slow increase in environmental sustainability may affect PICs' competitiveness, with certain high-value, eco-friendly travelers willing to pay a premium for sustainable tourism experiences. Recent consumer research that the World Bank conducted in Europe identified that market segments with a core focus on nature-based tourism, sustainability, and local products spend more (USD 5,742 per trip compared with USD 3,530 per trip) (World Bank 2022b). Likewise, Australian travelers most interested in nature-based experiences with a core focus on supporting local communities are the highest-spending Australian market segment (USD 2,641 per trip) (IFC 2019a). Furthermore, new marketing possibilities, such as online booking platforms that allow users to select sustainable destinations and resorts, are likely to increase the visibility and differentiating capacity of investments in resource efficiency.

Despite the potential benefits, businesses and governments in PICs have struggled to invest sufficiently in resource efficiency. Although valuable insights can be derived from successful cases within and outside the Pacific (Box 15), these still represent a minority of businesses and are mostly high-end resorts. This is notably due to a set of technical, knowledge, financial and policy barriers. First, many tourism businesses lack awareness of available resource efficiency options and technical capacity to implement them. Hotels, especially smaller, family-owned ones in rural areas, also lack understanding of the return on investment in resource efficiency. A recent study in Fiji highlighted this as a one of the main things preventing hotels from investing in solar systems (Global Green Growth Institute 2019). This assessment also found that most off-grid hotels lack information on their energy consumption on which to base investment analyses. Green solutions that individual businesses could implement are often not readily available locally or even regionally. Even when solutions are available, many tourism businesses lack the financial capacity to invest in small-scale resource efficiency projects, which can yield long-term returns but have high upfront capital costs. This is especially true for the predominant small and medium-sized enterprise segment, which has limited access to commercial financing and limited cash flow. In Fiji, financial constraints were among the main barriers that more than one-third of hotels cited for not installing solar photovoltaic (52 percent of MSME hotels) (Global Green Growth Institute 2019).

Box 15. Examples of Successful Renewable Energy Projects

Turtle Island Resort, Fiji: Located on Turtle Island, 50 miles northwest of Fiji's main island, Turtle Island Resort has 14 cottages that are not connected to the national grid. The hotel installed a solar photovoltaic system in 2013 that provides 56 percent of the island's annual power needs, making it the largest off-grid solar photovoltaic installation in the South Pacific for a resort at the time. The project had a capital investment of USD 1.1 million and a payback period of 8.6 years. Diesel consumption for electricity generation decreased by 77,405 liters per year, corresponding to annual savings of USD 124,000. Emissions avoided corresponded to 205 tons of carbon dioxide equivalent per year (IRENA 2014).

Soneva Fushi, Maldives: Located on a remote island in the Baa Atoll in Maldives, Soneva Fushi is a prime example of a resort that has taken advantage of renewable energy without investing resources of its own. Before 2016, the resort had no access to the electric grid and relied on diesel generators. In that year, it partnered with the manufacturer Yingli Solar to install a 624 kWp solar photovoltaic system through a power purchase agreement. This partnership allowed Soneva Fushi to avoid a capital expenditure because Yingli provided the solar panels, and in return, the resort purchased the electricity from them at 60 percent of the price of diesel energy generation (Sustainable Hospitality Alliance and IFC 2020).

[88] The blue economy is an approach to promote sustainable, integrated use of marine resources.

[89] The average electricity price in the Pacific region is approximately USD 0.32 per kWh, compared with USD 0.12 to USD 0.14 per kWh in Australia and the United States (ADB 2021; GlobalPetrolPrices.com 2021).

[90] In Fiji, there are more than 90 off-grid hotels on islands that Energy Fiji Limited does not serve that rely on alternative energy sources, including diesel generators (64 percent), hybrid diesel and solar photovoltaic systems (24 percent), and solar photovoltaic–only systems (10 percent) (Global Green Growth Institute 2019).

Renewable Energy Project, Tonga: In May 2022, Tonga commissioned its first utility-scale battery energy storage system as part of the multilaterally funded Tonga Renewable Energy Project. Two systems—a short- and a 3.3-hour-duration system—were installed on Tongatapu, Tonga's biggest island. Together with the completion of a 6MW solar photovoltaic power plant, the country doubled its use of renewable energy, taking it to 20 percent of the total energy use. The battery energy storage system required an approximately USD 16.7 million investment, with the wider Tonga Renewable Energy Project costing approximately USD 50 million (Colthorpe 2022).

Renewable Energy Sector Project, Cook Islands: The multilaterally funded USD 43.65 million project installed on five small islands is benefiting rural communities. The installations have connected solar photovoltaic and battery storage systems as mini-grids on Atiu, Aitutaki, Mangaia, Mauke, and Mitiaro, allowing these islands to reduce electricity tariffs and oil imports. The project provides clean, affordable energy to 1,500 inhabitants (9 percent of the nation's population), who are benefitting from the USD 6.9 billion in annual savings from reduced fossil consumption, a lower residential tariff (from USD 0.63 per kilowatt to USD 0.47), and indirect job creation (ADB 2017; 2021)

There are opportunities for profitable investments in energy, water, and material efficiency for different categories of Pacific tourism businesses. A simple numerical simulation developed using Excellence in Design for Greater Efficiencies (EDGE), the International Finance Corporation (IFC) tool and certification system for green buildings, suggests that such investment could pay off quickly and bring significant financial and environmental savings (Box 16).[91] To achieve these gains, critical barriers must be addressed with strong cross-government coordination. For larger 4- and 5-star hotels with sufficient funds or credit to invest, ensuring that equipment is available at the country or regional level and facilitating imports is essential. For medium and smaller hotels in lower price categories, facilitating access to appropriate financing will be necessary, especially in the aftermath of COVID-19, when many have lower risk appetites for borrowing and less-stable balance sheets. For all hotels (regardless of size and category), education and awareness of returns on investing and benefits of resource-efficient investments are required to highlight the costs and benefits. Furthermore, governments must partner with industry associations, universities, and other agencies to ensure that the proper technical expertise, resource efficiency, and circular economy firms and tools are available to support hotels in the transition.

Box 16. Benefits of Resource Efficiency in Tourism Businesses

The below simulation is based on a cost-benefit analysis to assess potential returns on investments in resource-efficient tourism operations in Pacific Island countries (PICs). It focuses on hotels in three countries based on data availability: Fiji, Samoa, and Vanuatu. Various energy-, water-, and material-efficiency measures were selected to reach at least 20 percent savings, the threshold for EDGE certification. For 1- to 3-star hotels, simple measures were selected such as roof insulation, efficient lighting, and upgrading to water-efficient faucets for public or private bathrooms. For 4- and 5-star hotels, larger investments were selected, such as onsite renewable energy and smart measures. These larger, higher-earning hotels have more accessible capital for investment in these resource-efficiency areas and can therefore gain higher energy savings in the medium run.

Results suggest that the investments in resource efficiency considered for hotels in PICs would be paid back quickly, assuming pre-pandemic occupancy levels in peak season. Table 8 shows how much hotels would need to invest to implement the considered energy-, water-, and material-efficiency measures, as well as their respective payback periods. As expected, investment size generally increases with hotel category because of building dimensions and associated costs. In particular, the considered investment in renewable electricity generation, which brings much higher carbon dioxide and utility savings, explains the high cost of investment for 4- and 5-star hotels.

Although the capital expenditures required to implement the measures would not be negligible, they would be more than paid back by savings within a year in most cases and sometimes sooner. A recent internal audit report on a 4-star hotel in Samoa revealed that, for a normal year of operation with a 78 percent occupancy rate, the incremental cost for the country and category selected would be approximately 6.5 percent of annual income (Table 8), whereas extrapolation of the annual income of a 2-star hotel in Fiji[a] reveals that the investment required (which is a fortieth the size of the investment for a 4-star hotel in Fiji) accounts for approximately 2 percent of business annual income.

[91] See Annex B.3 for more details about the methodology.

Table 8. Key Performance Indicators for Investments in Resource Efficiency

Hotel category	Incremental cost (USD) [a]	Payback, years [b]	Operational savings (tonnes of carbon dioxide equivalent/year)	Carbon dioxide savings (% total)	Utility savings (USD/year)
Typology category 1 (Fiji)					
1-star	2,601	0.1	47.0	20.61%	45,735
2-star	4,945	0.1	66.7	21.20%	65,206
3-star	3,500	0.0	82.8	20.50%	80,063
4-star	201,566	1.1	115.1	25.01%	181,188
5-star (small)	221,397	1.1	124.6	24.84%	197,352
5-star (large)	244,787	1.2	123.3	24.85%	209,261
Typology category 2 (Samoa, Vanuatu)					
1-star	1,012	0.1	9.54	18.64%	7,098
2-star	1,666	0.0	90.48	23.34%	62,572
3-star	5,026	0.1	102.73	24.28%	71,332
4-star	225,110	1.2	160.61	23.39%	187,406

a. Cost of implementing selected efficiency measures in addition to baseline.

b. Number of years to repay incremental cost compared with the cost savings of utilities. The method used is simple payback based on the capital cost of the measure.

Results were extrapolated at a national level based on World Bank estimations of available room supply (Table 9). For Fiji, individual Type 1 key performance indicators were used, whereas Samoa's and Vanuatu's calculations were based on Type 2 key performance indicators. Overall, the investment needed for Fiji is much higher because the market supply of hotels is much larger, especially those categorized as 1 to 3 stars. Samoa needs a larger investment than Vanuatu because of its offering of deluxe rooms, which were classified as being part of 4-star hotels. Samoa has the highest supply of 1-star hotels, which require a small investment but bring lower carbon dioxide savings.

Table 9. Country-Level Investment Needs and Potential Results of Resource Efficiency

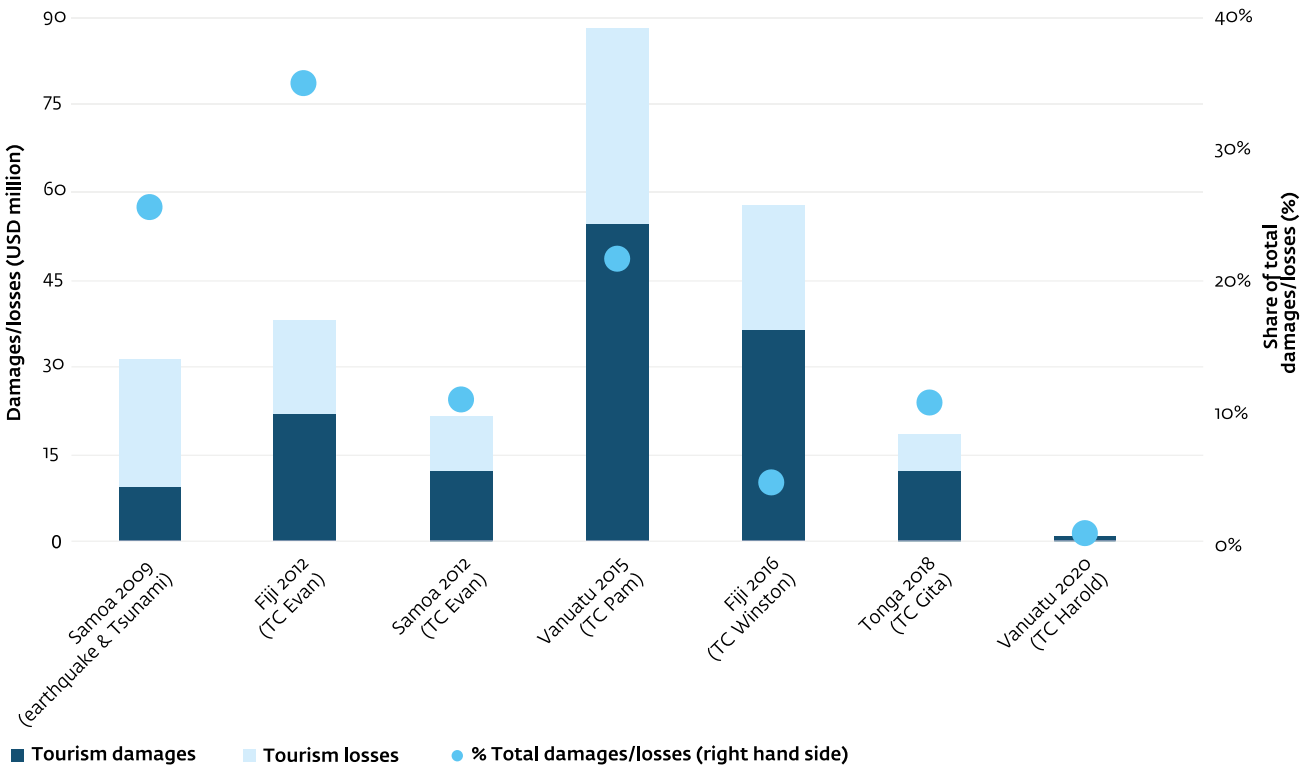
Country	Investment needed (USD million)	Payback, years	Emissions saved (tonnes of carbon dioxide equivalent/year)
Fiji	7.2	0.11	38,096
Samoa	3.1	0.11	12,349
Vanuatu	1.8	0.09	15,901

a. Based on Booking.com room fares for a 2-star hotel in Nadi (Fiji) in December 2022 and March, June, and September 2023; real quarterly occupancy data in Fiji; and expert insights.

2.5 Vulnerability to Climate Change and Natural Disasters

Although the Pacific tourism industry's recovery from COVID-19 is well underway, natural disasters, made worse by climate change, will continue to affect the sector and its competitiveness. Tropical cyclones, flooding, volcanic eruptions, tsunamis, and earthquakes are common in the region. Despite significant uncertainty, extreme weather events are expected to increase in intensity and frequency with climate change.[92] Five of the PICs were among the world's 15 countries most exposed and vulnerable to disasters caused by extreme weather events in the 2021 WorldRiskIndex, including Solomon Islands, Tonga, and Vanuatu in the top three spots (Bündnis Entwicklung Hilft 2021).[93] Since 2009, major disasters have caused more than USD 250 million in tourism-specific damage and loss, about 9 percent of total damage and loss to PICs during this period (Figure 17).[94] Disasters affect tourism businesses directly by damaging their assets and indirectly by disrupting the services, supply chains, and public infrastructure on which they rely. Loss of income during repairs and market downturns that usually follow the events compound these effects. In a recent survey, 38 percent of Pacific tourism firms affected by extreme weather over the previous year said this had a major impact on their operations, compared with 29 percent of manufacturing firms (PTI 2022). Many tourism businesses are located in coastal areas, which are at higher risk for some hazards. Disasters increase tourists' and investors' risk perceptions of destinations, and arrivals can take years to recover after major events (Erman et al. 2021; World Bank 2020e). Beyond disasters, rising sea levels threaten fragile tourism assets and infrastructure in PICs, and higher water temperatures affect the coral reefs that underpin many marine activities. An early study found that the declining appeal of the Pacific as a destination due to climate change could result in 27 to 34 percent lower regional tourism revenues by the end of the century than under a business-as-usual scenario (ADB 2013).

Figure 17. Damage and Losses to Tourism from Recent Natural Disasters in Pacific Island Countries



Sources: Government of Fiji 2013; Government of Fiji 2016; Government of Samoa 2009; Government of Samoa 2013; Government of Tonga 2018; Government of Vanuatu 2015; Government of Vanuatu 2020.

Note: TC, tropical cyclone.

[92] Since 2000, cyclones have been the most frequent natural disaster (38 percent), followed by floods (21 percent), volcanic activity (10 percent), and earthquakes (9.5 percent) (EM-DAT 2022). Although cyclones tend to be the most common source of damage in PICs, recovery from volcanic activity, earthquakes, and tsunamis tends to be more challenging.

[93] A new methodology, including absolute and relative figures of population at risk, resulted in many SIDS no longer topping the ranking in the WorldRiskIndex 2022. For more details about the methodology, see https://weltrisikobericht.de/weltrisikobericht-2022-e.

[94] Based on conservative estimates for major recent disasters for which post-disaster needs assessments were conducted, total damage and losses to tourism amounted to at least USD 92 million in Fiji, USD 89 million in Vanuatu, USD 53 million in Samoa, and USD 19 million in Tonga. A forthcoming assessment by the Asian Development Bank estimates that damage to the tourism private sector from the Hunga Tonga-Hunga Ha'apaii volcanic eruption and tsunami in December 2021/January 2022 was USD 20.5 million, but such estimates generally do not account for damage to land and marine natural assets that form a key part of PICs' tourism offerings.

Tourism MSMEs often lack the awareness, knowledge, technical capacity, and financial resources to invest in resilience and reduce their exposure to disaster and climate risks. Small- and medium-sized firms (SMEs) are particularly at risk since large firms generally have the capacity to invest in disaster risk reduction, and micro-firms have fewer fixed assets that can be damaged in disasters. Tourism SMEs often underinvest in disaster risk reduction because they are less aware of options; they lack technical knowhow; or the costs to prepare for uncertain events, for instance by retrofitting buildings to comply with more-protective standards, is seen as prohibitive in the context of limited financial resources and competing business concerns (Mahon, Becken, and Rennie 2013). Financing constraints often lead SMEs to underinvest in climate adaptation (Collier and Ragin 2022; Crick et al. 2018). Although governments and donors have supported business continuity planning in the aftermath of disasters, financing options to implement such plans are limited. Moreover, the evidence suggests that access to insurance for natural disasters is limited in the Pacific; in a survey conducted after Tropical Cyclone Yasa, which hit Fiji in December 2020, only 1 percent of 1,554 firms were covered against cyclones (IFC 2021). By contrast, in a recent survey of tourism businesses in the Caribbean, 63 percent of firms reported having an insurance plan with disaster coverage (Erman et al. 2021). Failing to build resilience can have long-term consequences for firms' capacity to provide competitive services, even in the absence of a disaster, because high background risk can discourage them from making long-term investments and developing new products and services (Tanner 2015).

Government investments in resilient tourism have not gone far enough because of uncertainty about future events. Governments in PICs have various options to foster resilience and reduce vulnerability to disasters in tourism, including measures to reduce exposure (e.g., investment in resilient infrastructure, land-use planning and zoning, adoption, and enforcement of building codes), manage residual risk (e.g., early-warning systems), and help firms and workers recover quickly from shocks. Even in PICs that have made significant investments in systems and infrastructure to strengthen climate resilience over the last decade, such as Fiji, significant residual vulnerability exists at the sector level, including in tourism (World Bank 2022d). Investments in resilience are sometimes perceived as a gamble given uncertainty about timing and severity of future disasters, discouraging policy makers and investors with shorter time horizons from investing in it. Ex ante disaster risk reduction can yield significant co-benefits even if a disaster does not happen for many years, including by stimulating economic activity by reducing disaster risk and generating development co-benefits through multipurpose infrastructure design (Tanner 2015).

Lack of a strong evidence base for the potential long-term benefits of investment in resilience has limited public and private funding. There has been a lack of quantitative evidence that would enable public and private tourism stakeholders in SIDS to articulate the benefits of disaster risk reduction to unlock private investments and efforts to create an enabling policy environment (Mahon, Becken, and Rennie 2013). In PICs, although cost-benefit analyses of investing in resilient infrastructure, housing, and public buildings have been conducted, none have focused on tourism. Simple analyses can be conducted to assess the net present value of potential short-term investments, including in more-resilient buildings and facilities, over a period of time and understand the factors that influence it. An initial assessment for a few PICs found that such investments would have positive net present values in all example cases (Box 17). These estimates are based on conservative assumptions and do not capture the broader benefits of disaster risk reduction investments previously mentioned. However, they can help anchor the policy dialogue about the importance of investments, incentives, financing, and standards for resilience and to lay the groundwork for more-in-depth country-specific analysis. Other tools are available, such as IFC's Building Resilience Index, a web-based hazard mapping and resilience assessment framework for design, construction, and retrofitting of buildings.[95]

Box 17. Benefits of Resilient Tourism Infrastructure

The economic rationale for investing in more-resilient tourism infrastructure in Pacific Island countries was assessed using a simple simulation.[a] The simulation compares the cost of investing today in the retrofitting of tourism-related infrastructure and design upgrades for new buildings to the economic benefits from avoided damages and revenue losses due to expected TC impacts from 2022 to 2052, based on past exposure. The simulation focuses on cyclones, given their frequency in the Pacific, although investment in resilience against cyclones could also reduce vulnerability to other types of disasters.[b] The simulation was applied to four countries for which comparable information on the impacts of past cyclones is available (Fiji, Samoa, Tonga, Vanuatu).

Investing in resilient tourism infrastructure in anticipation of natural disasters was found to have a positive net present value for all four countries (Table 10). Relative to their pre-pandemic gross domestic product and tourism revenues, the present value of the operation for Tonga is the highest of the four countries, followed by Vanuatu, Samoa, and Fiji. Although the return on investment for Fiji is smaller because of the large number of hotels in the country, policy makers should consider the benefits of resilience investment beyond savings from

[95] See https://www.resilienceindex.org

cyclone impacts, including the expected reduction in losses from other natural hazards, the impact on people, and the positive effects for other sectors. In the case of Fiji, higher return on investment could potentially be achieved by focusing on areas in the country that are particularly prone to the impacts of cyclones, such as Vanua Levu and other outer islands. Even in the case of Vanuatu, damage from the 2015 cyclone impact may be underestimated because of lack of data from hotels.

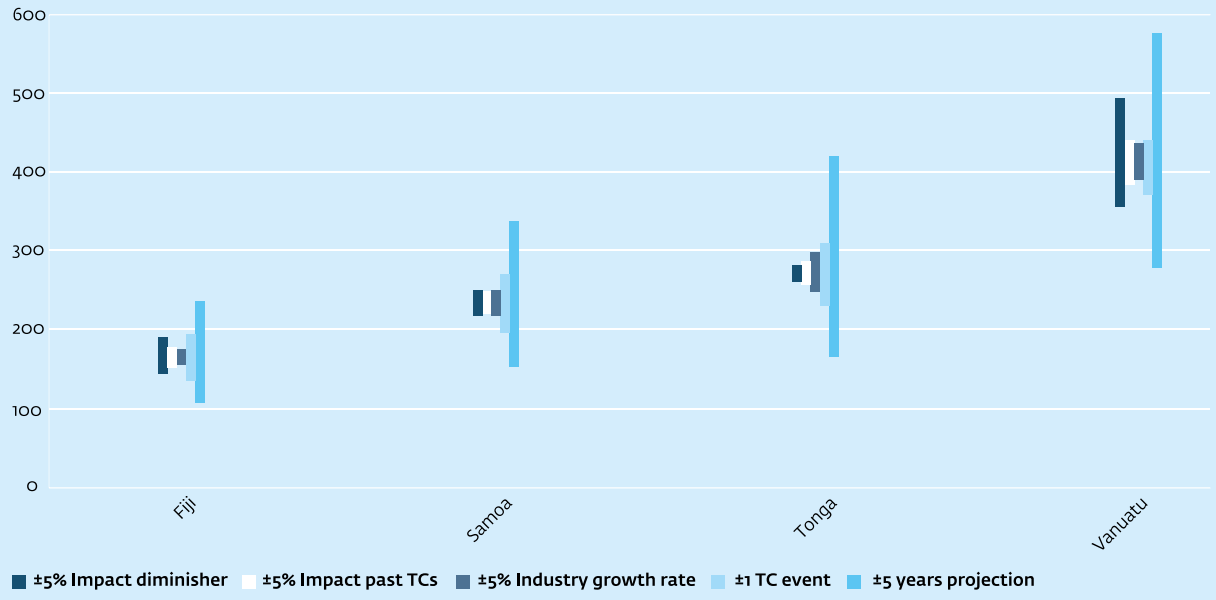
Table 10. Potential Return on Investment in Resilient Tourism Infrastructure

Country	Net present value	Benefit-cost ratio	Gross domestic product 2019 (2022 USD million)	Tourism receipts 2019 (2022 USD million)
Fiji	164.65	2.75	5,496.0	1,345.0
Samoa	234.07	5.65	852.3	206.0
Tonga	272.29	7.51	512.4	57.1
Vanuatu	413.63	3.81	930.3	295.0

Long-term benefits from investments varied from country to country based on number of forecasted cyclones, estimated absolute impacts on the tourism sector and with respect to other sectors, and expected growth in accommodation supply. For instance, Vanuatu has the highest present value because Category 5 cyclones have hit it twice as often as Fiji, Samoa, and Tonga (World Bank 2016), increasing the savings over time of rebuilding tourism infrastructure. Fiji has the lowest benefit results because it has the lowest expected growth in supply and the highest investment costs relative to expected cyclone impact savings, the latter partially because of the large supply already in existence and therefore the high costs to refurbish it all to resilient standards. Samoa and Tonga have high expected returns on investment because of the estimated impacts of a cyclone in absolute terms and higher projected growth in accommodation supply, the latter mainly for Tonga.

Although the results are estimates based on limited available data, the simulation can be helpful for understanding the variables that have the highest impact on the final outcome. Limitations of the data and modeling mean that the margins of error in the estimates give rise to significant confidence bands around the present benefits of the investment. Sensitivity analysis helps explain the parameters that might have a higher positive or negative impact on the investment justification process. Figure 18 shows the sensitivity of the countries' net present value to relevant parameters in the model equation, which influence the results differently for each destination being analyzed.

Figure 18. Results of Sensitivity Analysis on Resilient Tourism Buildings Simulation



a. See Annex B.4 for more details about the methodology.

b. For instance, there are some general similarities between engineering design for resilience against wind and earthquake (Taher 2010).

Image: *Papua New Guinea*

3. Policy Priorities for Competitive and Sustainable Pacific Tourism

PICs have long strived for more-valuable tourism industries and can leverage recovery from the pandemic as an opportunity for reset. To do so, they must prioritize policies and investments that address underlying tourism sector market failures and structural challenges that COVID-19 has exacerbated. Even before the pandemic, PICs struggled to implement strategies to enhance the sector's sustainability and attract higher-value markets. Now, with additional pressure to regain visitor numbers and limited fiscal space, identifying and prioritizing the most effective policies and public sector investments is all the more critical. Moreover, to maximize tourism's role as a catalyst for development, stronger linkages between tourism development strategies, other national strategies (e.g., poverty reduction, resilience), and efforts to address structural barriers to inclusive growth and economic diversification in PICs will be needed.

This chapter highlights four categories of policy interventions needed to increase value addition in the tourism sector and create more-competitive, -sustainable, -inclusive, -resilient Pacific destinations. Although short-term measures to solidify and broaden recovery from COVID-19 may still be required in PICs, recommendations on this have been covered extensively in other publications and are not repeated here.[96] Within each policy category, this report's recommendations are prioritized to focus on the most-effective measures for medium- to long-term sustainable growth and to refine the recommendations outlined in *Pacific Possible* to address new market conditions and align with government priorities. These recommendations build on the analysis of tourism's development contribution across the region as outlined in Chapter 1 and focus on the sector's binding constraints as laid out in Chapter 2. Considering these findings, policy recommendations are organized around the following core categories: (i) Improving tourism sector governance, (ii) Refocusing destination development to support MSME growth and market diversification, (iii) Enhancing skills and training in the tourism workforce, and (iv) Mainstreaming resource efficiency and resilience in the sector. Although most of these policy categories are included in national tourism strategies, experience in the Pacific shows that countries struggle to achieve sectoral change because of a lack of specificity and weak implementation.[97] Prioritization of these categories and specific policy actions can be informed by examining them according to market segments; Figure 19 identifies policy categories and actions that will support development across multiple market segments and highlights the integrated approach to policy reform required to develop the most valuable markets.

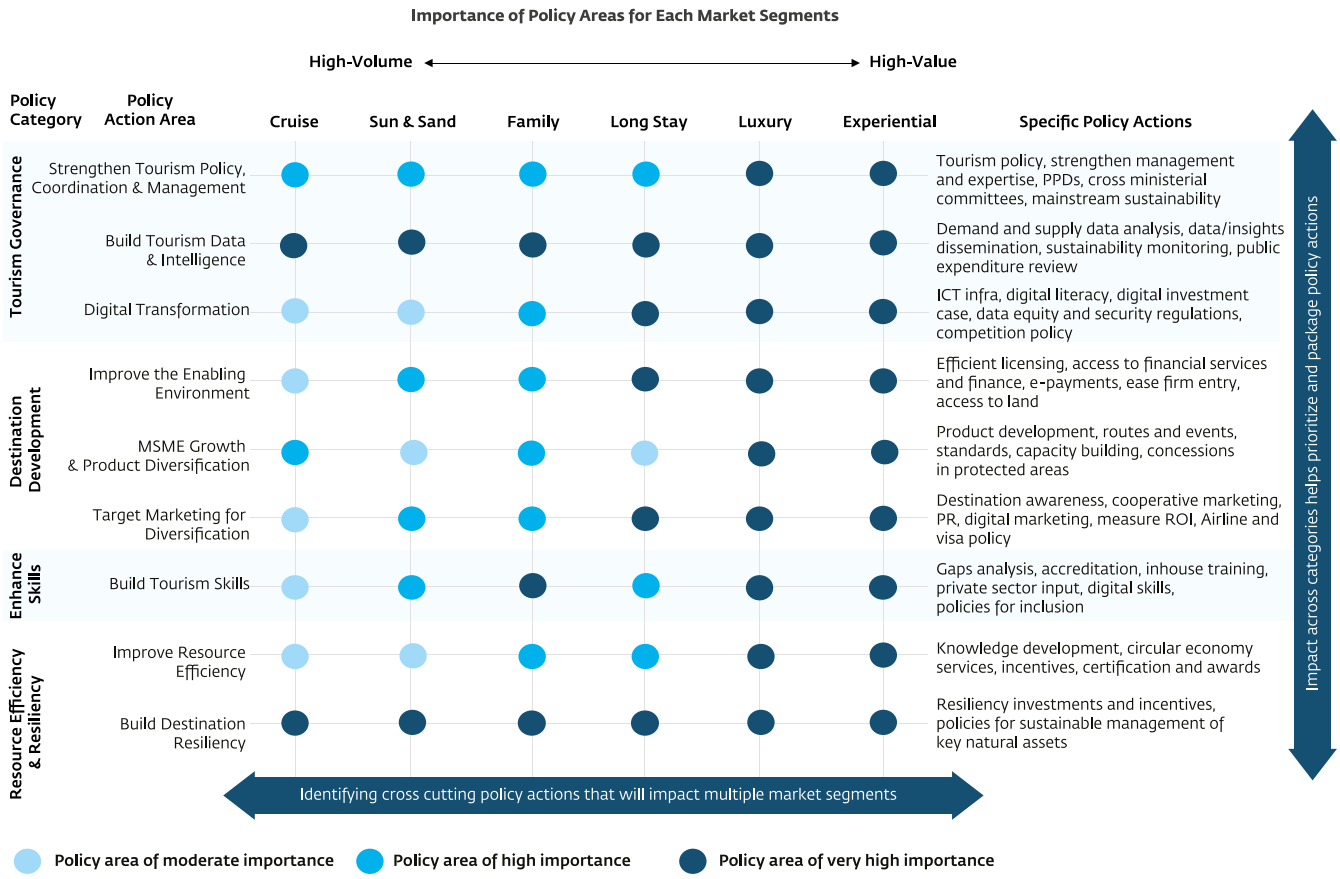
Image: *Vanua Levu, Fiji*
Credit: *World Bank*

[96] Guidance focusing on crisis response and short-term recovery that the World Bank has published includes Rebuilding Tourism Competitiveness (World Bank 2020a), Tourism Recovery in the Pacific (World Bank and IFC 2020), and Expecting the Unexpected: Tools and Policy Considerations to Support the Recovery and Resilience of the Tourism Sector (World Bank 2022b). The last provides detailed short-term policy guidance to support firms and workers, reopen safely, and stimulate demand. The Asian Development Bank also published reopening policy guidance for PICs (PSDI 2022) and tourism-recovery policy priorities for Asia and the Pacific (ADB 2022).

[97] Tools and guidance for implementation and monitoring of prioritized policy actions are provided in Annex D.

Image: *Aneityum, Vanuatu*
Credit: *Jessie McComb*

Figure 19. Framework for Policy Intervention Prioritization



Given the different maturities of their tourism sectors and targeted market segments, policy priorities will vary for PICs in different categories of this report's destination typology. This regional report identifies broad intervention areas and attempts to identify the most relevant actions for various destination categories (Table 11). Structural barriers to growth, market potential, destination vulnerabilities, and government strategies in each category informed prioritization of policy areas according to country type. Countries with more-mature tourism sectors that have had some success in targeting high-value markets should focus on destination development by fostering MSME growth to expand products, market diversification, and skills enhancement, as discussed in Chapter 2. Countries with emerging tourism sectors should focus on building tourism intelligence, improving the business enabling environment, supporting MSME development to create new products, and building skills. All countries require more intensive efforts on strengthening leadership and coordination, as well as to build destination resilience, especially to address coordination failures across the sector. Importantly, fostering strong coordination between the public and private sectors is necessary, as they both have important roles to play to rebuild tourism. With limited public fiscal space and capacity, private sector investments, particularly in product development, tourism asset upgrades, marketing, and even essential services though PPPs, will be necessary.

Table 11. Prioritization of Policy Areas According to Pacific Island Country Destination Category

Category	Policy Area	Type 1	Type 2	Type 3	Type 4
Tourism governance	Strengthen tourism policy, coordination, and management	Very high	Very high	High	Very high
	Build tourism data and intelligence	Moderate	Moderate	Very high	High
	Digital transformation	High	Moderate	Moderate	Moderate
Destination development	Improve the enabling environment	Moderate	High	Very high	High
	Micro, small, and medium-sized enterprise growth and product diversification	Very high	Very high	High	High
	Target marketing for diversification	Very high	High	Moderate	Moderate
Enhancing skills and training	Build tourism skills	Moderate	Very high	Very high	Very high
Mainstreaming resource efficiency and resilience	Improve resource efficiency	High	Moderate	Moderate	Moderate
	Build destination resilience	High	Very high	High	Very high

Targeted policies to strengthen tourism should be coordinated with efforts to address broader horizontal constraints on growth that are particularly problematic in PICs. While the recommendations highlighted in this chapter were selected for their direct relevance to the objectives of increasing value addition, inclusiveness, sustainability and resilience in tourism, several other structural constraints still impede the sector's development and broader private sector growth in the Pacific, with variations across countries. These are not discussed in detail here, as they have been addressed through other reports and projects, but efforts to address them going forward will partly determine the success of initiatives recommended in this report. Key challenges include connectivity,[98] land rights,[99] security,[100] health,[101] and preservation of ecosystems.[102]

Additional research using country-specific data and information will be required to determine more-specific policy action plans. Although this regional report provides research and policy recommendations to guide dialogue, further country-level analyses will be needed to determine concrete action plans for tourism investments. These plans will depend on countries' endowments, sectoral obstacles, and policy aspirations as expressed in national tourism strategies. Design and prioritization of these investments must also consider the broader context of structural challenges not addressed in detail in this report. This exploration could be linked to preparation and implementation of projects addressing key structural constraints on development, for instance on skills and essential services.[103]

[98] Several reports have studied air connectivity and national carriers in the Pacific (ADB 2007; Balasundharamet al., 2021; Movono 2022), and the Bank's ongoing analytical program "A Blue Transformation for Pacific Maritime Transport" will foster better understanding of regional maritime connectivity in the region, notably as it relates to tourism.

[99] Analysis of the complex question of land rights in the Pacific and their impact on development can be found (AusAid 2008a; 2008b), with specific implications for tourism (Safran 2015; Scheyvens and Russell 2011).

[100] For general reviews of the links between safety, security, and tourism development, see Tarlow (2014) and UNWTO (2021b). For an application to PNG, see Sumb (2017).

[101] On the influence of actual and perceived health risks and health care systems on travel intentions, see Rasoolimaneshet al. (2021) and World Bank (2022b).

[102] Under the ongoing *Pacific Ocean Advisory Program*, the Bank supports new analytical work on threats to sustainability of ecosystems that support fisheries and tourism in PICs, including pollution, waste, resource over-exploitation, biodiversity degradation, and climate change.

[103] For instance, the *Fiji Tourism Development Program in Vanua Levu* will implement a series of investment projects over a 10-year period to foster growth of high-value tourism on the country's second largest island, spread tourism's benefits more widely in communities, and address tourism's environmental impacts. Tourism-specific and more-horizontal interventions include master planning and coordination, MSME development, skills training, access to finance, upgrade of key infrastructure (e.g., airports, roads), development of essential services (e.g., solid waste management, medical facilities, renewable energy), and investment in marine protected areas.

Box 18. Targeting High-Value Markets in Latin America and the Caribbean

Bermuda and Costa Rica have deep experience targeting high-value visitors, a strategy adopted 10 years ago in Bermuda and 20 years ago in Costa Rica.

Costa Rica is a destination reliant on its natural assets, so sustainability has been at the core of the country's policymaking since the late 1990s. In 1997, the Costa Rica Tourism Board developed the Certification for Sustainable Tourism, a guideline for tourism businesses in sustainable management – currently over 400 companies are certified. Costa Rica's 2002 tourism strategy started the destination's focus on high-value markets to increase tourism benefits with lower impacts on the natural environment. In targeting high-yield markets, Costa Rica focused on developing and differentiating products, improving the quality of the offering, and marketing to nature-based and wellness niche markets. As such, visitor spend per arrival increased from USD 1,284 in 2002 to USD 1,364 in 2019.

Bermuda's 2012 National Tourism Master Plan highlighted high-end market appeal as one of the destination's top strengths to support achieving sustainable development. By 2014, the Bermuda Tourism Authority started research on visitor experience satisfaction; identified 74 experiences to receive marketing and capital support in the fields of sports, arts and culture, and natural resources; and conducted a product inventory and gap analysis to identify high-value experience opportunities. The 2019 National Tourism Plan continues to target high-value markets, using niche markets as a key strategy to reduce tourism's seasonality. Between 2012 and 2019, Bermuda increased visitor spend per arrival from USD 1,931 to USD 2,234.

Sources: Bermuda Tourism Authority 2012; 2019; Costa Rica Tourism Board 2002; 2022; UNWTO 2022b.

3.1 Improving Tourism Governance

Table 12. Tourism Governance Priorities According to Country Type

Policy area	Type 1	Type 2	Type 3	Type 4
Strengthen tourism policy, coordination, and management	Very high	Very high	High	Very high
Build tourism data and intelligence	Moderate	Moderate	Very high	High
Digital transformation	High	Moderate	Moderate	Moderate

Strengthening Tourism Policy, Coordination, and Management

To achieve meaningful change in the sector, tourism planning, policy, and regulations must be prioritized and integrated across government and industry, with all actors held accountable to sustainable tourism commitments. Although PICs have created useful tourism policies and strategies that set goals for sustainability and target high-value tourism markets, including at the regional level (SPTO 2021a), most have not been able to execute these strategies. The core challenge is a mismatch between tourism authorities' narrow mandates and the wide scope of policy areas that affect tourism firms and activities. Underlying this are coordination failures within the government and between the government and the private sector. Addressing these challenges and improving tourism governance is necessary for sustainable growth of all market segments but more pressing for high-value markets such as those seeking luxury and experiences (e.g., adventure tourism) who seek out smoothly functioning destinations.

Given the prominence of tourism in the PICs' economies, tourism policies and strategies can no longer be standalone documents with implementation left solely to tourism authorities and should rather be overseen at a higher level. To develop high-value, sustainable, resilient tourism destinations in the Pacific, tourism management and development must have dynamic

policy engagements that work across the government and private sector to create an enabling environment for businesses and investors that can provide high-value products that prioritize sustainability and inclusivity (Box 18). Public sector leadership is necessary to ensure that public assets are developed and maintained and to guide high-value, sustainable, inclusive, resilient destination development, spreading the benefit of tourism throughout the economy and destination. Tourism sector leadership must also be a coordinated effort between the public and private sectors, drawing together funding, expertise, and knowledge to create sustainable, diverse destinations. This especially important since tourism has the potential to promote critical enabling conditions and policies that benefit the whole economy, such as literacy development, women's economic empowerment, entrepreneurship, and transferrable skills development. To resolve this, three areas need to be addressed across all categories of the PIC destination typology:

- **Defined destination management and execution responsibilities:** A strong whole-of-government approach (Box 19, 20) is needed to implement tourism development plans effectively and integrate the various policies affecting and influenced by tourism. This implies better-equipped tourism ministries and departments in terms of quantity of qualified staff. Given tourism's significant contributions to Pacific economies and public revenue, a strong role for ministries of finance and economy is also warranted to coordinate reforms and public investments in various areas linked to tourism but beyond the direct purview of tourism authorities. Cross-ministerial tourism committees with private sector representation, decision-making autonomy, and capacity to monitor implementation can also play a crucial role in policy implementation and coordination.[104] While the ministries and committees will lead on policy actions and coordination, execution-oriented tasks (e.g. investment promotion, planning, marketing, product development) should be led by national tourism organizations (NTOs) that have the autonomy to implement strategies and act on opportunities at an operational level and have core private sector leadership. This is critical for partnership development in marketing and promotion, which often needs quick action to take advantage of trends and flexible partnership mechanisms to develop cooperative marketing campaigns with industry or regional partners.
- **Suitably equipped human resources:** To achieve the goals of policy- and execution-driven agencies, governments must develop, encourage, and retain the right type of human resources by widening recruitment bases and creating performance-based incentives and contracts. For policy-based roles, it is critical for leaders to have skills in stakeholder engagement, influence, and communication in addition to technical skills in public policy and governance. Similarly, for execution roles, staff should have skills in technical areas and understanding of industry operations and high-value tourism markets. Governments can partially fill their expertise gaps through stronger, institutionalized partnerships with the private sector and by creating tourism boards that bring public and private sector leadership together.
- **Capacity to engage and influence:** A robust private sector is necessary for dynamic growth of tourism, and industry representatives should have a role in sector leadership. To achieve this, the public and private sectors must lead destination management, marketing, and development together. Although most PICs have some level of private sector engagement in tourism leadership, it can be uncertain or tokenistic, with changes to government leadership creating vulnerabilities in the partnership. To address this, governments should institutionalize mechanisms for ongoing public-private dialogue and create multiple, permanent seats on tourism committees or in NTO leadership for the private sector. It is important for industry to have a voice within government, across the ministries and agencies affecting the sector. Similarly, the public sector needs an ongoing mechanism to facilitate engagement with the domestic and international private sector, investors, and local communities and landowners—essential stakeholders in tourism development. For Type 3 and 4 countries that are still emerging destinations, working with the private sector is critical, because governments have limited fiscal space to fund tourism governance. For these countries, establishing strong NTOs that involve private sector leadership and funding through cooperative marketing (e.g., via voluntary contributions or bed taxes) can help address the funding gap.

With stronger, more-empowered, more-influential national tourism management, governments will be able to support holistic destination management and development. Through integrated planning and coordination with local government, existing destinations can be improved, and new locations can be opened to tourism. This is especially critical for Type 1 and 2 countries that could benefit from spreading the benefits of tourism throughout the country and opening new market segments and for Type 3 and 4 countries that required planning for current destinations to develop and stimulate initial demand.

[104] Key roles for committees include reviewing existing policies and regulations that affect tourism to assess gaps and conflicts; mainstreaming sustainable tourism priorities into policies of other ministries, departments, and agencies; identifying regulatory reforms required to achieve sustainable tourism; and creating accountability systems for committee members. Cross-ministerial committees will also help destinations respond to COVID-19-related trends for better hygiene and sanitation.

Box 19. Whole-of-Government Approach to Tourism Development: New Zealand

Tourism in New Zealand is managed through the government, a national-level destination management organization (DMO) and regional tourism associations (RTOs). The Treasury – Te Tai Ōhanga sets overall prioritization of the sector in the national budget, provides ownership of state-owned enterprises (including Air New Zealand), and oversees performance of tourism-related public agencies. Importantly, they create a structure and environment for execution driven tourism management. Tourism policy and strategy are set by the Ministry of Tourism. Policy development and implementation and sector regulation are led by the Ministry of Business, Innovation and Employment (MBIE) that oversee all business-related activities in the economy, including many that are essential for tourism, such as building, competition, enterprise strategy and planning, digitalization, data and insights, immigration, and labor. MBIE's tourism department supports tourism recovery, destination management, product development and tourism funding approaches (managing the tourism levy; tourism infrastructure fund; and, previously, a tourism grant facility). Tourism New Zealand (TNZ) is a crown entity that sits under and is funded through MBIE, with a core mandate for marketing. TNZ is governed by a board of directors that include both public and private sector members. Qualmark, New Zealand's quality assessment and assurance standards, is owned by TNZ and has a core focus on sustainability criteria.

MBIE's wide, crosscutting mandate allows for a tourism strategy that can tie together critical elements of tourism regulation, but MBIE recognizes that the tourism ecosystem extends beyond Its mandate. Its current tourism strategy was developed in partnership with the Department of Conservation and follows a whole-of-government approach, with coordination across the government being the plan's top priority. Through the strategy, MBIE and Tourism New Zealand coordinate with regional tourism associations. Although their roles vary, regional tourism associations focus on tourism promotion, economic development from tourism, product development, and capacity building.

Sources: MBIE n.d.; MBIE and Department of Conservation 2019; Pearce 2015; Qualmark n.d.; Tourism New Zealand n.d.

Box 20. Destination Management and Marketing in the Wake of Natural Disasters in Puerto Rico

The Puerto Rico Tourism Company (PRTC) has been lauded for developing a robust tourism economy despite frequent natural disasters. The destination management organization, founded in 1970, is a public corporation under the Department for Economic Development and Commerce that has a mandate for "stimulating, promoting and regulating the development of Puerto Rico's tourism industry". It is governed by a board of directors that includes both public and private sector representatives and is overseen by an Executive Director appointed by the Governor (the state's highest political position). It is supported by Discovered Puerto Rico, the non-profit destination marketing organization created by legislation in 2017. Together the Puerto Rico Tourism Company and Discover Puerto Rico joined forces to support tourism recovery in the aftermaths of Hurricanes Irma and Maria and a series of earthquakes. The Puerto Rico Tourism Company worked with the state government to rebuild infrastructure, provide investment incentives, and build capacity. Discover Puerto Rico initiated a new campaign "Have we Met Yet" to build new consumer confidence and introduce the destination to new markets. Other campaigns that built on destination-level branding and responded to the ongoing crisis of COVID-19 followed. This required coordination across the government, marketing agency, private sector, and investors, which the Puerto Rico Tourism Company led, and consistent communication to industry and travelers. In addition to marketing, the industry worked to build tourism product experiences to attract new markets in volunteer, community-based tourism; culinary and agrotourism; and lesbian, gay, bisexual, transgender tourism. Total this resulted in USD 480 million of local economic impact, 50 percent more demand over two years, and 10 percent higher room rates.

Sources: PRTC n.d.; The Weekly Journal 2022; TravelAge West n.d.

Building Tourism Data and Intelligence

A core function of an NTO is generation of robust, accurate data on tourism demand and supply to inform policy making and business investment for more high-value, sustainable, resilient, inclusive tourism. Over the past decade, some PICs have substantially strengthened their statistics and measurement systems to determine the size, value, and trends of the tourism industry, particularly in Type 1, 2, and 4 countries, but only Fiji (2012) and PNG (2022) have Tourism Satellite Accounts, which provide robust analytical data but are expensive, time consuming, and challenging to implement regularly, especially for small states. Collection of other data on demand and supply can provide critical information for policy making in the absence of a tourism satellite account. Table 13 lists the types of data that would inform demand stimulation, supply development and monitoring, and economic statistics, along with the relevant data collection tools that could be used.

Table 13. Tourism Data Required for Evidence-Based Policy Making

Category	Market	Indicator	Data collection tool
Demand	Existing markets	Arrivals, source market, purpose of visit, average length of stay, locations visited, spending according to category, activities, satisfaction rates, demographic characteristics, travel party, travel motivations, repeat visitation, type of accommodation, net promotion score, planning and booking sources, influencing factors, mode of transport	Official immigration statistics, international visitor surveys, mobile tracking data, credit card data, big data scraping
		Domestic tourism information (same as above)	Domestic visitor surveys, hotel and operator surveys, mobile tracking data
	Both existing and new markets	Mega trends, regional trends, market segmentation	Competitor analysis, consumer research, trend reports, qualitative focus groups, big data scraping, social media listening
	New markets	Demographic characteristics, psychographic characteristics, customer journey details, trip details, spend planning and booking sources, destination selection influences, image or campaign responses	
Supply	Existing supply	Inventory of tourism businesses and business data (number of employees, turnover, guests served, etc.), including accommodation according to size (rooms and beds), location, price, and segment; tour operators; activities and products	Business licensing authority registrations, tax agency registrations, representative firm survey Census and household survey
		Firm revenues, consumption, gross value added, employee compensation, gross fixed capital formation	
		Employment data disaggregated according to occupation, status (self-employed, employee, full time, part time), skill level, sex, location, age	
		Occupancy, average daily rate; revenue per available room; average length of stay for accommodation according to size, location, price, segment	Hotel survey, STR[105]
		Key obstacles that firms face (e.g., business environment, finance, skills, exposure to shocks), extent of local procurement, investment in key technologies (e.g., digital technologies, clean energy, resilient building)	Representative firm surveys, investor surveys
	Pipeline supply	Investment pipeline, including type, size, service, and location of business and size and timeframe for investment	Investment promotion agency, investor surveys, landowners, government
Other	Indicators for current measurement	Macroeconomic indicators of inbound tourism expenditures, outbound tourism expenditures, tourism balance, tourism openness, tourism coverage; inbound tourism expenditures compared with exports, current account, imports	Tourism satellite account
		Public spending on tourism and linked sectors	Government budgets
		Data on negative environmental and social externalities of tourism (e.g., waste, pollution, natural asset damage)	Environmental audits, community sentiment surveys
		Tourism's contribution to poverty reduction (necessary to include appropriately specific tourism-related standard industry classification (SIC) codes)	Census and household survey
	Future measurements	Impacts of natural disasters on tourism businesses (e.g., lost revenue, damage, environmental considerations)	Post-disaster needs assessment

[105] STR is a global data provider on accommodation: www.str.com

Collecting data on new markets and competitor destinations is equally as important as understanding existing markets. While data on existing markets is essential to inform overall economic information and to better serve and address the needs of existing markets, NTOs also must look to external data for tourism growth. Type 1 and some Type 2 countries have done so already with the support of donors and partners to conduct primary consumer market research on new market segments or source markets and to identify relevant global trends. All countries should use global data, both qualitative and quantitative, to understand their competitor set. Examining their competitive set against key success factors and indicators, linked to the objectives of tourism policies, can support strategic growth and a deeper understanding of development pathways (Box 21).

Box 21. Belize Tourism Data: Accessing Supply and Demand Data for Decision Making

The Belize Tourism Board provides tourism statistics and insights on industry performance to stakeholders to facilitate decision making, strategy, and policy creation. The interactive dashboard is available on the board's website and includes demand data on arrivals, including overnight and cruise; source markets; locations visited; and seasonality.[a] Importantly, they provide regional data for industry and policy makers to review their competitive set. On the supply side, the dashboard includes accommodation statistics such as occupancy, Average Daily Rate, Revenue per Available Room and available inventory and tour operator information including top tour sites and activities and tour guide and tour operator inventory by destination.

a. See https://www.belizetourismboard.org/belize-tourism/statistics/.

Improving the quality of tourism data will increase the accuracy of analysis of the sector's contribution to the economy, provide countries with better information to face future industry shocks, and inform investment strategies. Supply-side data are essential for countries to understand the size of the sector and the types of businesses and number of employees in the industry. In the event of future shocks, including natural disasters and demand-side events such as pandemics, having a detailed understanding of industry composition will help the government make informed decisions about assistance measures. Robust supply-side data are also important for investors and financial institutions to understand the market size for new products, such as insurance for natural disasters and firm-level circular economy services. Data on tourism supply and employment should be sex disaggregated to track concerns about and improvements in women's economic empowerment and employment. For supply-side data, working across the government with licensing boards and regulatory agencies and with the private sector is essential to ease the burden of data collection (Box 22).

Box 22. France's DATAtourisme: Compiling Information for Tourism Intelligence

DATAtourisme[a] is France's national system led by the General Directorate of Enterprises, in partnership with ADN Tourisme (National Federation of Institutional Tourism Organizations). It facilitates access to public data for tourist information through a national Open Data platform. The system was developed in 2017 to respond to the extreme fragmentation of tourist information across local Tourist Information Systems in France, an obstacle to the wide and multi-channel dissemination of qualified and reliable information. The core of DATAtourisme is a data aggregation platform, capable of bringing together data from various local public databases. The approach standardizes data formats and aligns them with a specific DATAtourism ontology, making them available in the Open Data platform via a single access point. The dissemination at a single access point of all the tourist data distributed in the local databases required the creation of a common dissemination format. To achieve this, a 'semantic profile' was created: composed of a tourism ontology and a business knowledge base (thesaurus), making it possible to respond to the relevant challenges of interoperability. (World Bank 2022e).

a. See https://www.datatourisme.gouv.fr/

PIC governments could increase the efficiency of their support to tourism by collecting and publishing more data about fiscal transfers from and to the sector. Ensuring that public spending in the sector is justified and efficient is particularly important in current times of tight fiscal space. Limited data are available about the contribution of tourism to tax earnings and amount and efficacy of public spending to support tourism in PICs. This includes any incentives and subsidies for businesses in tourism and linked sectors, such as transport; public investment in infrastructure; and funding of tourism management bodies. Such data could be collected, consolidated, monitored, and published with a view to providing an understanding of where public resources are spent, what impacts it can be linked to, and what are the potential funding and resourcing gaps (Box 23). This could take the form of a public expenditure review for tourism and should be linked to broader efforts to improve public financial management.

Box 23. Financing of Hawaii Tourism Authority: Transparency of Tourism Budgeting

Hawaii has a long history of evidence-based decision making founded on strong data collection and analysis. Hawaii's stakeholders leverage high-quality data, studies, and research to make evidenced-based decisions to inform strategic tourism plans and investment planning. Leaders are equipped with the skills and knowledge to interpret data. After it gained statehood in 1959, Hawaii took a coordinated approach to tourism development, with focused research on market demand to develop investment-oriented destination plans. In the 1980s, the state launched holistic long-term planning based on demand studies, resident sentiment surveys, and investment in public spaces. The Tourism Accommodation Tax, launched in 1986, supported creation of the Hawaii Tourism Authority in 1998 and construction of the Hawaii Convention Center. The tax provides a dedicated source of funds for promotion and is easily levied with limited impact on residents. More importantly, the tax allows for clear, transparent fiscal transfer for public funding for tourism management, marketing, and development. Tourism accommodation tax revenue is distributed to counties (20 percent); the Tourism Special Fund, which the Hawaii Tourism Authority manages (16 percent); the Convention Center (5 percent); conservation programs (0.8 percent); and the General Fund (57 percent) (IFC 2019c).

Data collection priorities are different for different destination categories.

- In Type 1, 2, and 4 countries, priorities are to maintain funding for tourism statistics collection and analysis through research initiatives such as international visitor surveys (IVS) and to focus on dissemination of knowledge created through these initiatives. Since Fiji is advanced in data collection and dissemination, it should focus on institutionalizing these activities with a permanent budget, deepening subnational tourism data to understand how to spread the benefit of tourism throughout the country, and acquiring more global data on high-value market trends. Type 2 countries could also benefit from stronger subnational tourism data.
- Type 2 and 4 countries should explore integration of existing arrival and visitor survey data into accessible business intelligence platforms with insights and interpretation for industry to operationalize the findings.
- Type 3 countries should focus on improving basic tourism statistics at the national and district levels (e.g., visitor arrivals according to category, product, and service supply) and coordinate data collection and analysis across the government. This will lay the statistical foundations for deeper data engagement, such as launching an IVS or leveraging big data. For Type 3 and 4 countries, limited budgets often limit data collection and analysis, so working closely with regional organizations such as the Pacific Tourism Organisation and Pacific Community is necessary, especially to improve economic analysis of data. Regional organizations could lead in analyzing trends across markets and monitoring potential demand shocks that could affect the region.

Digital Transformation for Tourism

Tourism planning and measurement require co-ordinated leadership on tourism sector digitalization. To take advantage of direct booking trends and retain more tourism dollars in the local economy, it will be important to enhance digital adoption by governments, NTOs, and firms. From a destination perspective, strong leadership and a clear strategy for digital transformation is an essential part of supporting digital adoption. From a market perspective, digital transformation is especially important for high-value markets that tend to book direct more often and seek strong pre- and post-trip communication with businesses through customer engagement and personalization tools.

- **Business case:** NTOs, destination management organizations, and firms are often hesitant to invest in digital technologies, because they may not be convinced of the return on investment. When digital technologies are used, it is often at a basic level for front-end business functions (e.g., using social media to advertise). Few firms have the capacity to conduct end-to-end digital transactions including payment or use digital tools for back-end functions (e.g., customer relations management, inventory, finance, and accounting). This means that firm lose out on potential productivity gains. By identifying and communicating the benefits and of returns on digital investments, NTOs can foster productivity gains in the industry.
- **Capacity building:** For NTOs to lead digital transformation across the tourism sector, they require in-house knowledge and skills on digitalization. This means creating specific jobs for digital leadership, bringing skilled people on board, and ensuring that knowledge transfers are occurring across the organization (World Bank 2022e). Technical support and training programs on digital technologies could also be implemented to build the capacity of MSMEs. Such programs could be designed to equip firms and employees not just with tourism-specific digital capabilities, but also with more broadly applicable skills that could be used in other activities in case of a tourism downturn.
- **Data equity and security:** Large and multinational businesses have access to a wide range of customer-generated data, giving them a competitive edge. Destinations can create systems for equitable data sharing along the value chain so that MSMEs also have access to powerful data-driven insights (Box 24). At the same time, destinations are becoming more vulnerable

when it comes to data security and personal data privacy. Creating and implementing policies on personal data mobility, interoperability, equitable access to data, and transparency will be essential for all Pacific countries.

Information and communications technology (ICT) infrastructure, combined with a competition framework for the sector, underpins investments in digital transformation. Competition within the Pacific tourism sector is important as large online travel agents, online marketing platforms, and Pacific financing institutions have a concentration of market power, meaning that services can be expensive and limited, especially for MSMEs. Furthermore, ICT infrastructure varies in quality and range across the region. While these challenges are not covered in detail here because they have been discussed elsewhere (World Bank 2019), they are a foundation for a modern, digitally enabled tourism sector. For Type 3 and 4 countries, ICT infrastructure is a binding constraint on business development and sector growth, especially in rural destinations. For Type 1 and 2 destinations, expanding higher-speed Internet into rural areas can reduce the cost of doing business and open these destinations for certain high-value markets, such as digital nomads and Gen Zers, who require a high-quality Internet connection while traveling.

Box 24. Turismo de Portugal Travel BI: Tourism Data Analytics for Destination Management and Growth

Travel BI[a] is a knowledge management platform developed by Turismo de Portugal (Portugal's DMO) that integrates visitor data produced by various information systems within DMO and from other national and international data sources. The platform was created to help both the DMO and the industry to make data-based strategic decisions for planning, marketing, and investing within the tourism sector. The platform has been developed in-house by Turismo de Portugal and co-financed by COMPETE 2020, the National Operational Program for Competitiveness and Internationalization and by the European Regional Development Fund, aligned with the principles of smart, sustainable and inclusive growth promoted by the Europe 2020 strategy.

Travel BI integrates data across different sectors and generates business intelligence on 26 of the most important target markets for Portugal. The platform is also used by the DMO to monitor tourism flows through mobile data and identify travel spending patterns through transaction data. It acts as a central data hub integrating data from different sources that can be used to develop better market research and reporting for promotion campaigns, planning and investments. The platform also generates information on the sustainability of the industry, providing social, economic, and environmental indicators for each business sub-category. (World Bank 2022e).

a. See https://travelbi.turismodeportugal.pt/pt-pt/Paginas/HomePage.aspx

3.2 Refocusing Destination Development

Building on integrated tourism planning, the right measures can help PICs build diversified, high-quality destinations that attract high-value, high-yield tourists. To do so, the public and private sectors must work together to invest in targeted destination development by fostering MSME growth for market and product development, paired with consistent, transparent communication to markets. While many PICs were already focused on MSMEs and attracting higher value and niche markets and creating a more sustainable tourism industry, the pandemic has created a catalyst for a renewed focus on these efforts. Destination development policy guidance is discussed below across three main themes (Table 14): (i) an enabling environment for firms and investors, (ii) MSME growth and product diversification, and (iii) target marketing for diversification. While a strong enabling environment is necessary for most market segment development (with the notable exception being cruise), MSME growth, product development and targeted marketing are essential for high value markets that seek unique experiences in destinations and can be harder to reach through wholesale channels given their propensity to book direct.

Table 14. Destination Development Priorities According to Country Type

Policy area	Type 1	Type 2	Type 3	Type 4
Improve the enabling environment	Moderate	High	Very high	High
MSME growth and product diversification	Very high	Very high	High	High
Target marketing for diversification	Very high	High	Moderate	Moderate

Improving the Enabling Environment

Since tourism experiences are predominately delivered by the private sector, ensuring a favorable business enabling environment and investment climate is foundational for diversified market development. A positive business enabling environment should support large firms, which are often required to anchor destinations, and MSMEs that provide most of the tourism products and services in the Pacific. To be successful, tourism businesses require simplified business regulations, access to finance and financial services, and uncomplicated firm entry and exit processes. Additionally, gender-specific constraints must be tackled to open markets for women entrepreneurs.

- **Favorable business climate:** Tourism businesses, both large enterprises and MSMEs, across the region struggle with cumbersome licensing processes and regulations on registering and maintaining their businesses. As a tourism business typically engages in multiple types of activities, obtaining licensing can add significantly to business costs. At a minimum, all countries should seek to ease business licensing processes and regulations by streamlining processes and increasing cross-agency coordination on documentation and renewals (e.g., a centralized business profile to avoid duplicated submissions to multiple agencies). This can be paired with capacity building on basic business skills so that tourism firms, especially micro and small enterprises, are operating in adherence with regulations. Key steps to support new firm entry include reducing foreign ownership restrictions, creating basic licensing categories for formalization of micro enterprises, and potentially encouraging certain types of firms or products, provided they are based on a sound economic rationale. For Type 1 and 2 countries, launching or improving digital e-government services is critical for private sector growth. This should include digitizing licensing, registration, renewal processes, fees, and taxes and consolidating them in a one-stop-shop with a centralized business profile to reduce transaction costs. Importantly, creating simplified processes and systems, ensuring government service delivery staff are well trained and empowered, and ensuring offline options are still available is key. A digital system is only as good as the processes on which it is built.
- **Financial services and access to finance:** Priorities include increasing financial inclusion and expanding digital payment systems, particularly for Type 2, 3, and 4 countries. Financial inclusion is critical coming out of the pandemic because most firms need financing to upgrade their assets after a period of limited business and to meet new market expectations for health, safety, and resilience. Increasing the availability of low-cost digital payment services is also necessary to expand the sector and to access new, high-value markets that expect direct booking opportunities as well as data privacy and security. PICs with greater digitization (e.g., Fiji) also can explore pushing beyond traditional financial services to build digital loyalty programs and e-payment systems to create loyalty schemes and data for MSMEs (Box 25). Key reforms and support programs to address access to finance constraint include:
  - Providing training on financial management and basic business skills to help MSMEs run profitable businesses and, where necessary, access financing. This can be supported through platforms to build MSME capacity and increase MSME financial inclusion. Digital channels for this training can be used especially in Type 1 and 2 countries, where MSMEs are more digitally savvy.
  - Encouraging creditors to lend to tourism MSMEs via targeted credit guarantee programs, expanding asset-based financing (e.g., allowing mobile asset collateral, factoring, purchase order financing), developing capital markets and private equity markets, and providing specialist platforms for the public listing of MSMEs (World Bank 2022b). Private equity markets may be most appropriate at the regional level with public listings of MSMEs in Type 1 and 2 countries.
  - Exploring country-specific or regional tourism joint equity funds for MSMEs backed by government equity funds to reduce risk profiles and facilitate investment in a related basket of MSMEs.
  - For Type 3 and 4 countries with limited public fiscal space and smaller, riskier markets, continuing to work with donors to access grant support and capacity building for tourism firms may be the only viable short-term solution for firm-level financing.
- **Gender gaps in entrepreneurship:** PICs should address legal and institutional barriers to women's economic empowerment economy-wide, including ensuring that women have equal access to land and credit, do not face disadvantages in licensing and complying with regulations for businesses, and can access social protection benefits and support programs. They should also promote women's entrepreneurship by supporting access to finance and information. This includes engaging existing women's organizations and establishing and strengthening women's business networks.[106] Approaches that leverage community-based platforms to facilitate access of female entrepreneurs to finance and knowledge could be effective in the Pacific. This approach was adopted for example in Cambodia, with support for informal self-help savings groups (targeting women's groups), financial literacy training (e.g., bookkeeping, savings, and loans) and seed grants to groups that have developed business plans for their members.[107]

[106] For instance, the Solomon Islands Women in Business Association provides business training and lectures for members from the formal and informal sectors.

[107] See the World Bank's Cambodia Livelihood Association and Employment of the Poor Project.

- **Standards:** As countries look to improve the quality of their tourism offerings and expand into high-value markets, setting and enforcing standards can increase product quality. This includes international standards compulsory for certification and local standards—those for safety and health purposes and those that are industry led. Adventure and wellness tourism are two markets where standards are important to ensure the health and safety of tourists and maintain a positive destination reputation. Governments must pair new standards with appropriate enforcement regimes that do not create additional business barriers (e.g., obtaining certification or recertification should be a simplified process). New standards must be developed in partnership with private sector and training institutes to ensure that they are reasonable and achievable in the local context.

While reforms discussed above are key to creating a robust private sector open to new tourism businesses and markets, they would have broader benefits across sectors and could foster diversification outside of tourism. For instance, (i) business regulation reforms can benefit tourism businesses and firms in other existing and potential sectors; (ii) public investment in infrastructure to facilitate tourist arrivals can improve connectivity for merchandise trade; (iii) public investment in digital and language skills are transferrable across sectors; and (iv) supply chain programs for farmers can help them access foreign markets.

Box 25. X World Wallet and Visit Mexico: Building Customer Loyalty Through E-Payments

Destination management organizations have an important role to play in accessing data and data equity, especially by providing destination-wide loyalty schemes and leveraging digital tools and technology to drive customer engagement. For example, Visit Mexico partnered with financial technology company Rêv to launch a digital wallet via a points-based loyalty program tied to a debit account: X World Wallet. The app, linked to a multi-currency debit account, gives tourists a locally accepted e-payment method and offers discounts and points to drive visitors to specific destinations and businesses. The program is designed to support small local businesses that struggle to generate repeat business.

MSME Growth and Product Diversification

For PICs to attract high-value markets, they must be able to deliver high-quality experiences, which are overwhelming offered by MSMEs. MSMEs, including tour operators, activity providers, and accommodations, are the main providers of Pacific tourism products, experiences, and services. Supporting recovery of the MSME sector and fostering long-term growth is necessary to establish new products that can attract high-value tourists. These investments are particularly important for experiential tourism market segments that engage in many activities and seek out local businesses. In addition to improving the enabling environment as laid out above, this requires investments at the sector level and specific, niche market-based approaches:

- **MSME product development capacity:** Most PIC NTOs do not have a formal system to support product development and typically lack in-house capacity for product development. This extends to communities and MSMEs that tend to gravitate to existing markets and replicate existing experiences as they are seen as trusted, proven business models. Although there was some innovative private sector–led product development in the years before COVID-19, such as Rosie Holidays (luxury tours), Talanoa Treks (community trekking), and South Sea Horizons (cultural festivals), most tour providers, especially community-based ones, do not have the market intelligence, insights, or capital to independently launch new ventures targeting these high-value markets. To support new market-driven products, NTOs need formal product development support programs that provide business and market intelligence, demonstrate the business case for investing, and build the capacity of firms to enter new markets. These must be tailored to each market segment, with some (e.g., adventure tourism) requiring more assistance than others (e.g., luxury tourism). Paired with these formal programs, NTOs should support ongoing informal education through networking events, webinars, and media coverage of opportunities and trends in priority market segments. Improving the diversity and number of experiences will increase visitor spending by increasing satisfaction levels and length of stay.
- **Route and event development:** In addition to product development, leadership from NTOs in route development and experience packaging is necessary to showcase the range of niche and high-value market activities in a country. Route development is the process of presenting the destination and its activities in a way that helps visitors understand, approach, and appreciate the destinations (Box 26).[108] Similarly, experience packaging is a way to combine a range of activities into an overall experience to showcase what the destination has to offer. NTOs are well placed to lead these initiatives

[108] As opposed to itinerary development, which includes specific activities, accommodations, and services for a dedicated trip.

that bring together multiple businesses and often rely on public resources. Event-based tourism can also launch a destination into a new market without committing to long-term investments in new businesses or products. The Pacific is well suited to offer event tourism, with Type 1, 2, and 4 countries having opportunities in cultural, adventure, and sport tourism and Type 3 in marine tourism. Event development funds can underwrite initial startup costs but require a clear commitment and matching funding from the event producer and robust planning that considers event infrastructure and service considerations (accommodations, transport, facilities).

- **Protected-area management:** Tourism experiences are often built around natural and cultural public or indigenous assets. There is a tendency across the region for these assets to remain under government management when opened for commercial activities. However, in order to deliver high quality, innovative and consistent tourism experience for high-value markets while also conserving the environment, private sector investment and management can provide new opportunities (Box 27). To support PPPs in protected areas, Pacific countries must streamline, harmonize, and simplify their protected-area management regimes and create formal, legal pathways for concessions or PPPs.

Box 26. The Wild Atlantic Way: A Case Study in Route and Product Development

The *Wild Atlantic* Way developed by Failte Ireland (national tourism development authority) between 2015-2019 provides a comprehensive case on both route and product development to expand the tourism offer and open a new tourism destination. The 2,500 km route links together nine coastal areas in the West of Ireland and stands as a core tourism experience through which tourists can explore the wider destination. In addition to infrastructure and wayfinding investments, route development included creating a new overarching brand, definition of zones and itineraries to market to travel trade and consumers, dedicated marketing campaigns and a trip planner tool, investment in discovery points (e.g., access points, lookouts, attractions), and support for extensive experience development and business support programs. Failte Ireland and local enterprise offices provided business and product development support, including industry market insights and competitor set analysis, facilitating networking, trade forums and manual, and business-level support to develop high-quality, market-ready visitor experiences. Industry capacity building and investment is delivered through Failte Ireland in such areas as sales, distribution, revenue management, cross-promotion, digitalization, and customer care. Key factors underpinning the success of the Wild Atlantic Way include starting with a strong foundation of research; creating a strategic approach and comprehensive monitoring and evaluation plan; thinking big and linking geographies together to achieve scale; providing good leadership and adequate budgets for staffing and investments; fostering strong partnerships with environmental, government, community, and business stakeholders; creating a comprehensive investment approach; and promoting brand-led development with commitment from industry and travel trade.

Source: Visit England 2016.

Box 27. South African Joint Ventures: Private Sector Support for Conservation

Private sector engagement in protected area management and wildlife conservation in South Africa provides one possible approach to improving tourism revenue generation for conservation. Wilderness Safaris and &Beyond are tour and lodge operators that have achieved success in expanding small operations to support tourism flows to broader geographic areas; creating local employment; and launching supply chain linkages, investment, biodiversity conservation, and corporate social responsibility programs. Both operators have core goals to support tourism, conservation, and sustainable business operations through community joint ventures. In addition to revenue and income, both businesses provide technical expertise on business and financial management to communities to foster long-term empowerment. Their success is due to a strong enabling environment for concessions and leasing (both with government and directly with communities), including clear land tenure and public sector investment in trunk infrastructure and access and a long-term, mutually beneficial joint venture agreement providing income for communities. The model is designed to transition conservation and protected-area management from donor or government funding to a private sector–driven approach.

Source: World Bank 2014.

Image: *Solomon Islands*

Target Marketing for Diversification

Strong product offerings and dynamic firms should be supported by coordinated destination-level marketing that targets priority markets with consistent messaging. Aside from Fiji, the PICs have limited funding for destination-level marketing that impacts their market penetration and awareness in priority markets. This is especially true for Type 3 and 4 countries that have more limited fiscal space and lower tourism taxation revenue.

Investment in destination marketing: NTOs have a key role to play in destination marketing and awareness raising as a public investment, particularly given coordination failures across the private sector, high transaction costs, and concentration of market power in anchor businesses. NTO-led marketing should be designed to build awareness of the destination in target markets and create and communicate a consistent message. Public investments in marketing and promotion are critical because they underwrite the risk of accessing and entering new priority markets and ensure that marketing includes the range of activities and locations available in the destination. The latter is important as countries attempt to spread the benefits of tourism to rural or less-developed tourism areas and markets, such as adventure tourism, that are dominated by MSMEs unable to conduct destination awareness marketing on their own. Key elements of successful marketing include:

- **Digital marketing:** Digital marketing needs strong leadership, a method to measure returns on investment, and a holistic approach for digital marketing throughout the customer journey. Building in-house digital marketing skills in Type 1 and 2 country NTOs will foster sustainable marketing expertise, while Type 3 and 4 countries should focus on partnerships in order to avoid spreading their internal resources too thin.
- **Cooperative marketing:** NTOs, especially in Type 1 and 2 countries, have an opportunity to lead cooperative marketing campaigns that leverage private sector support (financial and in kind) to deliver effective, consistent messaging. Cooperative marketing must have strong leadership and accessible tools for messaging, imaging, and distribution channels (Box 28).
- **Public relations:** For Type 3 and 4 countries, investing heavily in marketing will be challenging given limited fiscal space and the negative destination sentiment that pervades core markets, especially for Type 4 countries. Investing in public relations campaigns that focus on positive stories about the destination and leverage social media is an effective way to shift consumer sentiment in markets. One successful example of this tactic is Rwanda's efforts to rebuild its reputation after the genocide in the 1990s. In addition to traditional marketing, it leveraged print media, tourism awards, and public events such as gorilla-naming ceremonies to attract positive media attention.
- **Measuring return on investment:** The return on investment for destination marketing is difficult to measure and monitor. However, NTOs need to be able to understand and communicate the impacts of their marketing investments (Box 29). All countries should seek partners to design monitoring systems to measure impacts of their campaigns, especially on conversion to bookings, to demonstrate the value of investing in new tourism markets. Type 1 and 2 countries can build on existing relationships with market research firms, and Type 3 and 4 countries can explore relationships with regional universities. All countries can work with distribution partners to use call-to-action marketing tools to measure effectiveness of campaigns and leverage resources of associations such as the Travel and Tourism Research Association and the Adventure Travel Trade Association to increase their understanding of evidenced-based decision making tools and processes.

In addition to destination marketing, PICs must consider market-specific regulatory forms. As they seek to develop new high-value markets, specific regulatory reforms may be required to open these markets. Immigration reforms on visa-free or visa-on-arrival access is fundamental to open markets. As countries seeks to attract new markets, they must consider visa regimes that match market needs. For example, digital nomads and longer-stay tourists need special visas that allow them to stay in the country for up to 12 months and work remotely, along with appropriate taxation policies to avoid double taxation (Box 30). The retiree market also requires special residential permits, foreign land ownership rights, and part-time work or investment privileges. Similarly, as countries seek to open or expand Asian markets, facilitating visa-free or visa-on-arrival systems for these countries will necessary. Increasing connectivity through aviation policy liberalization and air route development will also ease new market entry and decrease the cost of opening these high-value markets.

Box 28. New Zealand Destination Marketing: Shifting Perceptions to Increase High-Value Arrivals

Tourism New Zealand is mandated to increase the value of international arrivals and increase spend per arrival to create sustainable economic prosperity through tourism. Leveraging the 100 percent Pure New Zealand brand, Tourism New Zealand began a targeted campaign toward premium travelers in 2013. A dedicated internal team began with core market research (including demographic and psychographic profiles) to build targeted content, identify appropriate marketing placements, and create accessible distribution channels. They leveraged industry partnerships for ad and native ad placement and to measure results. The latter was done in partnership with New Zealand Luxury Lodges (portfolio of 32 properties) to measure and report revenues and the International Air Transport Association to measure growth in inbound business and first-class airfare. Marketing focused on storytelling and included print and digital campaigns, targeted social media, a media familiarization trip, and engagement of an affluent influencer. It leveraged and built upon the existing brand with a core focus on a diverse, immersive product offering, exclusivity of experiences, and personalized interactions with New Zealand people. The campaign resulted in a 141 percent increase in New Zealand Luxury Lodges revenues over four years (TEAM Tourism Consulting 2018).

Box 29. Belize Digital Marketing Campaign: Driving Sales and Measuring Success with Digital Marketing

The Belize Tourism Board worked with Digital Visitor to increase air arrivals from U.K. markets through an interactive digital campaign and consumer data collection. The campaign was designed to build destination-level awareness and knowledge of Belize, collect consumer data on interested travelers, and drive online sales through campaign partners. The multichannel campaign leveraged social media tools such as Facebook Audience Network, YouTube campaigns, and interactive Instagram Stories to drive visitation to Belize's destination website. Engaging content was created to communicate the Belize brand in short and long formats that could be used in different spaces. The campaign included data capture campaigns to collect consumer information in compliance with the General Data Protection Regulation and build Belize's email database. The campaign measured results, including a 100 percent increase in booking through partners, 15 million impressions with the targeted audience, and more than 6,500 email address collected in compliance with the General Data Protection Regulation (Digital Visitor n.d.).

Box 30. Barbados Welcome Stamp Visa: Regulatory Reform to Attract New Markets

In response to COVID-19, Barbados launched the Welcome Stamp Visa program to attract long-term digital nomads and remote workers. The one-year visa program began in July 2020, and by May 2021, more than 2,500 people had applied, mainly from Canada, Nigeria, the United States, and the United Kingdom, far exceeding the original goal of 1,000 applications. The visa program was paired with a digital campaign that partnered with global media to reach potential travelers. Results include 1,796 stories in North American top-tier media outlets and 4.8 billion impressions, worth USD 49 million in advertising value. In a survey of 100 Welcome Stamp Visa holders, around 75 percent had never visited Barbados and were paying USD 2,500 to USD 5,000 per month for housing, supporting the local economy. Implementing the new program required regulatory updates in visa, immigration, and taxation regulations (DCI n.d.; New York Times 2021).

3.3 Building Human Capital in the Tourism Workforce

For Pacific tourism to shift to high-value markets and reduce economic leakage, the skills shortage in the tourism workforce must be addressed through better training, updates to labor policies and programs, and investment in basic education. Even before the pandemic, the Pacific tourism industry found it challenging to source workers with the right types and quality of skills. The pandemic has exacerbated the labor shortage, bringing preexisting challenges across the region to the forefront, including lack of firm productivity and high cost of in-house training for firms. Poor-quality skills and lack of market-specific skills can hinder development of high-value markets that seek high-quality customer service and diverse experiences in destinations. To address these systemic, economy-wide challenges requires a combination of skills development, labor policy, and gender-related reforms (Table 15).

Table 15. Building Human Capital Priorities According to Country Type

Policy area	Type 1	Type 2	Type 3	Type 4
Build tourism skills	Moderate	Very high	Very high	Very high

- **Skills training:** There is debate about the effectiveness of current training and educational programs in producing qualified, skilled graduates prepared for employment. To improve the content of courses and delivery, specific skills gaps must be understood. Countries should regularly analyze skills gaps and create market information systems to ensure that TVETs and educational institutions are aware of in-demand skills, gaps, and graduate success (Box 31). Further resourcing for TVET teacher training is also important. More importantly, additional focus is needed on soft skills development, such as conflict resolution, timeliness, and responsibility. Some countries have begun to turn to work readiness training, which should be supported through policy and resourcing. Offering formal training in soft skills and informal learning opportunities is necessary to build a culture of work readiness. For Type 3 countries in particular, accessing or fostering regional training and higher education programs to reach economies of scale for quality education is important. Supporting regional approaches to training and education, for example through scholarships, can reduce public investment in expensive vocational training programs in each country. It is challenging to obtain international accreditation for TVET certificates and courses. As countries aim to improve their TVET experiences, they should seek international linkages with the most appropriate regional systems (Australia and New Zealand versus the United States). Accreditation systems should aim for flexibility and focus on achievement rather than highly standardized individual courses that are difficult to update.
- **Rigorous cost-benefit analysis of TVET:** Investments in TVET can help improve local skill supply, as a complement to other policies (e.g., public investment in basic education, reform of migrant worker programs, relaxation of restrictions on expatriate recruitment). However, reforms should be guided by international best practices on TVET and carefully designed, as there is no guarantee that their benefits will justify the investment cost. Key factors determine a program's capacity to deliver positive returns, including cost of delivery (initial implementation costs and variable costs per trainee), effectiveness at producing employable graduates (justifying involving the private sector in curricula and delivery), and types of skills and market segment targeted. Given that direct benefits of providing vocational training primarily accrue to employers of graduates and to the graduates themselves, it can be appropriate for employers and students to at least partially finance the costs of establishing and maintaining training institutions. For instance, prospective employers may partially cover the fixed and/or variable costs of training through PPPs, while tuition payments by students—which may themselves be financed by student loans and scholarships –could partially cover the variable costs of training.
- **Private sector engagement:** To increase the efficacy of existing training and education programs in the region, private sector involvement in curriculum development and standards settings must be institutionalized so that training is aligned with private sector needs in terms of content and delivery modes (Box 32). Although this is being done in some countries, the tourism private sector's role in training must be strengthened through enhanced apprenticeships, lecturers who are actively working in tourism, and monitoring of graduate success. Many tourism graduates require additional, in-house training once they are hired. Leveraging the private sector's ongoing, in-house training through PPP models or subsidies can ease the public investment burden in training and education while leveraging the best training available, especially for Type 2, 3, and 4 countries. This process will also help identify market-specific skills that need to be developed. Two key markets include wellness and adventure tourism, where highly skilled professionals are necessary to develop products, ensure safety, and create quality experiences. Skills development programs in these areas, as well as others such as SCUBA diving, should be paired with strong standards based on globally accepted certifications or associations.

- **Digital skills development:** Digital skills development programs should be designed to build digital abilities at all levels, including in basic education, vocational schools, higher education institutes, industry, and government. Digital education programs in basic education and vocational schools in particular should be built around globally accepted standards and have built-in updates to ensure that curricula stay relevant. For the tourism workforce and entrepreneurs, NTOs can create networking and mentoring programs in the digital space, which has been more effective than traditional training. Leveraging industry relationships with tourism businesses in Australia and New Zealand can help the industry stay up to date with trends in technology.
- **Labor mobility programs:** Labor mobility programs provide an opportunity for Pacific Island populations to earn money overseas and gain new skills. They are an important source of income for many families across the region, although they can put additional pressure on an already-limited tourism workforce, with some countries particularly concerned about this given COVID-19-related labor shortages. When designing programs, countries should take a strategic approach in the recruitment and matching process to ensure that the right participants are being selected and matched with appropriate positions and employers. To do so, countries must resource their labor mobility operations sending units with adequate financial and human resources to support the recruitment and vetting process. Involving the private sector, on the sending and receiving sides, in the recruitment and matching process can provide more information on the types of jobs hospitality workers go into and the types of skills they may learn there (Box 33). Fostering partnerships between sending and receiving private sector employers can help success to be achieved on both sides. It should be noted that these private sector approaches are relatively new and have not yet been studied. Thoroughly assessing these initiatives will be important to setting policy guidance. Overall, the most important policy actions to support long-term income generation, whether through mobility programs or domestic employment, should encourage workforce upskilling.
- **Gender:** To broaden the benefits from tourism growth, PICs should address the gender gaps that undermine female workers' participation in tourism by:
  - Equipping women with the necessary skills to enter and progress in tourism employment through job placements and on-the-job-training. Evidence has shown that on-the-job and skills trainings provided through subsidized internships can increase post-project wage employment rates for both male and female youth (World Bank 2018). In addition, ensuring women have access to higher-paid occupations requires targeted actions such as leadership training and mentoring; revising human resource policies; performance evaluation and promotions; and addressing gender stereotypes through dedicated trainings of staff at different levels of seniority (Das and Kotikula 2019).
  - Adopting measures to tackle social norms, address gender-based violence and reduce the burden of unpaid domestic work and care. This includes combining employment interventions with strengthened mechanisms for counselling and referral, as well as reducing risks of sexual harassment through workplace policies and codes of conduct (e.g., following IFC's *Rakorako* model). This also involves community outreach to facilitate women's participation in employment and skills development initiatives.[109] At the policy level, this includes addressing sexual harassment in national employment legislation; strengthening implementation of national domestic violence laws; establishing parental and maternity leave policies; and providing good-quality, affordable childcare.
- **Immigration and labor reform:** In parallel with efforts to expand the domestic skill base, which will take time to realize results, PICs should review the rules governing entry and hiring of foreign workers, particularly for positions for which the quantity and quality of local skills are insufficient. Tourism businesses, especially those seeking to develop high-value, sustainable offerings, should be consulted to identify excessively stringent, costly rules that could be candidates for reform. Any liberalization measures could be extended to other sectors to bring benefits for private sector growth beyond tourism.

Box 31. Turismo Portugal: Forecasting Skill Needs to Build Strong Training

Turismo Portugal, the country's NTO, offers skills training in tourism and hospitality through a network for 12 tourism schools spread across the country. Both their training curricula and marketing to students is overseen by the National Agency for Qualification and the National Agency for Vocational Education and Training. Together they inform national and regional skills development priorities based on research, consultations with industry, and the Qualification Needs Anticipation System, which provides a comprehensive analysis of skills supply and demand. The Qualification Needs Anticipation System collates data from a number of skills planning exercises to inform policy, and improve the offer to private sector, students, and tourism employees looking to upskill through training. During COVID-19, Turismo Portugal shifted training to a digital, online platform, greatly expanding their reach through the Digital Academy (CEDEFOP 2017; Opçao Turismo 2020).

[109] For instance, the Vanuatu provincial TVET centers established under the Vanuatu Skills Partnership have been able to attract an increasing number of female participants using some promising approaches in this regard. The dedicated TVET center Gender Strategy has aimed to address key barriers to women's participation in TVET, including domestic responsibilities, social norms, and lack of support from partners/family, limited decision-making within training organization, and training environment (including by training of female trainers).

Image: *Vanuatu*

Box 32. Amadeus Travel Tech School and Lab: Private Sector Provision of Digital Training for Tourism

Amadeus partnered with public and private sector entities to launch a Travel Tech School alongside the Living Lab in Spain's Canary Islands. The program provides vocational training to supplement instruction from the University of Las Palmas de Gran Canaria, with credits counting towards existing degree programs. As an initiative, it is designed to nurture and develop strong technology and digital skills, reinforcing the human capital required to ensure tourism can take advantage of technology advancements. The program seeks to bring both students and existing businesses into a living lab environment, where the benefits of future technology can be explored. This ensures that industry advances its exposure to digital trends and has a space where they can explore the potential benefits of technology, together with experts, specialists, and future leaders. The teaching methods focus on autonomy in practice, encouraging students to develop the soft skills necessary to compete in today's world. While the Travel Tech School teaches programming, robots and machine learning, the institution also secured USD 6 million in funding to develop a new pedagogical system called Neurotalentour - a system designed to use virtual reality to stimulate challenges in a learning environment. The company managing this initiative, The Wise Dreams, has built a support network with regional organizations including DMOs, Governmental and key industry stakeholders. (The Wise Dreams, n.d.; World Bank 2022e).

Box 33. Coral Seas Hotel: Private Sector–Led Labor Mobility as Workforce Development Tactic

The Coral Seas Hotel group in Papua New Guinea operates seven hotels throughout the country including both leisure and business-oriented properties. They have taken a strategic approach to leverage the regional labor mobility programs to improve staff skills and incentivize good work. The group links directly with employers in Australia to identify opportunities for their staff to participate in the labor mobility programs and then uses these placements as rewards for staff who are high performers. Since the hotel is actively engaged in placement and return processes, they are more easily able to control the exit and re-entry process of their workforce. However, this is a relatively new program and has not yet been studied to determine medium- and long-term success.

3.4 Mainstreaming Resource Efficiency and Resiliency in Destinations

To mainstream investments in resilience and resource efficiency in the tourism sector, a coordinated approach by governments, NTOs, and the private sector is required. This approach should be underpinned by enhanced knowledge, especially on climate adaptation and resilience at the destination level, and strategic investments in essential services, targeted policy reforms, and programs that incentivize and equip the private sector to make sustainable investments (Table 16). Although resilience investments are necessary for the long-term viability of all tourism markets, high-value markets are more sensitive to resource efficiency, because they often seek sustainable destinations. High-volume and high-value markets will also need robust disaster preparedness planning and management to build their confidence, all the more so given the prospects of intensifying natural disasters with climate change.

Table 16. Resource Efficiency and Resiliency Priorities for Country Types

Policy area	Type 1	Type 2	Type 3	Type 4
Improve resource efficiency	High	Moderate	Moderate	Moderate
Build destination resilience	High	Very high	High	Very high

- **Knowledge:** Developing and disseminating more knowledge about the impacts of climate change and environmental degradation on tourism and about opportunities for improved resilience and resource efficiency is foundational for all country types. Critically, understanding the long-term benefits of investing in resilient large- and small-scale infrastructure can assist governments and the private sector in making informed short term investment decision. This would include understanding the long-term economic, social, and environmental impacts of climate change and environmental degradation and identifying the economic rationale for actions to address environmental and climate challenges. Knowledge should also be developed and disseminated to foster investment in resource efficiency, for instance on resource monitoring and costs, hotel resource use benchmarking, and market demand for sustainable services, which can reduce risk for investors. Data generation in these areas can be paired with dissemination programs to raise awareness of the environmental and cost savings of investments in renewable energy and green and climate-smart technologies.

- **Policy reforms:** To achieve these goals, ministries of tourism must advocate and network through cross-ministerial committees to identify and implement policies that facilitate the emergence of more-sustainable, -resilient destinations. T This is a prime example of the rationale for a whole of government approach in tourism planning, as these policy and regulatory areas are for the most part not within the purview of tourism ministries. Critical among these reforms would be leveraging knowledge on the economic rationale for climate action to regulate and discourage actions that harm the environment. Other key reforms to consider include conserving and protecting biodiversity; integrating circular economy principles into tourism-related legislation and policies; improving construction standards and building codes for resilience and resource efficiency (while respecting local challenges and supply constraints); promoting PPP models in developing and managing essential services; providing incentives to reduce resource use, particularly water and energy; and implementing independent power production regulations for resorts with renewable energy sources to sell surplus power and thus reduce the payback period for private investment.
- **Essential service investments:** Strategic investments by the public and private sectors in essential services such as electricity and water, wastewater, and solid waste management will be necessary to serve growing populations and expanding tourism markets. Planning these investments in line with tourism forecasts is crucial to ensure that services have the capacity to serve populations and visitors sustainably. Although typically outside the purview of tourism ministries, governments should consider how investments in essential services meet current and future tourism demand and affect destination competitiveness. Pursuing high-value markets that prioritize sustainability will put additional pressure on destination infrastructure, since tourists expect resource-efficient and circular services and adequate waste management, particularly in environmentally sensitive locations. PICs and regional organizations must continue promoting regional and sub-regional opportunities for circular economy infrastructure in waste management and recycling to achieve economies of scale.
- **Private investments and incentives:** The private sector must also participate and invest actively in resilient, resource-efficient destinations and businesses (Box 34). The public sector can encourage these investments through incentives, access to finance, access to technical knowledge and information on available resources, facilitation of supply chain cooperation or cluster buying and installation, and reduction in the cost of importing resource-efficient equipment. This can include property-linked efficiency financing and insurance for green assets tied to environmental and social criteria, ensuring that private solutions are not crowded out. For MSMEs, financial constraints on investing in resource efficiency are a major obstacle. Special credits and preferential loan terms for renewable energy, water efficiency system installation, and resilient infrastructure targeted at MSMEs can help ease the transition. Equally as important as financial incentives for the private sector are greater knowledge about the circular economy, resilience, and resource efficiency options and benefits that can be delivered through targeted training programs and awareness-raising campaigns. At the regional level, there is an opportunity to develop and encourage uptake of regional sustainability certifications, offer sustainability awards, and provide promotional opportunities to highlight green-certified firms and destinations, creating a demand-side motivation for firm-level investment in resource efficiency. Investment in clean technologies could also benefit PIC communities by reducing air and water pollution from fossil fuel combustion and spills and creating job opportunities for installation, operation, and maintenance of such technologies (IRENA 2014).
- **Safety and security:** Destination safety often ranks among the top 10 destination selection factors for travelers. Increasing safety, security, and political stability in Type 4 countries is critical for long-term sustainable tourism growth. Developing destinations in safe provinces or regions of a country dealing with conflict has proven successful in the past, but this success can be easily threatened by national issues, negative brand reputation, or flare ups of violence.
- **Disaster preparedness and risk management for tourism:** In addition to investment in resilient infrastructure, NTOs and tourism businesses must be well prepared for managing a crisis when disaster strikes (Box 35). Working closely with industry, NTOs should develop comprehensive crisis-preparedness frameworks, including detailed action plans for various disaster scenarios, capacity-building programs, communications protocols, and safety and security arrangements. These should be paired with sufficient resources that can be rapidly mobilized (e.g., crisis escrow accounts) and disaster insurance products to enable industry response and recovery. Plans must be thoroughly communicated to industry, communities, and tourists to ensure a coordinated response and build confidence across the sector. For Type 1 and 2 countries, investing in prepared marketing campaigns that can be delivered quickly in the aftermath of disaster can help shorten the demand recovery period (e.g., Fiji's Stronger than Winston campaign).

Box 34. International Finance Corporation and United Nations World Tourism Organization Hotel Greening: Supporting Knowledge Development to Unlock Green Finance

The United Nations World Tourism Organization partnered with the IFC for a series of technical training programs to promote green finance and unlock its potential to accelerate tourism's recovery from COVID-19 and stimulate sustainable growth, with a pilot phase in seven countries (India, Indonesia, Jamaica, Philippines, South Africa, Thailand, Vietnam). The program was a post-COVID medium-term credit line made available to hotels affected by the downturn in tourism caused by the pandemic, coupled with provisions for green retrofitting, and disbursed in partnership with local financial institutions starting in 2021.

Through the partnership, they also increased knowledge about government incentives to catalyze green building in tourism:

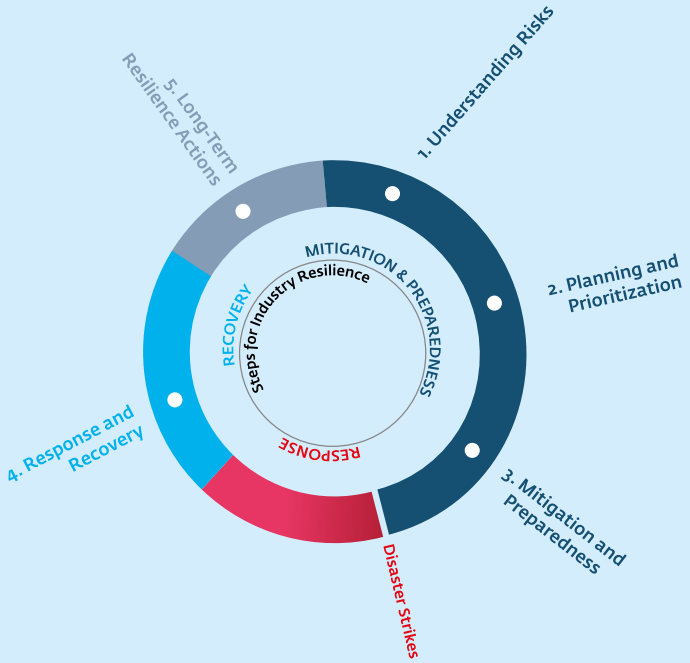
- Tax incentives such as tax credits to offset additional costs associated with resource-efficient construction;
- Bonus density to allow taller or larger buildings;
- Expedited permitting to prioritize permits for green construction or waive permit fees;
- Grants and loans to cities to encourage solar power or subsidize certification;
- Technical assistance to inspectors and government service providers on how to audit green buildings;
- Net metering to support independent power production and grid connectivity;
- Public campaigns to build support for green buildings; and
- Legislation to integrate certification standards into codes.

For example, Colombia supported green building development in residential and commercial properties by initiating a series of incentives such as exclusion of value-added tax and income tax deductions for project design services and technical solutions including insulation and energy-efficient air conditioning systems (IFC and UNWTO n.d.).

Box 35. Resilient Tourism Framework

The World Bank report Resilient Tourism: Competitiveness in the Face of Disasters outlines a five-stage resilient tourism framework for destinations, the private sector, development partners, financial institutions, and tourism destinations to manage and mitigate disaster risk (Figure 20). This includes increasing access to disaster risk financing and risk insurance, developing resilience knowledge bases and crisis playbooks specific to regional and national contexts, linking financial support and subsidies to compliance and resilience criteria, and expanding training and certification programs in tourism crisis management (World Bank 2020e).

Figure 20. Tourism Resilience Building Cycle



1. Understanding Risks

Identifying disaster and climate risks that threaten the tourism sector and analyzing their potential impacts for destinations and firms.

2. Planning and Prioritization

Planning and prioritizing tourism development and investments to build resilience and avoid or minimize negative impacts.

3. Mitigation and Preparedness

Implementing resilience actions and investments in advance to lessen the impacts of disasters and climate change.

4. Response and Recovery

Taking good response decisions and action during and after disaster events to minimize disruptions and losses, and as a result, maintain and enhance competitiveness.

5. Long-Term Resilience Actions

Planning for the long-term competitiveness of the sector through climate change mitigation actions.

Image: *Palau*

Conclusion

The PICs have the opportunity to reset tourism to maximize its value and developmental impacts, provided they take concrete action to strengthen the sector's competitiveness, sustainability, inclusiveness, and resilience. With limited fiscal space and public sector capacity, prioritization is essential and varies depending on the country:

- For Fiji (Type 1), strengthening tourism management and increasing public sector capacity is necessary to move from a regional leader to a global competitor. This should be paired with policies and programs to support MSME development and product and market diversification.
- Palau, Samoa, Tonga, and Vanuatu (Type 2) also need to strengthen tourism management and adopt a whole-of-government approach to sector development, ensuring that tourism-related policies and regulations are strategically integrated into government. Similarly, MSME development, product diversification, and enhanced skills must be developed through private sector growth to ensure a competitive tourism offering and a sufficient supply of skilled workers must be developed for long term sector sustainability. Type 2 country tourism industries are most at risk from the impacts of climate change and natural disasters, given their existing tourism supply and exposure, and must invest in more resilience.
- Given their less-mature tourism sectors, FSM, Kiribati, RMI, and Tuvalu (Type 3) must generate basic tourism data to make evidence-based policy decisions, improve the general enabling environment for private sector growth, and build tourism skills to foster a dynamic tourism private sector.
- Finally, Solomon Islands and PNG (Type 4) must improve tourism management and coordination and enhance destination resilience, notably by prioritizing tourism in public policy for enhanced safety, ensuring investments and reforms also take resource efficiency into account. These countries must also build skills to leverage their existing tourism products and assets into world class experiences.

Recommendations in this report offer a starting point for each country, with further analysis and data required to inform sound, detailed policy guidance. Policy recommendations and discussion in this report focus on addressing high-level constraints across market segments. Each PIC must examine its policy objectives—economy wide and tourism specific—to determine the best strategic market segments to target and the most important policy actions. Deep, country-specific analysis (based on quantitative simulation presented in this report) must be conducted to provide the evidence base and policy guidance to achieve greater value from each PIC's tourism sector.

Policy reforms must also be balanced and assessed against risks of uncoordinated investments and changing priorities. The shift to high-value markets will require a committed approach that brings together multiple agencies and stakeholders from the public and private sectors. Without this coordination, standalone investments in developing high-value tourism could falter or not achieve their intended objectives. The whole-of-government and whole-of-sector approach is a necessary underpinning for success. The transition to higher-value models of tourism requires patience and long-term prioritization. Initial investments will take time to seed, and growth may be slower than anticipated. Leveraging the data and tools described in this report can help develop a more valuable sector and provide the incentives to commit to this more-sustainable future of Pacific tourism.

Image: *Papua New Guinea*

Annex A: Tourism Typology and Country Characteristics

Although Pacific Island countries (PICs) have specific challenges and opportunities as destinations, they fall into broad types. Identifying groups of countries facing similar challenges can provide a framework for delivering policy advice across this broad group of countries and comparing learnings across types. This study, therefore, uses a typology of Pacific tourism destinations to allow for generalizable comparisons. It identifies four types based on several quantitative indicators (Table 17): economic reliance on tourism (proxied by receipts expressed as a share of gross domestic product (GDP)), volume of tourism arrivals, and maturity of leisure tourism markets (proxied by share of arrivals with leisure as the main reason for traveling).[110] The typology also considers destinations' profiles in terms of dominant leisure market segments, safety, and security, all of which are key determinants of tourism's appeal and potential.[111] Providing such a country typology helps differentiate levels of readiness for further investments in the industry.

Table 17. Typology of Pacific Tourism Destinations

Factor	Type 1 (Fiji)	Type 2 (Palau, Samoa, Tonga, Vanuatu)	Type 3 (Federated States of Micronesia, Kiribati, Republic of the Marshall Islands, Tuvalu[a])	Type 4 (Papua New Guinea, Solomon Islands)
Economic reliance on tourism (tourism receipts as % of gross domestic product)	High (>20%)	Medium to high (>10%)	Medium to low (<10%)	Low (<5%)
Volume of international visitor arrivals	High (>800,000)	Moderate (60,000 to 200,000)	Low (<16,000)	Varying
Share of leisure tourists	Large (>55%)	Medium to large (>30%)	Medium to low (<55%)	Low (<30%)
Dominant leisure segment	Couples, families	Marine and adventure	Marine	Marine and adventure
Profile as safe, secure destination	Yes	Yes	Yes	No

a. Tuvalu is an exception, with greater economic dependence on tourism but overall low arrivals, mostly because of the limitation of other industries in the country.

Type 1 Destination: Fiji

Fiji emerged gradually as the leading destination in Pacific tourism. Its tourism dominance can be partially attributed to advantages dating back more than a century, when its geographic location helped establish it as a sea transport hub and later a refueling stop for transpacific flights. At the same time, Fiji started attracting international visitors seeking "exotic" tropical islands, and the country established a tourism board in the 1920s. A key catalyst for tourism growth in Fiji was the post–World War II redevelopment of a military airstrip on the west coast of the island of Viti Levu to service new commercial flights. The redeveloped airport spurred public and private investment, which eventually led the urban area of Nadi to develop into the tourism hub it remains today and to the development of several smaller tourism hubs in the country.

Before the COVID pandemic, the magnitude and quality of Fiji's tourism offering made it stand out in the region. Several indicators illustrate Fiji's destination maturity and attractiveness to tourists and investors. By 2019, it reported 423 accommodation properties with almost 13,000 rooms, accounting for 40 percent of all room stock for PICs (SPTO 2020). Fiji hosts 31 internationally branded properties of 42 across the PICs, accounting for almost 40 percent of Fiji's

[110] Leisure tourism refers to travel for the purpose of vacation or holidays, as opposed to other travel motivations.

[111] Countries not considered safe and secure are those on the World Bank's fragile and conflict-affected situations country list and those that have experienced violent unrest in the past five years.

room supply.[112] Fiji is unique in having several "exclusive" properties at the high end of the spectrum (Tourism Fiji 2017).[113] The country's larger, higher-quality offerings extend to tour operators; it had approximately 160 in 2019, offering experiences based predominantly on the islands' compelling (marine and terrestrial) nature and culture.[114] Fiji is home to 23 percent of PIC tour operators.

Fiji's many visitor arrivals and tourism receipts also set it apart. It has the largest share (39 percent) of international flight arrivals to the region, with an average of 142 flights per week in 2019. International overnight arrivals to Fiji, which had grown at a 4 percent compound annual growth rate since 1999, reached an all-time high of 894,000 in 2019 (59 percent of the total across the PICs). Leisure tourists accounted for 73 percent of these arrivals (Fiji Bureau of Statistics n.d.), highlighting its position as a popular holiday destination, especially for families and couples from nearby Australia and New Zealand. The large number of arrivals brought in USD 1.35 billion in direct tourism receipts in 2019 (57 percent of total receipts across the PICs) (UNWTO 2021a). Tourism receipts were much higher in Fiji than in the other countries in absolute terms. Nevertheless, because Fiji had other relatively well-developed sectors, the country's economic reliance on tourism before COVID-19 was comparable with that of Type 2 destinations based on the relative value of receipts to GDP.

Government intervention has played an important role in addressing challenges to the competitiveness of Fiji's tourism industry. In addition to Fiji's robust tourism assets, intentional government support over several decades has contributed to the country's success in tourism development. Accessibility, availability of suitable land, the regulatory environment, access to finance, quantity and quality of labor, high costs of construction and operation, and lack of enabling public infrastructure (e.g., air, sea, and road transport; information and communications technology; utilities; waste management) have constrained tourism investment in Fiji as in other PICs, but the government has sought to address these constraints over the years through targeted efforts, including land reform, investment incentives, regulatory reform, business development support programs, institutional support, and investments in infrastructure and accommodation. As a result, Fiji has a regionally competitive investment climate for tourism, evidenced by relatively high private domestic and foreign direct investment in the sector.

Despite Fiji's success, it must address several constraints that have undermined the competitiveness of its tourism sector since before the pandemic. For instance, remaining regulatory barriers have reduced the country's attractiveness to prospective investors in accommodations. Essential service infrastructure shortfalls have limited the potential to open new areas to tourism. Skilled workforce shortages have threatened the quality of tourism supply and destination reputation. Limited access to finance and other barriers have constrained the growth of MSMEs that could provide unique visitor experiences that would enhance Fiji's attractiveness to high-value tourists and increase the sector's inclusivity.

Type 2 Destinations: Palau, Samoa, Tonga, and Vanuatu

Modern tourism emerged later in Type 2 destinations and has remained smaller, but all Type 2 countries have established a critical mass of tourism infrastructure and services in recent decades. In Palau, increased air access from Asia and the United States in the 1960s, followed by investment in the first international hotel in the 1970s, spurred tourism development on the back of its SCUBA diving offer. In Vanuatu, tourism development expanded after independence in the 1980s. Recognizing the economic potential of attracting tourists from nearby markets such as Australia, the new government established Air Vanuatu in 1981 and supported opening new areas for tourism development. These advances led to several destinations emerging across the island group and new products offering experiences of Vanuatu's nature and culture. The 1980s also saw growth of tourism in Samoa. The upgrade of its international airport to receive jets, followed by new tourism-enabling government policies, led tourism markets to grow from nearby Australia and New Zealand. Initially led by the VFR market because of migration links, leisure arrivals eventually began to match volumes of VFRs, with foreign tourists attracted to Samoa's marine and terrestrial offerings. As in Samoa, tourism in Tonga has grown from VFRs roots into a destination that attracts nearly an equal share of leisure tourists. The government's support for tourism has in more recent years centered on natural experiences, especially whale watching, but Tonga has moderated tourism to avoid disruption of the local culture. As a result, the pace of tourism development in Tonga has been somewhat slower than in other countries of this type. Notwithstanding differences in the evolution of tourism, in the last few decades, these destinations have achieved significant results in expanding public infrastructure to support tourism, increasing products and services, and improving air access. As of 2019, they provided 30 percent of the room stock across PICs, 49 percent of tour operators, and 28 percent of international flights. Vanuatu led on all counts, followed by Samoa.

[112] Source: Authors based on consultations and desk study. In 2019, Fiji hosted 22 global brand properties (of 31 for PICs) and nine Pacific regional brand properties (of 11).

[113] Based on Tourism Fiji classification of accommodation type according to price, with "exclusive" reflecting a daily room rate greater than FJD 2,500 (USD 1,100).

[114] Includes operators classified as excursions, inbound tours and transfers, and marine operators (Tourism Fiji 2022).

Image: *Fiji*
Credit: *Elliot Wright*

Growth of tourism in these countries has made it a critical contributor to their economies. Type 2 destinations experienced sustained growth in arrivals over the two decades before the pandemic, with compound annual growth rates of around three to four percent, despite some volatility.[115] In 2019, Samoa attracted the most overnight international visitors (174,000), followed by Vanuatu (121,000), Palau (94,000), and Tonga (69,000) (UNWTO 2021a), together accounting for 30 percent of overnight visitor arrivals to the studied PICs. Leisure tourists were the predominant type of traveler for each. Like Fiji, Type 2 countries have generated substantial tourism receipts, increasing their prioritization of the sector and their economic reliance on it. Palau and Vanuatu, where estimated direct tourism receipts in 2019 were 34.9 and 31.5 percent of GDP, respectively, became especially reliant on tourism.[116] Samoa followed, at 24.2 percent. Tonga's receipts were a much lower share of GDP (11.1 percent), likely because of the high value of remittances in the Tongan economy.

Palau, Samoa, Tonga, and Vanuatu share several advantages in developing tourism. As with Fiji, their proximity to source markets (three-to-four-hour flights from the closest ports of departure) has been a critical driver of market demand and supported establishment of tourism-enabling air services. Location has supported development of cruise tourism in some Type 2 countries, led by Vanuatu (45 percent share in 2019) because it is the closest to Australia's east coast cruise ship hub. Country size has also played a role in the scale of tourism in these countries, with all, but especially Vanuatu, having the geographic capacity to develop a critical mass of supply. These destinations have also benefited from government commitment to developing the sector over several decades by investing in infrastructure, enabling private sector investment, and marketing the destination. Also common to these countries is that potential visitors perceive them as safe island destinations offering a wide range of nature- and culture-based activities, albeit at a scale smaller than Fiji. One element that sets Type 1 and 2 countries apart is the significantly smaller marketing budget in Type 2 countries.

Type 2 destinations nonetheless face challenges in terms of tourism competitiveness. Barriers to developing a business-enabling environment and limited budgets for public infrastructure are common across the four countries, although less so than in Type 3 and 4 countries. The countries have also faced difficulties differentiating themselves, despite each having unique selling points (e.g., Palau's dive sites, Tonga's whale watching, Vanuatu's volcanoes). All have strived to develop more distinctly local visitor experiences that appeal to target segments and maximize visitor stays and spending.

[115] Natural disasters have limited arrivals to Samoa, Tonga, and Vanuatu. Palau experienced a period of extraordinary growth followed by a sudden decline in 2016 because of shifts in main source markets.

[116] Source: Authors' estimate based on UNWTO tourism receipts data and GDP data from the World Development Indicators.

Type 3 Destinations: Federated States of Micronesia, Kiribati, Republic of the Marshall Islands, and Tuvalu

The Federated States of Micronesia (FSM) and more recently Kiribati, the Republic of the Marshall Islands (RMI), and Tuvalu have sought to develop their relatively small marine-based tourism sectors in the face of geographic and other constraints. FSM was poised for tourism development in the early 1960s when its four islands, then still part of the U.S. Trust Territory, benefited from new air services connecting the region to East Asia and the United States. Early investment in hotels followed, and by the time FSM became independent in 1979, it was attracting American and Japanese tourists interested in diving, historic sites, and remote islands. However, FSM it never experienced the growth enjoyed by neighboring Palau. Factors included its greater distance from source markets (and hence higher cost to access and less-frequent flights), lack of sustained investment in tourism (e.g., infrastructure, marketing, and product development), widely dispersed small islands with high transport costs, and a less compelling dive proposition. Similarly, for Kiribati, RMI, and Tuvalu, long distances from source markets, small land size, and threat of rising sea levels have limited tourism infrastructure and product development and therefore restricted tourism growth. An additional barrier facing RMI and Kiribati is their reputation as sites for nuclear testing in the mid-twentieth century, partly explaining why tourism interest emerged much later than in western Micronesia. However, in recent years, the governments of both, as well as of Tuvalu, have recognized the potential of their marine assets, driving tourism development ambitions. FSM remains hopeful about expanding the sector around its marine, historical, and cultural attributes, although tourism investment and arrivals have stagnated.

Type 3 countries have the lowest tourism volumes of the PICs. Together, they accounted for only 2 percent of arrivals to PICs in 2019, explaining tourism's limited economic weight before the pandemic. Tourism has struggled to flourish in FSM, which had a compound annual growth rate of just 0.6 percent from 1999 to 2019, with overnight leisure arrivals peaking at 22,000 in 2008 before decreasing to 18,000 in 2019.[117] The more-recent emergence of tourism in Kiribati, RMI, and Tuvalu accounts for their lower volume of overnight visitor arrivals in 2019 (7,900, 6,100, and 3,600, respectively) and stronger growth rates than FSM. A small proportion of leisure visitors (focused on marine activities) is common for Type 3 countries, leading to a low absolute value of receipts representing a relatively modest share of GDP in Tuvalu (16.6 percent in 2019), FSM (10.8 percent), RMI (8.8 percent), and Kiribati (1.8 percent). Although tourism is important to these economies, they have not relied on it in recent years.

The nature and scale of tourism supply in Type 3 countries are the least mature among PICs. In 2019, Kiribati had 47 properties offering accommodation to tourists, FSM had 30, RMI had 12, and Tuvalu had ten. Together, these added up to just 1,300 rooms, or 5 percent of PICs' total room supply (SPTO 2020). Other than a few medium-size hotels and resorts in Kiribati and FSM, most accommodations are small. The quality of properties in these countries is modest according to international standards, and no international brands are present. There are also few tour operators. FSM has 50 operators spread across its four islands providing diving, fishing, and land-based tours, followed by RMI, which has 20 local operators offering fishing or diving trips. Kiribati's six tour operators supply fishing, war heritage, and cultural experiences. In Tuvalu, accommodations provide tours to a marine conservation site, diving, and cultural activities. Low private sector investment in tourism in these countries results from the multitude of demand constraints, compounded by unsupportive business environments and high costs. Similarly, these resource-constrained economies have made limited investments in tourism-enabling infrastructure. Access to the islands, particularly Kiribati, RMI, and Tuvalu, is limited, with only a few weekly flights for travelers from source markets. (FSM's 2019 average of 13 flights per week, together with RMI's 11, Kiribati's ten, and Tuvalu's four, accounted for just 10 percent of international flights across PICs). This paucity of transportation and a tendency for diving and fishing visitors stay longer account for the average length of stay rivaling other countries despite tourism supply limitations. As a result, per-trip visitor spend matches or exceeds that in Type 1 and 2 destinations, with Kiribati standing out as the highest for leisure visitors to its leading fishing destination, Kiritimati.

Type 4 Destinations: Papua New Guinea and Solomon Islands

Although tourism is more developed in Papua New Guinea (PNG) than in Solomon Islands, the two countries share characteristics. Their colonial histories affected the emergence of tourism leading up to and beyond their independence from Australia (1975) and Britain (1978), respectively. Many early accommodations and tour products developed from colonial roots because source markets in the former colonial powers drove early travel for business, leisure, and VFR. The two countries' World War II histories also drove demand from leisure tourists interested in historical sites and have created strong historical tourism markets. PNG's cultural diversity, globally significant terrestrial biodiversity, and marine attributes also formed the basis for its dispersed tourism offerings across several key provinces, with Solomon Islands sharing similar foundations on a smaller scale. These factors, together with proximity to Asia and Australia, increased overnight visitor arrivals to PNG and Solomon Islands at compound annual growth rates of 1.8 and 3.1 percent, respectively, between

[117] UNWTO 2021a.

Image: *Festival of the Pacific Arts in Solomon Islands*
Credit: *Tom Perry*

1999 and 2019 to reach 95,000 and 28,900 overnight visitors, respectively.

Safety and security challenges have contributed to slow and volatile tourism growth in PNG and Solomon Islands, respectively. Over the past 30 years, frequent episodes of violence in PNG have led to extended travel advisory warnings in source markets, as has occasional political unrest, deterring prospective travelers. Civil unrest disrupted tourism in Solomon Islands from 1999 to 2003 and again in 2014. These safety and security factors, unique to Type 4 countries, have greatly affected their tourism development.

Also setting Type 4 countries apart is their limited reliance on tourism because of strong natural resource sectors. More than 96 percent of PNG's exports are merchandise exports, a substantial part of which is liquified natural gas and other natural resources. Tourism receipts for PNG account for 9 percent of the total share of tourism receipts across the PICs (and 3 percent for Solomon Islands) but for the smallest share of GDP (0.9 percent for PNG, 5.2 percent for Solomon Islands in 2019).[118]

Tourism has seen long-term growth trends in Type 4 countries, however this has been driven by business tourism as opposed to leisure tourism. As of 2019, PNG had approximately 500 accommodation providers with a combined 6,200 rooms (SPTO 2020), the bulk of them in the capital of Port Moresby. The size and quality of hotels in Port Moresby grew rapidly in the 2010s because the booming resources sector was driving international and domestic business travel, and the capital was preparing to host the Asia-Pacific Economic Cooperation meeting in 2018. By 2019, Port Moresby had several large (more than 100 rooms) hotels, three of which are internationally branded. PNG-based hotel groups also hold a portfolio of properties in the capital and other provinces. Accommodation quality varies, with several well-appointed but rustic resorts appealing to travelers in destinations outside of Port Moresby. Approximately 100 tour operators (PSDI 2021b) nationwide enable access to a range of nature-, culture-, and history-based visitor experiences designed to appeal to adventure travelers. Solomon Islands has a similar but smaller supply landscape. Of the approximately 180 accommodation properties (2,000 rooms) available in 2019, more than half were in or around the capital, Honiara. It hosts several business-oriented medium-sized to large hotels of various quality levels, none of which are internationally branded. Other tourism destinations in outer provinces offered smaller, typically more rustic accommodations. Greater growth of business-oriented than of leisure accommodations in Type 4 destinations reflected the size of these segments. Overnight visitors traveling for leisure accounted for just 15.7 percent of 2019 overnight visitor arrivals for PNG and 27.8 percent for Solomon Islands, with business and other travel associated with official or professional trips dominating the market (SPTO 2020).

Low market demand and investment barriers constrain investment in leisure tourism products and services in PNG and Solomon Islands. In addition to safety concerns, cost factors have impeded growth of the leisure market. Dispersal of tourism experiences in locations far from the international entry point makes travel in PNG and Solomon Islands expensive and complicated because of poor, irregular domestic air service. High operation costs (e.g., energy, water, foreign labor) make accommodations expensive. Tourism-enabling public infrastructure is also weak in these locations, deterring prospective travelers and investors. Lack of suitable land for new investment, constraints on access to finance (especially for MSMEs), and other barriers to a business-enabling environment have further impeded development of leisure tourism hubs in these countries.

[118] Source: Authors' estimate based on UNWTO tourism receipts data and GDP data from the World Development Indicators.

Image: *Vanuatu*

Annex B: Methodological Notes

Potential Benefits of Targeting High-Value Markets for Pacific Island Countries

The following simple simulation assesses the relative impacts of targeted marketing approaches on overall revenue in a country over the medium to long term. It explores the hypothesis that high-value strategies in Pacific Island countries (PICs) would increase revenue in the long run. To do so, a simple simulation is developed based on the following equation:

$$Revenue_{it} = high\ value\ proportion \times IVA_{it} \times high\ value\ spend + low\ value\ proportion \times IVA_{it} \times low\ value\ spend$$

where *i* and *t* are the scenario and time period considered, respectively. International visitor arrivals (IVA) for year t are computed by multiplying arrivals in the previous year by a growth rate and a diminishing multiplier to reflect the price elasticity of demand, based on the first hypothesis described.

The simulation was developed with two underlying assumptions regarding numbers and composition of visitor arrivals. The first is that, as prices in the destination increase, the overall number of visitor arrivals will decrease slightly. The literature supports this assumption; for instance, a study in Vietnam found that, for every 1 percent price increase, international tourists to Vietnam decreased by an average of 0.55 percent (Nguyen 2022), and another study in the Caribbean found that, as prices increased by 1 percent because of a change in the real exchange rate, the number of arrivals decreased by 0.16 percent (Laframboise et al. 2014). Other factors play a role in tourism demand, including prices in competitor destinations; tourist income in source markets; and political, health, and other external shocks, but this simulation focuses on how value-led marketing and supply strategies affect price changes.

The second assumption is that, as a country targets tourism supply and marketing toward high-value arrivals (high-value marketing), the proportion of high-value arrivals will increase, and the proportion of lower-value arrivals will decrease. Data on market composition over time for tourism destinations are limited. Costa Rica is a good example of a country that implemented a high-value tourism strategy in 2002. The increase in average expenditures per arrival that Costa Rica experienced over time since implementing this strategy—approximately 13 percent between 2004 and 2019—suggests a greater proportion of high-value arrivals to the destination. Similarly, Bermuda introduced a high-value tourism strategy in 2012 (Bermuda Tourism Authority, 2012). Since then, average spend per visitor has increased, particularly from 2015 to 2019, suggesting a slight lag in the market segment composition after the commitment to change (Bermuda Tourism Authority 2012). Other than these two reference points, benchmarking data on spend per arrival per market segment (lower versus higher value) to leverage for this simulation are limited, so the below results are based on industry estimates and explored through scenarios for low, medium, and high price increase and price elasticity cases.

The simulation estimates and disaggregates revenue impacts over 30 years by summing the expenditures of all high- and low-value arrivals in the destination using a simple equation to model future revenue growth. The simulation was applied to three countries based on data availability: Fiji (Type 1), Vanuatu (Type 2), and Papua New Guinea (PNG) (Type 4). Information was collected on key variables, including growth rate forecasts, current composition of total arrivals in higher- and lower-value segments, and spending per higher- and lower-value arrival per trip. Arrival forecasts for 2022 to 2024 were taken from the Pacific Asia Travel Association (PATA) online database. The PATA forecast for total visitor arrivals was used for each country's 2022 baseline, and PATA–forecasted year-on-year growth rates were used for 2023 and 2024. From 2024 to 2042, the compound annual growth rate for international arrivals between 1999 and 2019 was used in place of an existing forecast, assuming that business-as-usual growth will return to pre-COVID average levels after initial recovery (Table 18). The pre-COVID proportion of high-value markets was calculated from existing sources for each country based on percentage arrivals of high-value niche markets, such as birding, diving, and cultural tourism (IFC 2020b, PNG TPA 2019, World Bank 2020d). Spend per arrival was sourced from the same reports, with some variance in approaches between countries because of data differences.[119]

[119] For the three countries, spend per high-value arrival is weighted average expenditures per person per trip across the high-value niche markets. Spend per low-value arrival is average spend per trip for all others (Fiji); average spend per trip of all visitors including high-value visitors (PNG); and average spend per trip for the relaxation market, excluding high-value arrivals (Vanuatu).

Table 18. Simulation Data Inputs for Fiji, Papua New Guinea, and Vanuatu

	2022 arrivals forecast [a]	2022 – 2023 growth rate forecast (%) [a]	2023 – 2024 growth rate forecast (%) [a]	Compound annual growth rate 1999-2019 [b]	Proportion of higher-value market in total arrivals (2019) (%) [c]	Spending per lower-value arrival (USD) [c]	Spending per higher-value arrival (USD) [c]
Fiji	277,130	2.80	1.34	1.02	23	1,206	2,048
Papua New Guinea	76,366	2.06	1.43	1.02	19	2,154	2,775
Vanuatu	20,819	4.25	1.52	1.04	52	1,737	1,984

Sources: a. PATA 2022.
b. UNWTO 2022b; PNG TPA 2022.
c. World Bank 2020d; IFC 2020b; PNG TPA 2019.

The data indicate that Fiji has the largest spread between high- and low-value arrival spending, which may be because of the smaller proportion of high-value holiday arrivals in Fiji. The country is better placed to target the relaxation tourist market, with fewer products and activities geared toward niche markets. In contrast, PNG and Vanuatu have a relatively high proportion of high-value tourists and more existing products targeting niche tourist markets. (In PNG, although only 19 percent of overall arrivals are high-value markets, 56 percent of total holiday arrivals are high-value holiday arrivals, excluding business travelers and visits to family.) The supply of high-value products in Vanuatu and PNG is available to all markets and the higher spending of lower-value visitors may indicate that these tourists are also spending on some high-value products.

The diminishing growth multiplier is applied to number of arrivals to calculate the rate at which arrivals decrease over time in the value-led case as price increases. For every 1 percent price increase, overall international tourist arrivals to Vietnam decreased by an average of 0.55 percent (Nguyen 2022). This was different for the Asian and intercontinental markets, with reductions of 0.36 percent and 1.24 percent, respectively. As such, these were used as lower and upper bounds for price elasticity in the simulation, and the average of 0.55 percent was used as the mid-level elasticity.

Several price increase rates were used to explore the potential impact on arrivals. As mentioned, Costa Rica is a good example of a country that implemented a value-led tourism strategy under the 2002-2012 National Tourism Development Plan to increase visitor yield and reduce tourism's impacts on the environment. In the 15 years before 2019, average spend per visitor to Costa Rica increased by 13 percent, although part of this increase may be attributable to other factors, such as increasing average length of stay. As such, this is the baseline for the upper bracket in price increases, increased slightly to 15 percent to account for the additional five-year period (total of 20 years) used in the simulation. The lower and mid-point price increases are 5 percent and 10 percent, respectively, to check the results' sensitivity to different levels of price increase.

Reductions in arrivals because of the shift to a high-value strategy were calculated by multiplying the elasticity level by the price increase (Table 19). These final data points were used as Multiplier 1 in the simulation to develop an overall reduction in visitor arrivals over the full 20-year period. This price increase was also used to determine overall revenue in the simulation. Although the price increase resulted in a reduction in arrivals in the value-led model, the price increase also contributes to greater spend per arrival in this simulation. The mid-point price increase (10 percent over the 20-year period) was used to determine this price and spend increase.

Table 19. Multiplier 1 Data Points According to Price Elasticity Level and Price Increase Level

Price elasticity	Lower-bound price increase	Mid-point price increase	Upper-bound price increase
	%		
Lower	-1.8	-3.6	-5.4
Mid-point	-2.7	-5.5	-8.2
Upper	-6.2	-12.4	-18.6

Multiplier 2 follows the second assumption on the proportion of high- and low-value arrivals to estimate change in market segmentation through value-led promotion and industry development. In the value-led case, Multiplier 2 increases the proportion of high-value arrivals over time, with growth in this market fitting an S-curve, indicating slow growth to start as new marketing and supply strategies are implemented followed by a period of fast growth in high-value arrivals and eventually leveling out. The Multiplier 2 brackets were used in the simulation to determine potential revenue changes based on increasing high-value arrivals.

Table 20. Multiplier 2 High-Value Market Proportion Change According to Country

Country	2019 proportion of high-value arrivals[a]	Lower bound	Mid-range	Upper bound
	%			
Fiji	23	30	50	70
Vanuatu	52	60	70	80
Papua New Guinea	19	23	25	30

a. *Source*: World Bank 2020d; IFC 2020b; PNG TPA 2019.

Multiplier 2 is country specific because of the differing initial market compositions and existing and potential niche market supply. In 2019, Fiji had 23 percent high-value arrivals, leaving a high opportunity for growth from these markets, dependent on value-led strategies and market-specific products, discussed in Section 3. As such, Fiji sees the highest possible increase in high-value markets of the three countries, with a lower bracket of 30 percent high-value arrivals and an upper bracket of 70 percent (Table 20). Vanuatu has the highest value-led composition of markets, with 52 percent of all international arrivals being high value because of an existing value-led strategy. As such, Vanuatu's increase is lower than that of Fiji, starting at 60 percent high-value composition (an increase of 8 percent), but the upper bracket is the highest of all countries (80 percent) because of Vanuatu's potential as a value-led destination. Finally, PNG's initial market composition is 19 percent high-value arrivals, the lowest of the three countries, but because of its large business travel market, the leisure market accounts for only 34 percent of all international arrivals, and high-value niche markets already make up 56 percent of these. There is no major anticipated change in composition of international business travel markets, leaving limited room for growth of high-value tourists as a percentage of overall arrivals, although there is high potential for most of the leisure market to shift to high-value markets. As such, PNG's lower bracket is 23 percent (a 4 percent increase), and the upper bracket is 30 percent of total arrivals, almost the entire 34 percent leisure market.

In the scenario with lowest growth in high-value markets, overall visitor arrivals are highest. Table 21 shows total estimated visitor arrivals in 2042 for each combination of price increase and price elasticity for the value-led scenario. For all countries, the simulation finds the largest arrival numbers when price increase and price elasticity are at their minimum. Conversely, the largest growth in high-value markets results in the fewest arrivals. These results alone are not a good indication of the outcome of value-led marketing strategies, because it is possible for fewer arrivals to produce higher overall revenue.

Table 21. Simulated International Visitor Arrivals by 2042 in Fiji, Papua New Guinea, and Vanuatu Under a Value-Led Marketing Scenario

Country	Price elasticity	Price increase		
		Lower bound (5%)	Mid-point (10%)	Upper bound (15%)
Fiji	Lower bound (0.36%)	**1,404,150**	1,379,067	1,354,411
	Mid-point (0.55%)	1,390,858	1,353,054	1,316,227
	Upper bound (1.24%)	1,343,588	1,262,450	1,185,980
Vanuatu	Lower bound (0.36%)	**286,771**	281,648	276,613
	Mid-point (0.55%)	284,056	276,335	268,814
	Upper bound (1.24%)	274,402	257,831	242,214
Papua New Guinea	Lower bound (0.36%)	**303,329**	297,911	292,585
	Mid-point (0.55%)	300,458	292,291	284,336
	Upper bound (1.24%)	290,246	272,719	256,199

Note: bolded numbers represent the highest number of overall arrivals for each country, when price increase and price elasticity are at their minimum.

Despite fewer arrivals, shifting to higher-value markets could increase revenue from tourism. In the simulation, the volume-led scenario refers to a situation in which the destination does not implement a value-led marketing strategy but continues as usual through mass-market, high-volume tourism. In this case, the price does not increase, the number of arrivals continues to grow at a rate similar to the pre-COVID-19 growth rate, and spend per arrival remains the same. For all three countries, the simulation finds that total tourism revenue in the value-led case (growing share of high-value tourists) would be higher than in the volume-led case (Table 22). As expected, the upper-bound proportion of high-value arrivals yields the greatest difference between the value- and volume-led scenarios. That is, the greater the growth in high-value markets as a portion of all arrivals, the more tourism revenue the country earns, although all of the lower-bracket proportions also saw a revenue increase in the value-led scenario of more than 5 percent over revenue in the volume-led scenario. In Fiji, the mid-range and upper-bracket market proportions yielded revenues more than 20 percent higher than under the volume-led scenario.

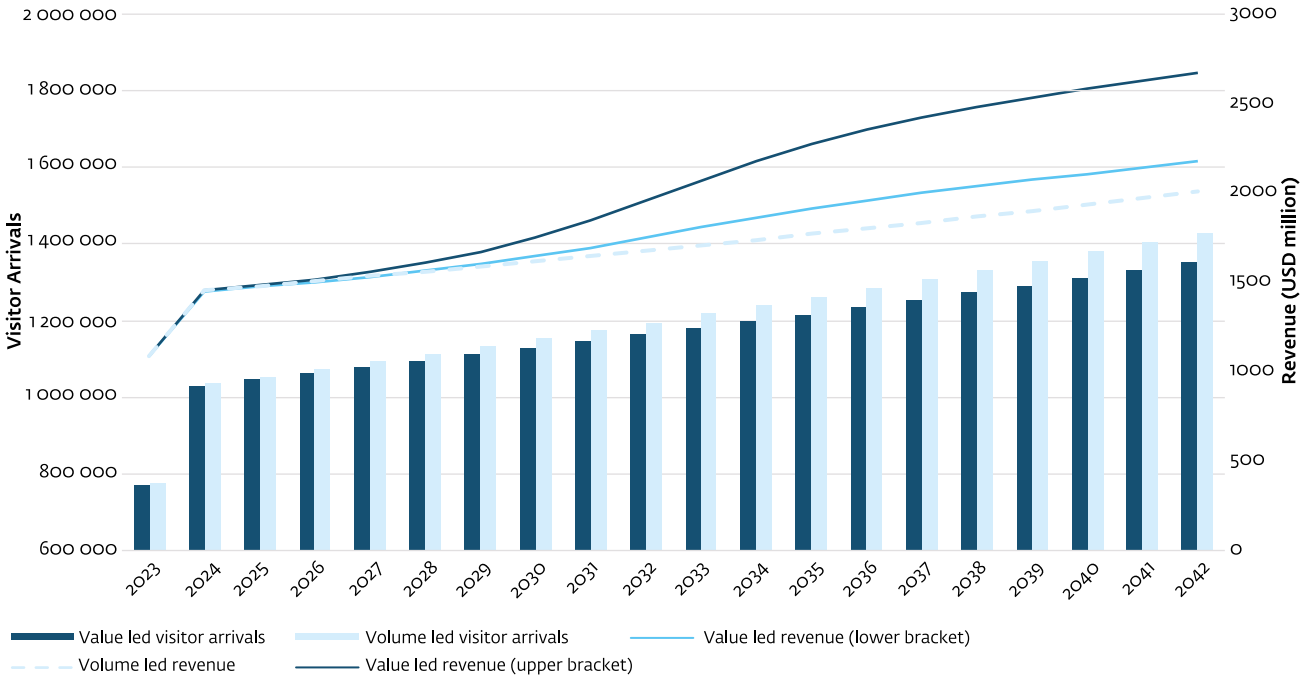
Table 22. Total Tourism Revenue in 2042 with Constant Mid-Point Price Elasticity and Price Increase

Country	Marketing strategy	Total tourism revenue per high-value arrival growth (USD million)		
		Lower bound	Mid-range	Upper bound
Fiji	Value led	2,174.6	2,425.1	2,675.6
	Volume led	2,005.9		
Vanuatu	Value led	572.7	580.2	587.7
	Volume led	544.7		
Papua New Guinea	Value led	738.0	742.0	752.0
	Volume led	701.7		

Note: Cells shaded orange indicate revenues more than 5% higher than the price-led scenario; cells shaded green indicate revenue more than 20% higher than the volume-led scenario.

When running the full simulation, all countries had lower visitor arrivals for the value-led marketing strategy than the volume-led scenario but with higher overall tourism revenue. The revenue increase ranged from 5 percent at the lower bound for PNG to 33 percent at the upper bound for Fiji. As expected, revenue change between the volume-led scenario, the lower-bound value-led scenario, and the upper-bound scenario was largest for Fiji because it has the most room for growth of high-value market arrivals as a portion of overall arrivals (Figure 21). PNG (Figure 23) and Vanuatu (Figure 22) had smaller differences between the scenarios, although revenue was still higher under the value-led marketing scenarios for both countries than under a volume-led scenario.

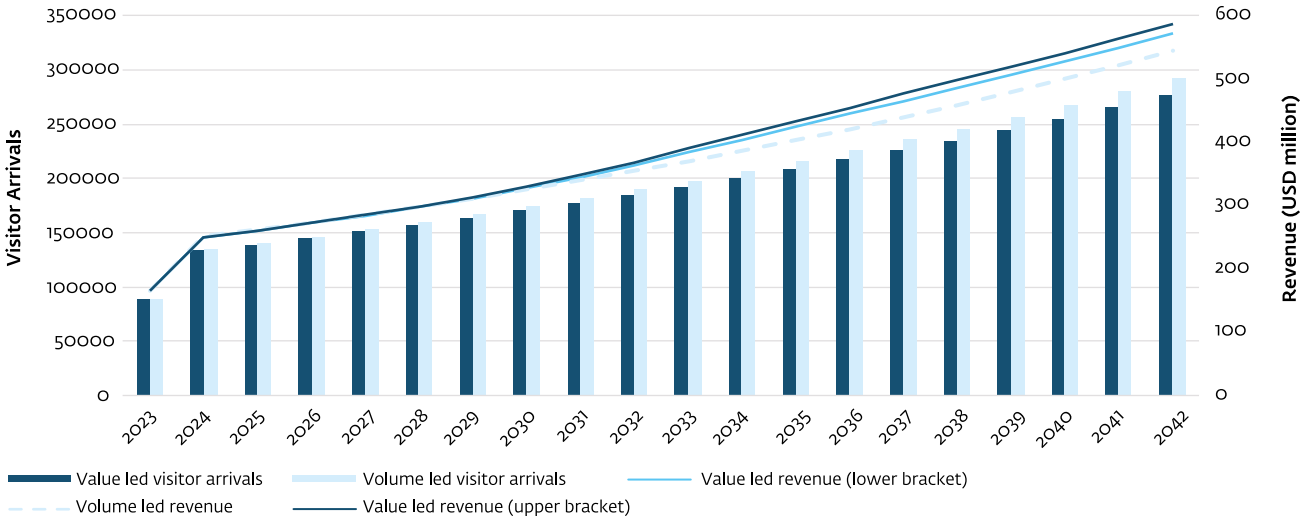
Figure 21. Fiji Visitor Arrivals and Revenue Over Time with Lower and Upper Proportion of High-Value Arrivals Brackets



Note: Chart starts at 2023 as 2022 revenue skews the chart due to COVID-19 recovery.

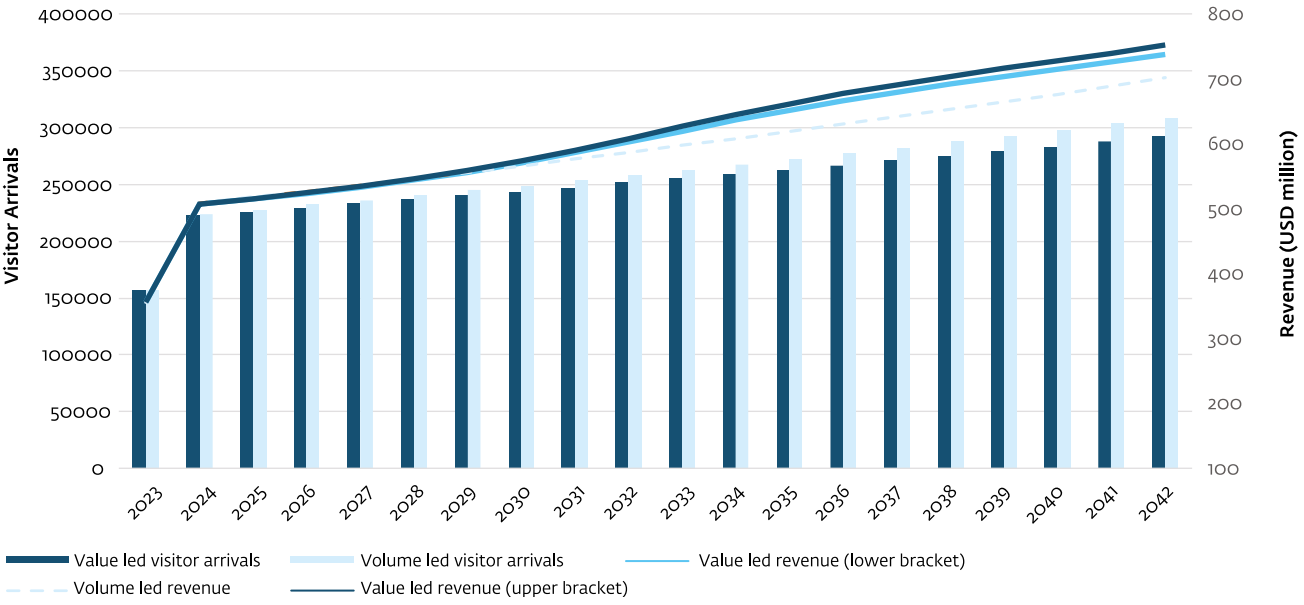
Image: *Kiribati*

Figure 22. Vanuatu Visitor Arrivals and Revenue Over Time with Lower and Upper Proportion of High-Value Arrivals Brackets



Note: Chart starts at 2023 as 2022 revenue skews the chart due to COVID-19 recovery.

Figure 23. PNG Visitor Arrivals and Revenue Over Time with Lower and Upper Proportion of High-Value Arrivals Brackets



Potential Impacts of Declining Visitor Satisfaction on Expenditures

The main hypothesis used for this simulation was that loss of tourism and tourism-related micro, small, and medium-sized enterprises (MSMEs) in PICs would reduce the diversity of offerings and visitor satisfaction rates and therefore visitor expenditures. In the absence of data linking visitor satisfaction and spending in the Pacific or other small island developing states, the simulation uses results from Croatia (Jurdana and Frleta 2016), which found that a 5 percent drop in satisfaction with diversity of tourism services was associated with a 2 percent drop in visitor spending at the destination.

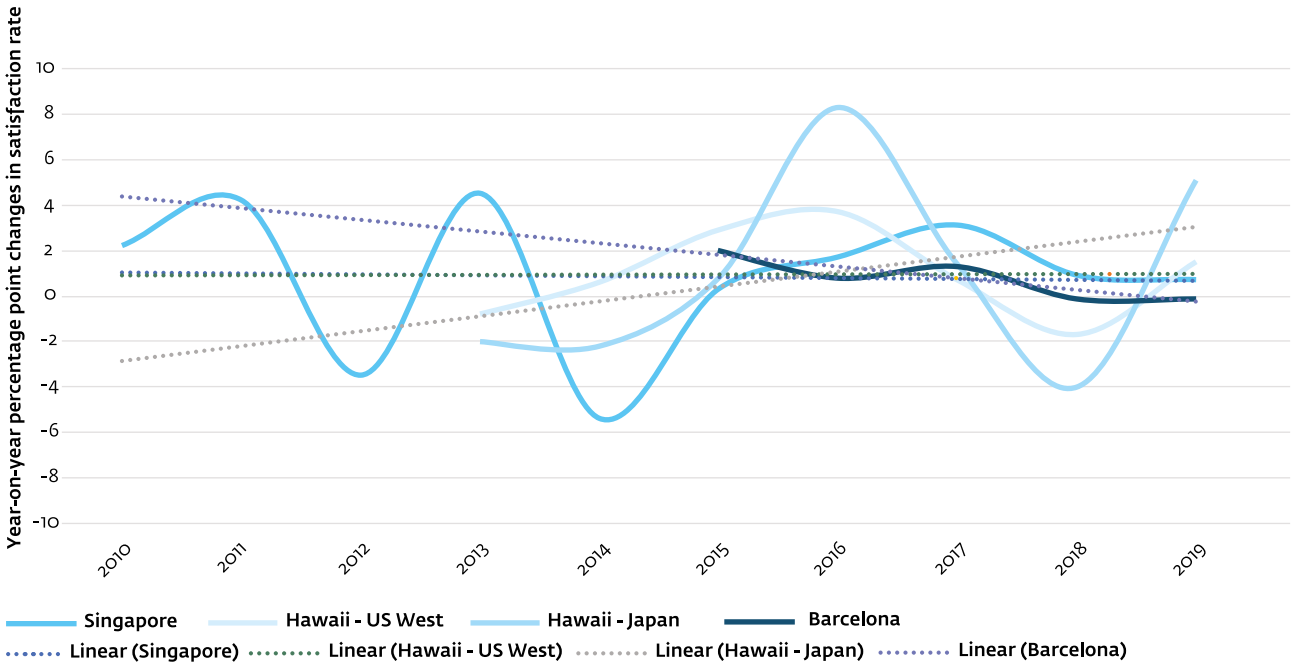
The analysis is built on two assumptions on market composition and MSME dominance in owning and operating tourism facilities in the Pacific. The first assumption is that the source markets studied in Croatia in the reference study on tourist satisfaction and expenditures (Jurdana and Frleta 2016) are broadly comparable with the source markets in the Pacific. Croatian markets covered in the study, which collected data in 2014, were predominately international (88 percent) and short-haul markets (89 percent of those). In the Pacific countries studied in this simulation (Fiji, Federated States of Micronesia (FSM), Samoa, Solomon Islands), tourism source markets are also predominately international, in the absence of significant domestic tourism. However, to create a more comparable short-haul data set in the Pacific, only the main short-haul source market for each PIC were considered: New Zealand for Samoa and Australia for the rest of the countries. A single source market was used to simluate expenditure impacts for simplicity's sake. Long-haul markets, which account for 30 percent of total arrivals for Fiji (2019), 19 percent for Samoa (2019), and 35 percent for Solomon Islands (2018), were excluded. For FSM, the only data available through the international visitor survey were for Yap, a main tourism destination. Although the Yap tourism market mainly consisted of long-haul arrivals (81 percent), it is included to increase the number of PICs and typology categories covered in this simulation.

The second assumption is that the delivery and operation of tourism facilities, services and attractions are done predominantly by MSMEs in the Pacific. Globally, the tourism industry comprises mainly MSMEs, with more than 80 percent of global tourism firms falling into this category. Small businesses (e.g., hiking operators, river rafting, cultural performances and dance groups, nightclubs, playhouses) operate almost all tourism excursions, cultural attractions and activities, and entertainment options. At the regional level, the United Nations Economic and Social Commission for Asia and the Pacific found that 98 percent of all enterprises in Asia-Pacific are MSMEs (UNESCAP 2022). As one data point, an analysis of the Fiji COVID-19 Business Survey focused on MSMEs found that 87 percent of overall business respondents and 73 percent of tourism respondents were MSMEs (IFC 2020a). Within the tourism industry, respondents, facilities, and service and attraction providers were mainly MSMEs. In Samoa, data from business licenses show that 94 percent of tourism businesses are MSMEs. For FSM and Solomon Islands, expert review of tourism businesses' inventories revealed that almost all tourism businesses, especially in the facilities, services, and attraction categories, were MSMEs.

The analysis considers upper and lower limits of variation in visitor satisfaction, based on destination case studies (Figure 24). Overall visitor satisfaction can vary significantly from year to year, although it averages out to more gradual changes over time. Three destinations are used as examples to explore the upper and lower limits of visitor satisfaction rate change. Barcelona is used as a lower limit benchmark that demonstrates fairly gradual change in visitor satisfaction over time. Barcelona has experienced shifting satisfaction rates, with a 4.1-percentage-point increase in visitor satisfaction between 2014 and 2017 (1.37 percentage points per year) and a 1-percentage-point decrease between 2017 and 2020 (-0.33 percentage points per year), likely due to the challenges of over-tourism before the pandemic. As a medium change case, between 2012 and 2019, visitor satisfaction with Hawaii from U.S. West Coast markets increased 6.9 percentage points from 81.8 percent satisfied to 88.7 percent satisfied (0.99 percentage points per year). Similarly, Singapore faced volatility in satisfaction rates from year to year until 2014 but then stabilized. There were two drastic reductions in satisfaction over 1-year periods of 3.5 percentage points between 2011 and 2012 and 5.4 percentage points between 2013 and 2014, demonstrating a large shift in satisfaction over a short period. However, visitor satisfaction rates grew overall 8.7 percentage points between 2009 and 2019, from 67.1 percent to 75.8 percent satisfied (0.87 percentage points per year).[120] Finally, on the upper end, satisfaction of Japanese visitors to Hawaii increased 7.4 percentage points from 2012 to 2019 (1.1 percentage points per year) but decreased 3.4 percentage points from 2012 to 2015 (-1.1 percentage points per year).

[120] Based on a review of available studies and news reports, no specific events occurred in Singapore during these years to cause this drastic change in satisfaction rates. News reports indicate that visitor satisfaction declined because of poor tourism services and changing customer expectations as the market shifted to high-value markets.

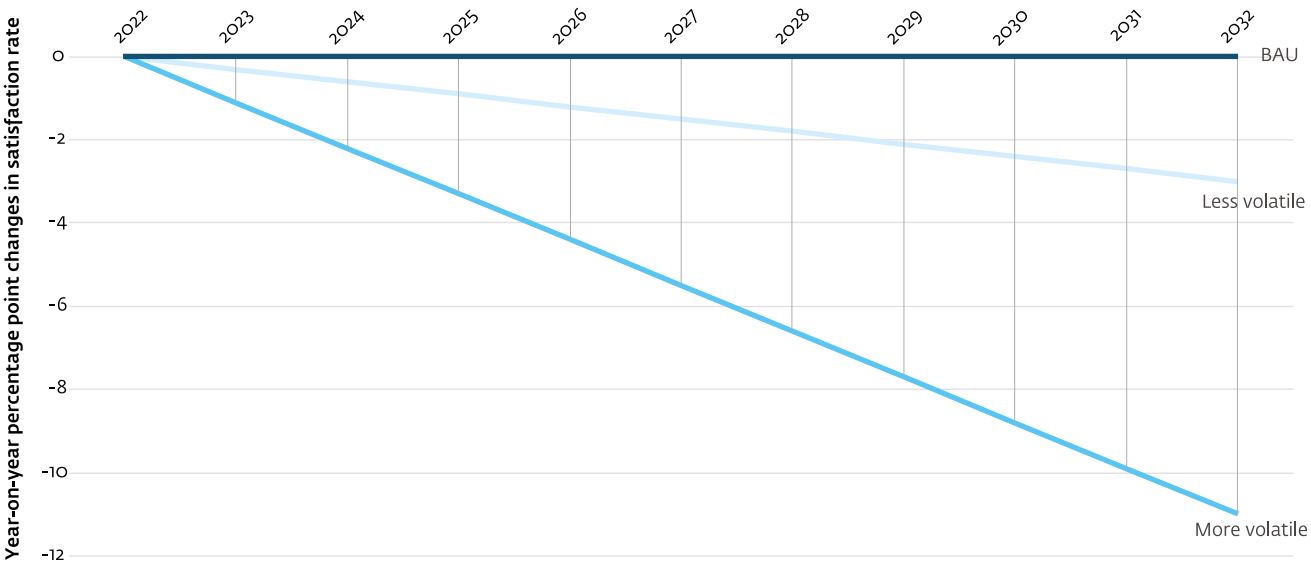
Figure 24. Visitor Satisfaction for Various Reference Destinations, 2010-2019



Source: Hawaii Tourism Authority 2022; Singapore Management University 2022; Observatori del Turisme de Barcelona 2022

Based on these examples, lower and upper limits of variation in visitor satisfaction have been conservatively set over 10 years starting in 2022 (Figure 25). Barcelona has been used as the base for an optimistic, less-volatile scenario, setting the year-on-year decrease at 0.3 percentage points, whereas Japanese visitor satisfaction in Hawaii has been used for the pessimistic, most-volatile scenario (-1.1 percentage points per year). That is, the simulation used a decline rate of satisfaction of 0.3 percentage points per year for a best-case scenario and a decline rate of 1.1 percentage points per year as a worse-case scenario. The base year was set as 2022, and the analysis was applied for 10 years to determine overall satisfaction rate declines. Finally, a business-as-usual option was considered that reflects no change in satisfaction rates over the period.

Figure 25. Assumption of Year-on-Year Changes in Satisfaction Rates Under Three Scenarios



Source: Hawaii Tourism Authority 2022; Observatori del Turisme de Barcelona 2022.

After projections for decreases in satisfaction were modeled, data on current satisfaction and spending from the four PICs studied were gathered and applied to the simulation. First, information was gathered on visitor satisfaction rates and average visitor local expenditures per trip for the main short-haul source markets from the 2019 international visitor surveys (IVS) of Fiji, FSM, Samoa, and Solomon Islands (Table 23).[121] The simulation used only local spend to mirror the study on Croatia. In 2019, local spend accounted for 35 percent of total spending in Fiji, 49 percent in Samoa, 5 percent in Yap/FSM (period 2015-2018), and 39 percent in Solomon Islands. Because of data availability constraints, 2019 visitor satisfaction and local spending averages were translated to 2022; that is, the 10-year projections start at 2022, with the last available satisfaction and spending data from 2019. Second, information on actual arrivals in 2019 (and 2020 for Fiji) from the main short-haul source market was collected and used as a base for arrivals projections up to 2032. For these, the study used the overall arrivals pre-pandemic CAGR growth rates from 1999 to 2019 onward to 2032, along with a couple of other premises, to mirror the growth assumptions from the high-value and high-volume tourism growth simulation (Table 24).[122]

Table 23. Pre-COVID Satisfaction and Spend Data

Country	Main short-haul source market	2019 arrivals	% arrivals from that market	Visitor satisfaction (1-5)	Local spend per trip (USD)
Fiji	Australia	367,020[a]	41	4.5 [b]	429 [c]
Samoa	New Zealand	77,094	44	4.4 [d]	459 [e]
Federated States of Micronesia	Australia	720 [f]	4	4.4 [g]	791 [h]
Solomon Islands	Australia	11,010	38	3.9	447

Sources: Government of Fiji 2020; NZTRI 2020a; NZTRI 2020b; UNWTO 2022b; Yap Visitors Bureau 2019.

a. 58,062 Australian arrivals to Fiji in 2020.

b. Visitor satisfaction for Australia was transformed to a 1-5 scale to be in line with the Croatian studies and the international visitor surveys (IVSs) of the rest of the countries analyzed under this scenario.

c. Individual local spending has been calculated by subtracting prepaid spending from total spending and dividing by total number of visitors. An exchange rate of 1 Fijian dollar = 0.46 USD was used.

d. The Samoa 2019 IVS does not split satisfaction for source markets.

e. Data were taken from spending per day and multiplied by average length of stay. An exchange rate of 1 Samoan tala = 0.37 USD was used.

f. Estimation based on the Yap 2015-2018 Visitor Survey.

g. The Yap 2015-2018 IVS does not split satisfaction or spending for source markets.

h. Result of spending per day multiplied by average length of stay.

Table 24. Arrivals Forecast from Main Short-Haul Source Market to Fiji, Federated States of Micronesia, Samoa, and Solomon Islands, 2022-2032

Year	Fiji (Australia)	Samoa (New Zealand)	Federated States of Micronesia (Australia)	Solomon Islands (Australia)
2022	37,780	13,184	360	5,505
2023	306,202	60,596	720	11,010
2024	409,800	91,140	724	11,347
2025	426,088	94,464	729	11,695
2026	443,024	97,909	733	12,054
2027	460,632	101,480	737	12,423
2028	478,941	105,181	742	12,804
2029	497,978	109,017	746	13,197
2030	517,771	112,992	750	13,601
2031	538,351	117,113	755	14,018
2032	559,748	121,384	759	14,448

[121] For FSM, information on spending and visitor satisfaction was gathered from the Yap Visitor Survey presentation, which covers 2015 to 2018 and does not differentiate between market sources.

[122] For Australian visitors to FSM, it was assumed 4 percent arrivals from the country as specified in the Yap 2015-2018 VSAT and that, in 2022, arrivals to FSM and Solomon Islands half the ones of 2019, and in 2023 they return to normal levels.

The simulation found that a gradual decline in visitor satisfaction could result in sizeable losses in tourism expenditures over time. With an annual decrease of 1.1 percentage points in visitor satisfaction (worst-case scenario), Fiji could realize USD 10.5 million less local spending (Figure 26) , FSM USD 0.03 million less (Figure 28), Samoa USD 2.4 million less (Figure 27), and Solomon Islands USD 0.3 million less (Figure 29) over 10 years from their main short-haul source markets than in the business-as-usual case (equivalent to 0.5 percent of total potential income in the business-as-usual case). Under the more-conservative scenario, in which satisfaction declines only 0.3 percentage points per year, Fiji would realize USD 2.9 million less local spending, FSM USD 0.01 million less, Samoa USD 0.7 million less, and Solomon Islands USD 0.08 million less over 10 years than in the business-as-usual case, without considering inflation (equivalent to 0.14 percent of total potential income in the business-as-usual case). These are large numbers considering that they reflect only in-country spending in the four countries studied.

Figure 26. Annual Decrease in Local Visitor Spending from Main Short-Haul Source Market Compared with Business as Usual for Fiji, 2023-2032

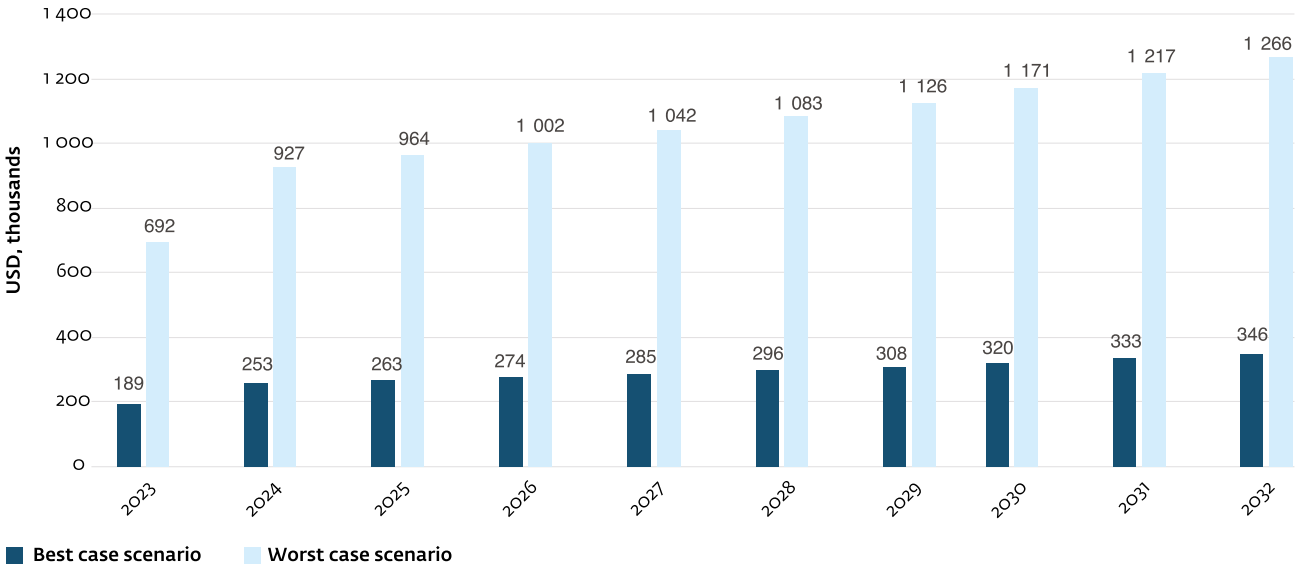


Figure 27. Annual Decrease in Local Visitor Spending from Main Short-Haul Source Market Compared with Business as Usual for Samoa, 2023-2032

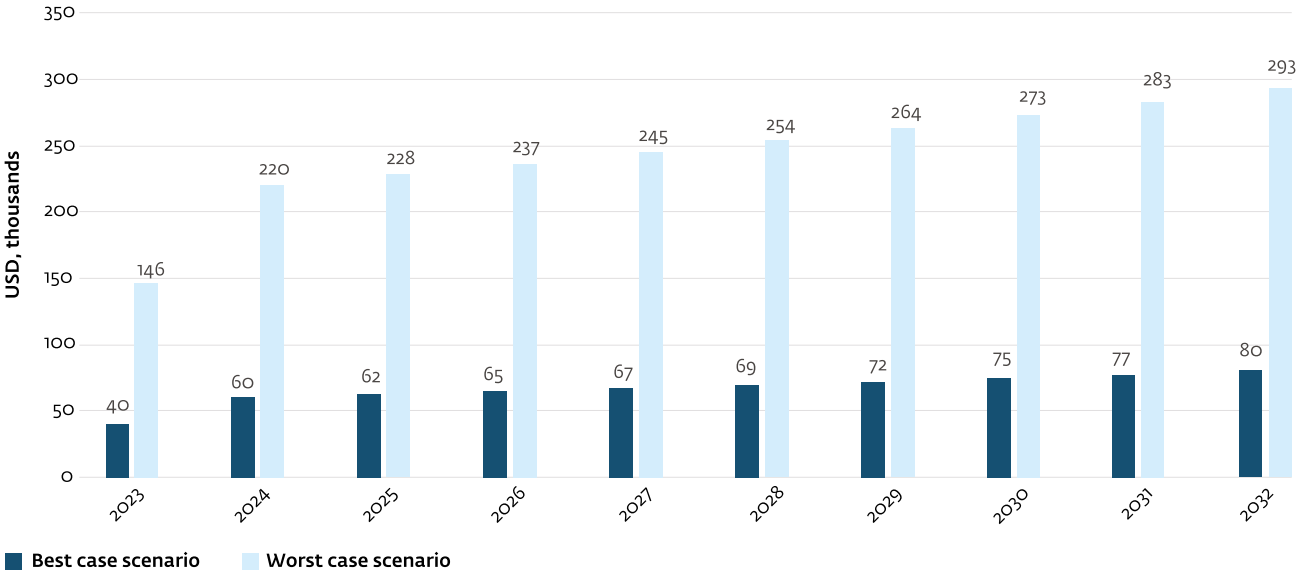


Figure 28. Annual Decrease in Local Visitor Spending from Main Short-Haul Source Market Compared with Business as Usual for Federated States of Micronesia, 2023-2032

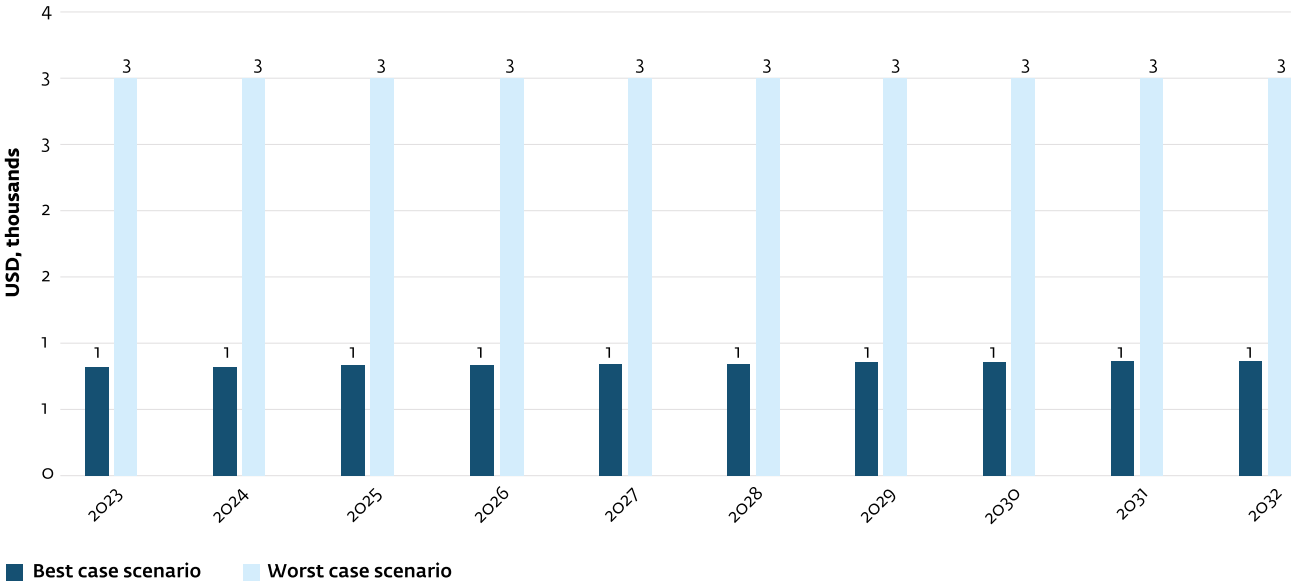
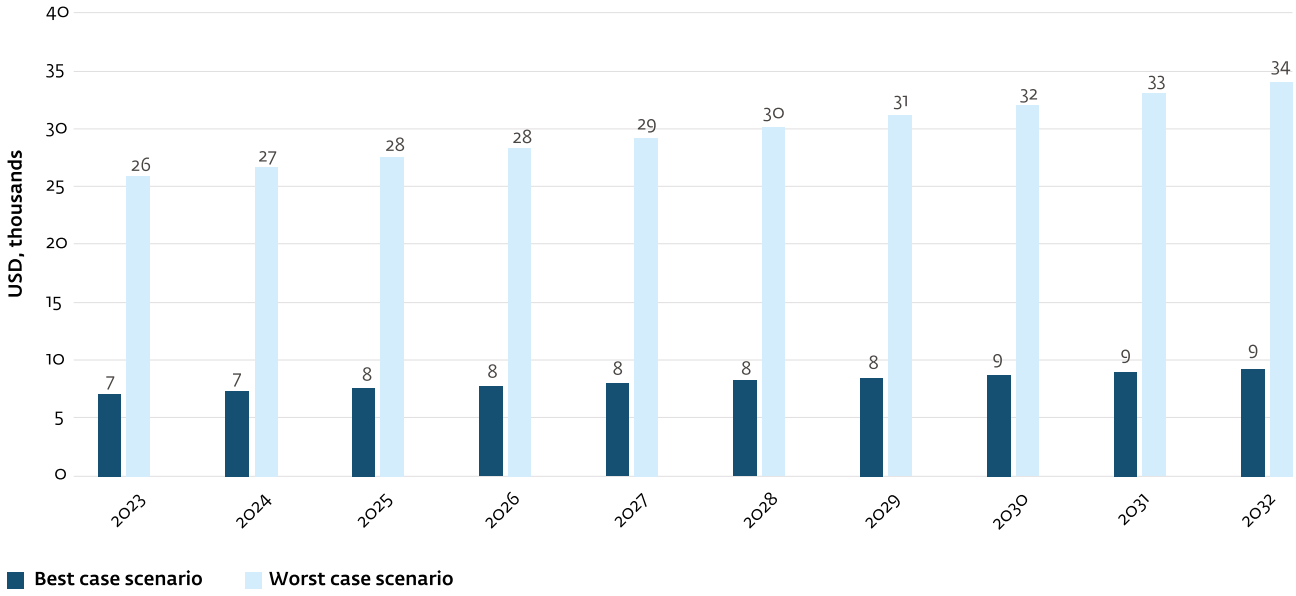


Figure 29. Annual Decrease in Local Visitor Spending from Main Short-Haul Source Market Compared with Business as Usual for Solomon Islands, 2023-2032



These estimates of potential losses in tourism revenue due to declining satisfaction are conservative. This simulation is based on results of an empirical study that related satisfaction with the diversity of tourism facilities to spending at a moment in time. Other factors that could affect tourism revenues the negative user-generated content reviews and poor word-of-mouth marketing from a lack of tourist facilities, excursion offerings, and cultural diversity options. A decrease in diversity of facilities might also affect length of stay, which would further limit overall expenditures and tourism spend into the local economy as spending would become centralized within accommodation. Finally, other cultural and traditional implications need to be considered even though these are somewhat difficult in accounting for in an economic model.

Benefits of Resource Efficiency in Tourism Businesses

This simulation is based on a cost-benefit analysis using EDGE, the IFC's tool and green building certification system,[123] to assess potential returns on investment in more-resource-efficient tourism operations in PICs. It focuses on the case of hotels in three countries based on data availability and tourism dependency.[124] Fiji, Samoa, and Vanuatu were selected to represent destinations with a large contribution from tourism to gross domestic product (GDP) and medium to large market size, corresponding to Types 1 (Fiji) and 2 (Samoa, Vanuatu) of this study. In Fiji, the city of reference was Nadi because 38 percent of accommodations are located there or nearby (Tourism Fiji 2017). In Samoa and Vanuatu, the capitals (Adia and Port-Vila, respectively) are the only options available in the tool, and Port-Vila was chosen to be the reference for a Type 2 country because Vanuatu has more accommodation establishments than Samoa.

To capture the benefits of implementing resource efficiency measures in hotels, the default values that EDGE provides was altered to represent local circumstances. In this study, some inputs were modified. Modified variables included construction year, hotel rooms, internal and roof areas, construction costs, and number of floors. Information was gathered and inserted according to regional or national averages (Table 25). Unmodified parameters included air conditioning systems and operational details such as fuel usage, as they seem to be in line with real market observations, among many other parameters that can be updated in the EDGE tool. One important consideration is the 80 or 70 percent occupancy rate assumption, depending on hotel categories, which would be close to pre-pandemic high peak season room occupancy (UNWTO and STR 2022).

Table 25. EDGE Manual Inputs for Various Hotel Locations and Categories

Hotel category	Number of floors above grade	Roof area (m2)	Gross internal area (m2)	Construction costs (USD/m2)	Pool	Number of rooms
Type 1 (Fiji)						
1 star	1	713	713	2,500	No	19
2 star	1	1,275	1,275	3,000		34
3 star	1	600	600	3,750	Outdoor unheated	16
4 star	3	465	1,395	5,000		31
5 star (small)	3	765	2,295	5,000		34
5 star (large)	3	4,780	14,340	7,500		239
Type 2 (Samoa, Vanuatu)						
1 star	1	113	113	2,500	No	3
2 star	1	250	250	3,000		10
3 star	1	975	975	3,750	Outdoor unheated	26
4 star	3	1,125	3,375	5,000		75

Sources: Interviews with experts and data from the Vanuatu Department of Tourism and the Vanuatu Tourism Office, the Asian Development Bank, and the World Bank.

Note: Assumptions for all hotel categories and countries:

- Construction year: 2002
- Number of floors below grade: 0
- 20 percent of electricity generation from diesel
- Cost of electricity: 0.32 USD/kWh

[123] EDGE is a free design tool comprising a web-based software application, universal standard, and certification system focused on making residential and commercial buildings more resource efficient. Based on a building's parameters and local conditions, EDGE estimates costs, savings, and payback periods for green building measures using region-specific, use-based analysis. For a project to obtain EDGE certification, it must achieve a minimum standard of using 20 percent less energy, water, and other materials than local benchmarks. For more information, see https://edgebuildings.com.

[124] The EDGE App has 11 available project infrastructure types: homes, apartments, serviced apartments, hotels, resorts, retail, industrial, offices, hospitals, education, and mixed use. Hotels are further split into five categories from 1 to 5 stars.

Different energy, water, and materials efficiency measures were selected to reach at least 20 percent savings, the threshold for EDGE certification. For 1- to 3-star hotels, simple measures were selected, such as roof insulation, efficiency lighting, and upgrading to water-efficient faucets for public or private bathrooms. For 4- and 5-star hotels, more costly investments were selected, such as onsite renewable energy and smart measures. These larger, higher-earning hotels have more accessible capital for investment in these resource-efficiency areas and can therefore obtain higher energy savings in the medium run.

Using hotel supply estimations for each country studied, the results of the cost-benefit analysis were extrapolated to the national level. For the three selected countries, available data were used to classify hotels into five categories (1 to 5 stars) and estimate the number of rooms per hotel and category (Table 26). Using these data, an average total market supply was computed for the three countries, allowing extrapolation of cost savings to the national level.

Table 26. Categories of Rooms and Assumptions of Hotel Categories in Fiji, Samoa, and Vanuatu

Country		Year	1 star	2 star	3 star	4 star	5 star (small)	5 star (large)
Fiji	Rooms	2017	4,715	3,191	3,333	283	34	239
	Hotels		314	213	222	19	6	9
Samoa	Rooms	2019	978	691	293	854		
	Hotels		65	46	20	57		
Vanuatu	Rooms	2018	625	1,055	885	407		
	Hotels		42	70	59	27		

Source: STA 2021; Tourism Fiji 2017; World Bank 2020d.

Results suggest that investments in resource efficiency considered for hotels in PICs would be paid back quickly. Table 27 shows the amount that hotels would need to invest to implement the considered energy, water, and materials efficiency measures needed to reach 20 percent efficiency gains and the payback periods. As expected, investment size increases with hotel category (1 to 5 stars) because of building dimensions and associated costs. In particular, adoption of renewable energy for electricity generation, which in turn brings much higher annual carbon dioxide savings, explains the high cost of investment for 4- and 5-star hotels. Although capital expenditures required to implement the measures would not be negligible, savings would more than pay them back within one year in most cases and sometimes sooner.

Table 27. Selected Key Performance Indicators for Investments in Resource Efficiency

Hotel category	Incremental cost (USD)[a]	Payback, years[b]	Operational savings (tons of carbon dioxide/year)	Carbon dioxide savings (% total)	Utility savings (USD/year)
Type 1 (Fiji)					
1-star	2,601	0.1	47.0	20.6	45,735
2-star	4,945	0.1	66.7	21.2	65,206
3-star	3,500	0.0	82.8	20.5	80,063
4-star	201,566	1.1	115.1	25.0	181,188
5-star (small)	221,397	1.1	124.6	24.8	197,352
5-star (large)		1.2	123.3	24.8	209,261
Type 2 (Samoa, Vanuatu)					
1-star	1,012	0.1	9.54	18.6	7,098
2-star	1,666	0.0	90.48	23.3	62,572
3-star	5,026	0.1	102.73	24.3	71,332
4-star	225,110	1.2	160.61	23.4	187,406

a. Additional cost of implementing selected efficiency measures compared with baseline.

b. Number of years to repay incremental cost compared with cost savings of utilities. The method used is simple payback based on the measure's capital cost.

Results were extrapolated at a national level based on World Bank estimations of available room supply. (Table 28). For Fiji, individual Type 1 key performance indicators were used, and Samoa's and Vanuatu's calculations were based on Type 2 key performance indicators. Overall, Fiji needs much more investment because it has more hotels, especially those categorized as 1 to 3 stars. Samoa needs more investment than Vanuatu because it offers more deluxe rooms, which were classified as being part of 4-star hotels.

Table 28. National Investment Needs and Results in Resource Efficiency Measures for Fiji, Samoa, and Vanuatu

Country	Investment needed (USD million)	Payback, years	Emissions saved (tonnes of carbon dioxide/year)
Fiji	7.2	0.11	38,096.74
Samoa	3.1	0.11	12,348.71
Vanuatu	1.8	0.09	15,901.49

Benefits of Resilient Tourism Infrastructure

The cost-benefit analysis outlined below constructs a simplified simulation that compares the current cost of retrofitting tourism-related infrastructure and upgrading new buildings with future tourism economic benefits that would be lost because of damage and revenue reductions based on forecasted future natural disasters from 2022 to 2052.

Investment needs in the tourism industry were taken from a World Bank (2016) study on climate change and disaster risk management prepared for the Pacific Possible report (World Bank 2016). A current investment in light retrofitting of tourism-related buildings was calculated based on assessment of investment needs for the housing sector adjusted to reflect the impact of cyclones on the tourism industry in past post-disaster needs assessments[125] and corrected for inflation. A current investment in evaluating design upgrades reflects necessary modifications to design standards incorporated into building codes that apply to new buildings and was collected from the same Pacific Possible study. This current investment covers the progressive adjustment in design standards required to account for changes in temperature, precipitation, and humidity that affect the life and habitability of buildings but not regulatory changes, enforcement costs, or infrastructure maintenance. The amount was also adjusted to reflect the proportionate impact on the tourism sector and inflation until today.

The simulation provides a framework for performing sensitivity analyses to address the many considerations and variables that could affect return on investment in resilient tourism infrastructure. A perfect model would include a precise estimation of the occurrence and impact of natural disasters, detailed and exhaustive information on countries' current tourism-related supply and resilience levels, and precise costs for investing in asset retrofitting. The future of cyclones remains uncertain (Australian Bureau of Meteorology and Commonwealth Scientific and Industrial Research Organisation 2014), and even though some countries have information on current tourism supply, there is no assessment of national resilience levels for the tourism industry. In addition to the large pool of variables, a model should consider investments over time and annual savings. The World Bank's simulation below is designed to provide an overarching understanding of the costs and benefits of investing today related to future benefits from tourism revenues and is applied on a case-by-case basis for each country and so is not translatable to other countries given the idiosyncrasies of each PIC. The goal is to initiate a discussion about the need for additional information on resilience levels of tourism supply in the Pacific and provide a framework for future research.

The simulation is built on some main assumptions and gives flexibility to country-specific variables when the best data are not available. First, the simulation assumes that all natural disasters will consist of cyclone impacts with the same violence as past cyclones, because cyclones have been the most serious climate hazard for PICs in terms of total damage and loss (World Bank 2016). It does not account for impacts of climate change on intensity, duration, or frequency. Second, the resilience of building materials in the market will increase every year, but it is not possible to avoid the full impact from cyclones without applying specific resilience standards and techniques. To account for this, the simulation includes an impact diminisher of 0.9 that reduces savings over time; that is, for every cyclone event, expected savings will be 10 percent less than for the previous event. This impact diminisher has not been applied to new building supply, since supply is constantly growing with new available materials. Third, the simulation assumes that the economy goes back to normal after 2024, so no effects of COVID-19 on international arrivals and market supply growth are contemplated. Fourth, the simulation does not consider impact on human life even though past natural disasters have displaced communities and injured and killed people, affecting society and the economy. These effects are not usually considered in econometric models but are often a key motivating factor for government and international intervention in resilience. Apart from this, it is likely that investment in tourism infrastructure that is resilient to the impacts of cyclones would increase protection from earthquakes, tsunamis, and other natural disasters and their associated savings. In this regard, the simulation is conservative regarding implied benefits.

[125] Adjustment factors for the tourism sector with respect to the housing sector are 0.10 for Fiji, 0.72 for Samoa, 0.24 for Tonga, and 0.63 for Vanuatu.

The best representation of the cost-benefit model for this analysis is a net present value approach, in which the sum of discounted cashflows from cyclones affects savings, and incremental revenue benefits derived from growth in tourism exceeds investment in retrofitting existing tourism-related structures and implementing design upgrades for new buildings. In the equation, savings from cyclone impacts reflect damage to assets and lost revenues. Damage is direct physical impact on tourism assets (accommodation providers, restaurants, tour operators, travel agencies, cultural heritage sites), and lost revenues include losses based on cancellations, an expected decrease in international visitor numbers in the immediate aftermath of the disaster,[126] and extended closure of some restaurants and accommodations. It also reflects higher operational costs that the private sector incurs because of the disaster, such as higher energy costs. Incremental impact savings are additional savings in future tourism damage and losses derived from a larger market supply. Supply growth rates are based on historical accommodation supply growth rates in the case of Samoa and Tonga, and on historical international visitor arrivals for Fiji and Vanuatu, since in these cases growth of tourism businesses or hotels was disproportionate to neighboring countries. In addition, Fiji low accommodation growth rates before the pandemic were probably lower than expected due to the 2006 coup.

The simulation is applied to four countries from which comparable information on the impacts of past cyclones is available. The countries and sources of impacts from cyclones include Fiji and Category 5 Tropical Cyclone Winston 2016, Samoa and Category 3 Tropical Cyclone Evan 2012, Tonga and Category 5 Tropical Cyclone Gita 2018, and Vanuatu and Category 4 Tropical Cyclone Pam 2015. In all four cases, post-disaster needs assessments or rapid assessments produced in collaboration with the World Bank were used for data on the impacts of the cyclones. All of them estimate the impact of the cyclones in the tourism sector and account for damage and losses, adjusted for inflation. Therefore, since future savings data were gathered from the past and taken up to today, there is no discount rate in the equation, as impact quantifications are already in present value. Finally, the number of expected cyclones in the coming 30 years was pulled from the Pacific Possible study on climate change and disaster risk management, which provides information on the number of Category 4 and 5 cyclones that occurred between 1981 and 2016 and from the Emergency Events Database.[127] It was assumed that seven Category 4 or 5 cyclones would hit Fiji, six would hit Samoa and Tonga, and 12 would hit Vanuatu. The assessment was done under historical climate condition parameters and assuming independent successive events with no compounding effects.

Only a percentage of this damage and losses was accounted as future savings, because retrofitting options for existing buildings can decrease expected annual losses by 35 to 50 percent (World Bank 2016). The Pacific Possible study found that, for residential buildings, light retrofitting options decrease expected annual damage by approximately 37.0 percent in Fiji, 32.0 percent in Samoa, 34.5 percent in Tonga, and 33.5 percent in Vanuatu. The same percentages have been used to account for the savings that new design upgrades would mean. Apart from this, damage and losses deriving from Tropical Cyclone Evan (the only Category 3 cyclone studied) were multiplied by 2.73 to better adjust them to the potential impacts of a cyclone of Category 4 (NOAA n.d.).

$$NPV_{(2022\text{-}2052)} =$$

- investment today retrofitting

- investment today evaluation design upgrades

$$+ \sum_{t=\frac{(2052\text{-}2022)}{TC^e}\times n}^{n} \textit{savings from tropical cyclones (TC) impact today}_t \times \textit{impact diminisher}^n$$

$$+ \sum_{t=\frac{(2052\text{-}2022)}{TC^e}\times n}^{n} \textit{incremental impact savings}$$

Where

n = number of forecasted tropical cyclones (TCs) from today to 2052

t = years from today when the TC is happening (t=0 in 2022)

$$\textit{incremental impact savings} = \textit{savings from TC impact today}_t \; [(1+\textit{industry growth rate})^t - 1]$$

[126] Some studies in the academic literature that examine the impact of natural disasters in international visitor arrivals (e.g., Rosselló et al. 2020) find that, for storms, there is a 0.003 percent decrease in arrivals for every USD 1 million cost of the disaster.

[127] https://www.emdat.be/.

Investing in resilient tourism infrastructure in anticipation of natural disasters was found to have a positive net present value for all four countries analyzed (Table 29). Relative to their pre-pandemic GDP and tourism revenues, the present value of the operation for Tonga is the highest of the four countries, followed by Vanuatu, Samoa, and Fiji. While the return on investment for Fiji is smaller due to the large number of hotels in the country, policymakers should consider the benefits of resilience investment beyond savings from TC impacts. These include expected reduction losses from other natural hazards, impact on people, and positive effects on other sectors. For Fiji, a higher return on investment could potentially be achieved by focusing on areas in the country that are particularly prone to the impacts of cyclones, such as Vanua Levu and other outer islands. For Vanuatu, damage from the 2015 cyclone impact may be underestimated due to lack of data from hotels.

Table 29. Potential Return on Investment in Resilient Tourism Buildings

Country	Net present value (2022 USD million)	Benefit-cost ratio	Gross domestic product 2019 (2022 USD million)	Tourism receipts 2019 (2022 USD million)
Fiji	164.65	2.75	5,496.0	1,345.0
Samoa	234.07	5.65	852.3	206.0
Tonga	272.29	7.51	512.4	57.1
Vanuatu	413.63	3.81	930.3	295.0

Long-term benefits from investment varied between countries based on number of forecasted cyclones, estimated impacts on tourism sector with respect to other sectors, and expected growth in accommodation supply. For instance, Vanuatu has the highest present value because, historically, Category 5 cyclones have struck twice as often as in Fiji, Samoa, and Tonga, increasing the savings over time from rebuilding tourism infrastructure. Fiji has the lowest benefit results because it has the lowest expected growth in supply and the highest investment costs relative to expected cyclone impact savings. The latter is partially because of the large supply already in existence and therefore high costs to refurbish it all to resilient standards. Samoa and Tonga have high expected returns on investment because of the estimated impacts of a cyclone in absolute terms and higher projected growth in accommodation supply, the latter mainly for Tonga.

Although the results are estimates based on limited available data, the simulation can be helpful for understanding the variables that have the greatest impact on the final outcome. Limitations of the data and modeling mean that the margins of error in the estimates give rise to significant confidence bands around the present benefits of the investment. Still, the purpose of this exercise was to build a business case that links the future of tourism in PICs to the vulnerability and hazard exposure of their assets and to pave the way for further analysis and policy consideration. Sensitivity analysis helps explain the parameters that might have a greater positive or negative impact on the investment justification process. Figure 30 shows the sensitivity of the countries' net present value to relevant parameters in the simulation equation, which influence the results differently for the four destinations being analyzed.

Figure 30. Results of Sensitivity Analysis on the Resilient Tourism Buildings Simulation

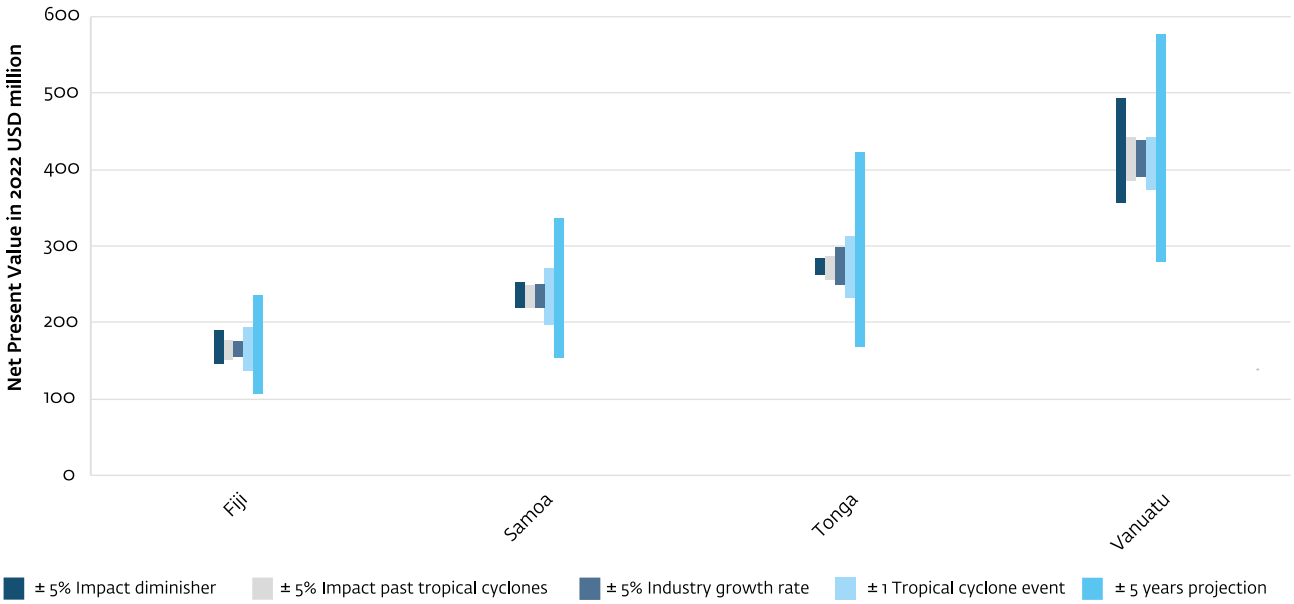


Image: *Papua New Guinea*

Annex C: Overview of Recent Tourism Development Strategies in Pacific Island Countries

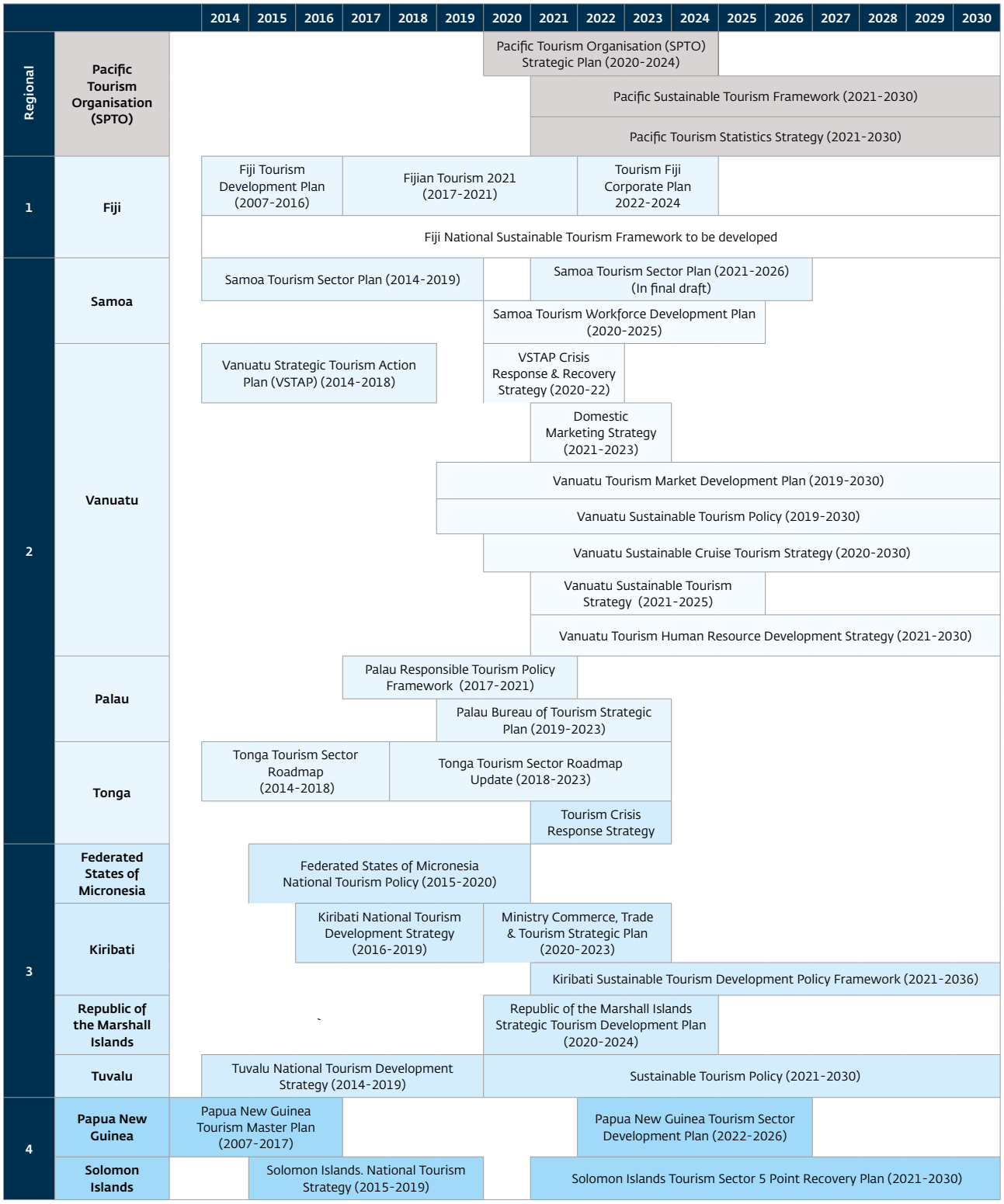


Image: *Samoa*
Credit: *Jessie McComb*

Annex D. Implementation Tools for Policy Reform and Destination Management

Understanding which policy reforms and programs can support destination development and market diversification is the first step in increasing value from the tourism sector in Pacific Island countries. Policy reform action plans must be paired with clear guidance on implementation and monitoring progress for ministries of tourism, national tourism offices, destination management organizations, and other key agencies that oversee industry and micro, small, and medium-sized enterprise development.

Country governments and tourism industries can leverage several policy implementation tools that the World Bank Group and other institutions have developed and published for this purpose, including:

World Bank Group

- Tourism for Development: Tourism Diagnostic Toolkit
- Resilient Tourism: Competitiveness in the Face of Disasters
- Tools and Resources for Nature-Based Tourism
- Destination Management Handbook

United Nations World Tourism Organization

- Guidelines for Institutional Strengthening of Destination Management Organizations (DMOs) – Preparing DMOs for new challenges
- Practical Guidelines for Integrated Quality Management in Tourism Destinations – Concepts, Implementation and Tools for Destination Management Organizations
- Big Data for Better Tourism Policy, Management and Sustainable Recovery from COVID-19

Tourism Action Coalition for a Sustainable Ocean

- Blue Tourism Resource Portal

Pacific Asia Travel Association

- Crisis Resource Center
- Associated Tourism Destination Resilience course

Pacific Tourism Organisation

- Sustainable Tourism Policy Framework
- SME Recovery Toolkit

References

A Brother Abroad. 2022. "Global Digital Nomad Study." https://abrotherabroad.com/digital-nomad-statistics.

ABC News. 2022. "Chinese resort company brought to task for environmental damage in Fiji." https://www.abc.net.au/news/2021-04-09/freesoul-court-decision-on-environmental-vandalism-with-surfers/100038548.

ADB (Asian Development Bank). 2007. "Oceanic Voyages: Aviation in the Pacific Region." Manilla: ADB.

———. 2013. "The Economics of Climate Change in the Pacific." Manila: ADB.

———. 2017. "Cook Islands: Renewable Energy Sector Project." Project Administration Manual. Manila: ADB.

———. 2018. "Women and Business in the Pacific." Manilla: ADB.

———. 2021. "Pacific Energy Update 2020." https://www.adb.org/sites/default/files/institutional-document/671701/pacific-energy-update-2020.pdf.

———. 2022. "COVID-19 and the Future of Tourism in Asia and the Pacific." Manila: ADB.

Adroit Market Research. 2022. "Luxury Travel Market Size." https://www.globenewswire.com/en/news-release/2022/10/10/2530851/0/en/Luxury-Travel-Market-Size-Worth-USD-2-61-trillion-by-2030-Growth-Prospects-Investment-Analysis-Increasing-Demand-Outlook-Adroit-Market-Research.html

Alegre, J., M. Cladera, and M. Sard. 2011. "Analysing the Influence of Tourist Motivations on Tourist Expenditure at a Sun-and-Sand Destination." *Tourism Economics* 17 (4)L 813-832.

Amadeus. 2021. "Rebuild Travel Survey." https://amadeus.com/en/insights/themes/rebuild-travel.

Aslan, Sevinç, and Mithat Zeki Dinçer. 2019. "The Effects of Small and Medium-Sized Tourism Enterprises on Destinations." In The Routledge Handbook of Tourism Impacts, edited by D. G. Nunkoo, 155-167., Routledge.

ATTA (Adventure Travel Trade Association). 2020. "Adventure Travel Overview & Market Sizing." https://cdn-research.adventuretravel.biz/research/5bbf8f5b128404.33945465/Adventure-Travel-Market-Sizing-12458903.pdf.

———. 2022. Adventure Travel Industry Snapshot. Seattle, WA: ATTA.

AusAid. 2008a. "Making Land Work: Volume One—Reconciling Customary Land and Development." Canberra: Australian Agency for International Development .

———. 2008b. "Making Land Work: Volume Two—Case Studies on Customary Land and Development in the Pacific." Canberra: Australian Agency for International Development.

Australian Bureau of Meteorology and Commonwealth Scientific and Industrial Research Organisation. 2014. "Climate Variability, Extremes and Change in the Western Tropical Pacific: New Science and Updated Country Reports." Melbourne, Australia: Australian Bureau of Meteorology and Commonwealth Scientific and Industrial Research Organisation.

Balasundharam, V., L. Hunter, I. Lavea, & P. Seeds. 2021. "Managing Fiscal Risks from National Airlines in Pacific Island Countries." Washington, DC: International Monetary Fund.

Baleinakorodawa, P., and U. Vaai. 2021. "Fiji COVID Poverty Crisis." Toda Peace Institute. https://toda.org/global-outlook/fiji-covid-poverty-crisis.html.

Bermuda Tourism Authority. 2012. "National Tourism Master Plan". Hamilton: Bermuda Tourism Authority.

———. 2019. "National Tourism Plan 2019-2025." Hamilton: Bermuda Tourism Authority.

Blake, Adam. 2003. *The Economic Rationale for Government Intervention in Tourism*. Nottingham: University of Nottingham.

Booking.com. 2021. "Sustainable Travel Report 2021." https://globalnews.booking.com/download/1037578/booking.comsustainabletravelreport2021.pdf.

Bündnis Entwicklung Hilft. 2021. "WorldRiskReport 2021." Berlin: Bündnis Entwicklung Hilft / Institute for International Law of Peace and Armed Conflict.

CEDEFOP (European Centre for the Development of Vocational Training). 2017. "Skills Anticipation in Portugal." https://www.cedefop.europa.eu/en/data-insights/skills-anticipation-portugal

Cheer, J. M., Pratt, S., Tolkach, D., Bailey, A., Taumoepeau, S., & Movono, A. 2018. Tourism in Pacific Island countries: A status quo round-up. Asia Pacific Policy Studies, 5(3).

CLIA (Cruise Lines International Association). 2019. "2018 Australia Ocean Source Market Report." Washington, DC: CLIA.

———. 2022. "2022 State of the Cruise Industry Outlook." Washington, DC: CLIA.

Collier, B., and M. Ragin. 2022. "As Climate Risk Grows, so Will Costs for Small Businesses." https://hbr.org/2022/08/as-climate-risk-grows-so-will-costs-for-small-businesses

Colthorpe, A. 2022. "Tonga's First Large-Scale Battery Systems Take Country Closer to Achieving NDC Climate Targets." https://www.energy-storage.news/tongas-first-large-scale-battery-systems-take-country-closer-to-achieving-ndc-climate-targets/

Connell, J. 2021. "COVID-19 and Tourism in Pacific SIDS: Lessons from Fiji, Vanuatu and Samoa?" *The Round Table - Commonwealth Journal of International Affairs* 110 (1): 149-158.

Costa Rica Tourism Board. 2002. "Plan Nacional de Desarrollo Turistico Sostenible 2002-2012." San Jose: Costa Rica Tourism Board.

———. 2022. "CST Tourism Sustainability." https://www.ict.go.cr/en/sustainability/cst.html.

Crick, F., S. M. Eskander, S. Fankhauser, and M. Diop. 2018. "How Do African SMEs Respond to Climate Risks? Evidence from Kenya and Senegal." *World Development* 108: 157-168.

Cummins, N. 2020. "The Challenges Facing South Pacific Aviation." https://www.eways-aviation.com/blog/the-challenges-facing-south-pacific-aviation.

Das, S., and A. Kotikula. 2019. "Gender-Based Employment Segregation: Understanding Causes and Policy Interventions." Washington, DC: World Bank.

DCI (Development Counsellors International). n.d. "Barbados Remote Work Campaign Forges a Path to COVID-19 Tourism Recovery." https://aboutdci.com/case-studies/barbados-remote-work-campaign-forges-a-path-to-covid-19-tourism-recovery/.

Destination Think. 2020. "Reimagine What Tourism and Travel Can Become." https://destinationthink.com/blog/reimagine-what-tourism-travel-can-become/.

Digital Visitor. n.d. "Destination Marketing: Belize." https://digitalvisitor.com/case-studies/belize/.

Dwyer, L., and P. Forsyth. 1992. "The Case for Tourism Promotion: An Economic Analysis." *The Tourist Review* 47 (3): 16-26.

EM-DAT (Emergency Events Database). 2022. "The International Disaster Database." https://www.emdat.be/database.

Erman, A., S. A. De Vries Robbe, N. Browne, and C. Solis Uehara. 2021. "Resilience of the Caribbean Tourism Industry – New Evidence from a Firm Survey: 360° Resilience Background Paper." Washington, DC: The World Bank.

Faber, B., and C. Gaubert. 2019. "Tourism and Economic Development: Evidence from Mexico's Coastline." *American Economic Review* 109 (6): 2245-2293.

FAO (United Nationsl Food and Agriculture Organization). 2011. "Fiji Domestic Market Study: Opportunities and Challenges for Vegetable Import Substitution." Rome: FAO.

FBOS (Fiji Bureau of Statistics). 2020. "2019-20 Household Income and Expenditure Survey Main Report." Suva: Fiji Bureau of Statistics.

———. 2022. "Tourism and FBOS (Fiji Bureau of Statistics). 2022. "Tourism and Migration Statistics." https://www.statsfiji.gov.fj/statistics/tourism-and-migration-statistics.html.

Fiji Islands Environment Management Act, Act No. 1 of 2005 (March 17, 2005).

Fiji Women's Rights Movement. 2016. "Sexual Harassment of Women in the Workplace in Fiji: 2016 Follow Up Study." Suva: Fiji Women's Rights Movement.

Fortune Business Insights. 2021. "Luxury Hotel Market Size, Share & COVID-19 Impact Analysis." https://www.fortunebusinessinsights.com/luxury-hotel-market-104408.

FSM Statistics (Federated States of Micronesia Statistics). 2022. "International Arrivals." https://www.fsmstatistics.fm/social/international-arrivals/.

Global Green Growth Institute. 2019. "Market Assessment for Solar Power for Off-Grid Hotels in Fiji." Suva, Fiji: Unpublished report. World Bank.

Global Market Insights. 2022. Luxury Tourism Market Size By Type, Tour Type, Generation, COVID-19 Impacts Analysis, Regional Outlook, Application Development Potential, Price Trend, Competitive Market Share & Forecasts, 2022-2030.

Global Wellness Institute. 2021. "The Global Wellness Economy: Looking Beyond COVID." Miami, FL: Global Wellness Institute.

GlobalPetrolPrices.com. 2021. "Electricity Prices." https://www.globalpetrolprices.com/electricity_prices/#hl160.

Gösling, S., and J. Higham. 2021. "The Low-Carbon Imperative: Destination Management under Urgent Climate Change." *Journal of Travel Research* 60 (6): 1167-1179.

Gounder, R. 2020. "Economic Vulnerabilities and Livelihoods: Impact of COVID-19 in Fiji and Vanuatu." *Oceania* 90 (S1): 107-113.

Government of Fiji. 2013. "Post-Disaster Needs Assessment: Tropical Cyclone Evan, 17th December 2012." Suva: Government of Fiji.

———. 2016. "Post-Disaster Needs Assessment: Tropical Cyclone Winston, February 20, 2016." Suva: Government of Fiji.

———. 2020. "International Visitors Survey Fiji 2019." Suva: Ministry of Industry, Trade and Transport.

———. 2021. "Minister Faiyaz Koya's Speech at Opening of the Tourism Talanoa Session." https://www.fiji.gov.fj/Media-Centre/Speeches/English/MINISTER-FAIYAZ-KOYA-AT-OPENING-OF-THE-TOURISM-TAL.

Government of Samoa. 2009. "Post-Disaster Needs Assessment following the Earthquake and Tsunami of 29th September 2009." Apia: Government of Samoa.

———. 2013. "Post-Disaster Needs Assessment Cyclone Evan 2012." Apia: Government of Samoa.

Government of Tonga. 2018. "Post Disaster Rapid Assessment: Tropical Cyclone Gita, February 12, 2018." Nuku'alofa: Government of Tonga.

Government of Vanuatu. 2015. "Vanuatu Post-Disaster Needs Assessment." Port Vila: Government of Vanuatu.

———. 2020. "Post-Disaster Needs Assessment: TC Harold & COVID-19, Vanuatu." Port Vila: Government of Vanuatu.

Grand View Research. 2020. Adventure Tourism Market Size, Share & Trends Analysis Report.

Guo, Y., J. Jiang, and S. Li. 2019. "A Sustainable Tourism Policy Research Review." *Sustainability* 11 (11).

Harrison, D., & Pratt, S. 2010. Political Change and Tourism: Coups in Fiji. In R. Butler, & W. Suntikul, Tourism and Political Change (p. 160). Oxford: Goodfellow Publishers Limited.

Hawaii Tourism Authority. 2022. "Visitor Satisfaction and Activity." https://www.hawaiitourismauthority.org/research/visitor-satisfaction-and-activity/.

Huang, H. H., Kerstein, J., & Wang, C. 2018. The impact of climate risk on firm performance and financing choices: An international comparison. Journal of International Business Studies, 49, 633–656.

IATA. 2019. "Air Passenger Market Analysis". IATA Economics Report. https://www.iata.org/en/iata-repository/publications/economic-reports/air-passenger-monthly---dec-2019/.

IFC (International Finance Corporation). 2015. "Vanuatu Agri-tourism Linkages: A Baseline Study of Agri Demand from Port Vila's Hospitality Sector." Washington, DC: IFC.

———. 2018a. "From the Farm to the Tourist's Table—A Study of Fresh Produce Demand from Fiji's Hotels and Resorts." Washington, DC: IFC.

———. 2018. "Papua New Guinea Tourism Demand Assessment Part I: Investing in the Growth Potential of Niche Tourism of Papua New Guinea." Washington, DC: IFC.

———. 2019a. "Shaping the Future of Adventure and Cultural Travel: Profiles and Behaviors of Adventure and Cultural Travelers from the United States and Australia." https://www.ifc.org/wps/wcm/connect/region__ext_content/ifc_external_corporate_site/east+asia+and+the+pacific/resources/fiji-shaping+the+future+of+adventure.

———. 2019b. "Assessment of the Economic Impact of Cruise Tourism in Fiji."

———. 2019c. "Destination Research Hawaii: Highlights and Learnings from 100 Years of Tourism Development." Washington, DC: IFC.

———. 2019e. "Papua New Guinea: Tourism Demand Assessment Part II - Case Studies for Niche Market Success." Washington, DC: IFC.

———. 2020a. "Fiji COVID-19 Business Survey: Tourism Focus. Washington, DC: IFC and Fiji Ministry of Commerce, Trade, Tourism and Transport."

———. 2020b. "Vanua Levu Tourism Market Demand Assessment. Suva: IFC."

———. 2021. "Fiji TC Yasa Business Survey." Washington, DC: IFC.

IFC and UNWTO (United Nations World Tourism Organization). n.d. "Government Incentives for Green Hotels: UNWTO and IFC Webinar Series." https://webunwto.s3.eu-west-1.amazonaws.com/s3fs-public/2020-06/Government-Incentives-for-Green-Hotels-unwto.pdf

ILO (International Labor Organization). 2020b. "COVID-19 and Employment in the Tourism Sector: Impact and Response in Asia and the Pacific." https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/briefingnote/wcms_742664.pdf.

———. 2020a. "Pacific Labour Market Review." Suva: ILO.

———. n.d. "Statistics on Women". https://ilostat.ilo.org/topics/women/.

IMF (International Monetary Fund). 2021b. "Managing Fiscal Risks from National Airlines. IMF Working Paper." Washington, DC: IMF.

———. 2021a. "Tourism in the Post-Pandemic World: Economic Challenges and Opportunities for Asia-Pacific and the Western Hemisphere." Washington, DC: IMF.

———. 2022. "International Financial Statistics." https://data.imf.org/?sk=4c514d48-b6ba-49ed-8ab9-52b0c1a0179b

———. n.d. "Policy Responses"Policy Responses to COVID-19: Policy Tracker." https://www.imf.org/en/Topics/imf-and-covid19Policy-Responses-to-COVID-19

Inter-American Development Bank. 2021. Innovation, Firm Performance & Gender (IFPG) Issues in Enterprises in the Caribbean Survey (2020 & 2021). Cowansville (Quebec): Economic Expertise & Consulting (EEC International).

International Institute for Energy Conservation. 2015. "Energy Efficiency Guidelines for Hotels in the Pacific." https://prdrse4all.spc.int/system/files/energy_efficiency_guidelines_for_hotels_in_the_pacific.pdf

IRENA (International Renewable Energy Agency). 2014. "Renewable Energy Opportunities for Island Tourism." IRENA.

Jiang, M., T. DeLacy, N. Mkiramweni, and D. Harrison. 2011. "Some Evidence for Tourism Alleviating Poverty." *Annals of Tourism Research* 38 (3): 1181-1184.

Jurdana, D. S., and D. S. Frleta. 2016. "Satisfaction as a Determinant of Tourist Expenditure." *Current Issues in Tourism* 20 (7): 691-704.

Khokhobaia, M. 2019. "The Role of Small and Medium Size Enterprises in Regional Tourism Development: The Case of Georgia." Proceedings of 2nd International Conference on Business, Management and Economics. Vienna, Austria .

Khor, Hoe Ee, Roger P. Kronenberg, and Patrizia Tumbarello. 2016. "Resilience and Growth in the Small States of the Pacific." Washington, DC: IMF.

Kiribati NSO (National Statistics Office). 2022. "Tourism Statistics." http://nso.gov.ki/.

Kovena. 2022. "Pacific Islands Hotel Insights 2022 Report". Melbourne: Kovena.

Krishnamurthi, S. 2020. "Could Eco-Tourism Mark the Post-Covid Future for the Blue Pacific?" *Earth Journalism Network* https://earthjournalism.net/stories/could-eco-tourism-mark-the-post-covid-future-for-the-blue-pacific.

Laframboise, N., N. Mwase, J. Park, and Y. Zhou. 2014. "Revisiting Tourism Flows to the Caribbean: What is Driving Arrivals?" Washington, DC: IMF.

Liang, X., and C. Andris. 2021. "Measuring McCities: Landscapes of Chain and Independent Restaurants in the United States." *Environment and Planning B: Urban Analytics and City Science* 49 (2).

Mahon, R., S. Becken, and H. RennieH. 2013. "Evaluating the Business Case for Investment in the Resilience of the Tourism Sector of Small Island Developing States." Geneva / Canterbury: United Nations Office for Disaster Risk Reduction / Lincoln University.

Mastercard. 2016. "Consumer Insights by MasterCard." CHTA Market Place Conference. http://www.caribbeanhotelandtourism.com/wp-content/uploads/2016/10/Consumer-Insights-by-MasterCard-Advisors.pdf

MBIE (Ministry of Business, Innovation and Employment). n.d. "Ministry of Business, Innovation and Employment." https://www.mbie.govt.nz/immigration-and-tourism/tourism/.

MBIE and Department of Conservation. 2019. "New Zealand-Aotearoa Government Tourism Strategy: Enrich New Zealand-Aotearoa Through Sustainable Tourism Growth." New Zealand Government.

Montanes, R. L., and S. Nakamura. 2022. "COVID-19 Impact on Poverty in Pacific Island Countries: A Macro-Micro Simulation Approach." Washington, DC: World Bank.

Movono, A. 2022. "Pacific Aviation Is Struggling to Take Off After the Pandemic—How Can the 'Blue Continent' Stay Connected?" *The Conversation* https://theconversation.com/pacific-aviation-is-struggling-to-take-off-after-the-pandemic-how-can-the-blue-continent-stay-connected-187522.

Movono, A., and R. ScheyvensR. 2020. "Pacific Tourism Is Desperate for a Vaccine and Travel Freedoms, but the Industry Must Learn from this Crisis." *The Conversation* https://theconversation.com/pacific-tourism-is-desperate-for-a-vaccine-and-travel-freedoms-but-the-industry-must-learn-from-this-crisis-150722.

New York Times. 2021. "The Caribbean Conundrum: United by Tourists, Divided by Covid." https://www.nytimes.com/2021/05/25/travel/caribbean-vacation-coronavirus.html.

NZTRI (New Zealand Tourism Research Institute). 2020a. "Samoa International Visitor Survey January-December 2019." New Zealand Tourism Research Institute.

———. 2020b. "Solomon Islands International Visitor Survey, January to December 2019." New Zealand Tourism Research Institute

Nguyen, Q. H. 2022. "Tourism Demand Elasticities by Income and Prices of International Market Regions: Evidence Using Vietnam's Data." *Economies* 10 (1).

Nielsen IQ. 2021. The Conference Board® Global Consumer Confidence Survey conducted with Nielsen Q2 2020 vs Q2 2021. Nielsen IQ.

NOAA (National Oceanic and Atmospheric Administration). n.d. "Hurricane Damage Potential." https://www.weather.gov/jetstream/tc_potential.

OAG (Official Aviation Guide). 2022. "OAG Schedules Analyzer Power Table Report." https://analytics.oag.com/analyser-client/schedules-analyser/powertables-report?action=loadjobbin&reportId=2294696

———. 2022. "Traffic Analyzer." https://analytics.oag.com/analyser-client/home.

Observatori del Turisme a Barcelona. 2022. "Tourism Activity Reports. City of Barcelona. 2015-2019". https://ajuntament.barcelona.cat/turisme/en/estadistiques_enquestes.

OECD. n.d. OECD Statistics. Retrieved 10 14, 2022, from https://stats.oecd.org/

Opçao Turismo. 2020. "Turismo de Portugal Launches Digital Academy." https://opcaoturismo.pt/wp/en/turismo-de-portugal-lanca-academia-digital/.

PVA (Palau Visitors Authority). 2021. "Palau Tourism Industry Report." Koror: Palau Visitors Authority.

PASO (Pacific Aviation Safety Office). 2022. "Pacific Regional Aviation Strategy 2022-2032." Port Vila, Vanuatu: PASO.

PATA (Pacific Asia Travel Association). 2022. "PATA Asia Pacific Forecasts 2022-2024: Executive Summary." Bangkok, Thailand: PATA.

Pearce, D. 2015. Destination management in New Zealand: Structures and functions. Journal of Destination Marketing & Management, 4(1), 1-12.

PNG TPA (Tourism Promotion Authority). 2019. "International Visitor Survey." Port Moresby: PNG Tourism Promotion Authority.

———. 2022. "Annual Visitor Arrival Statistics." https://www.papuanewguinea.travel/research-and-statistics.

Prasad, B. C. 2008, November. Reviving Growth in the Fiji Islands: Are we Swimming or Sinking? Pacific Economic Bulletin, 23(2), 5-26.

Pratt, S. 2015. "The Economic Impact of Tourism in SIDS." *Annals of Tourism Research* 52: 148-160.

PRTC (Puerto Rico Tourism Company). n.d. "Puerto Rico Tourism Company." https://prtourism.com/about-us/.

PSDI (Pacific Private Sector Development Initiative). 2021a. "Looking Forward. Vol. 1: Evaluating the Challenges for Pacific Tourism After COVID-19." Sydney: PSDI.

———. 2021b. "Pacific Tourism Sector Snapshots." Sydney: PSDI.

Pacific Private Sector Development Initiative (PSDI). 2022. Reopening Border to Tourism in Pacific Island Countries: Key Lessons and Guidance. Sydney.

Pacific Private Sector Development Initiative (PSDI). 2022.

PTI (Pacific Trade Invest). 2022. "Pacific Islands Export Survey 2022." https://pacifictradeinvest.com/media/iqvbcn1v/pti-australia-pacific-export-survey-2022-full-report.pdf.

Qualmark. n.d. "Qualmark." https://www.qualmark.co.nz/en/learn-about-us/

Rasoolimanesh, S., S. Seyfi, R. Rastegar, and C. M. Hall. 2021. "Destination Image During the COVID-19 Pandemic and Future Travel Behavior: The Moderating Role of Past Experience. *Journal of Destination Marketing & Management* 21.

ReportLinker. 2022. "Global Luxury Travel Market Size, Share & Industry Trends Analysis 2022-2028." https://www.reportlinker.com/p06364573/Global-Luxury-Travel-Market-Size-Share-Industry-Trends-Analysis-Report-By-Tour-By-Age-Group-By-Regional-Outlook-and-Forecast.html.

RMI EPPSO (Republic of the Marshall Islands Economic Policy, Planning and Statistics Office). 2022. "Statistical Yearbook." https://rmieppso.org/statistical-yearbook/.

Rosselló, J., S. Becken, and M. Santana-Gallego. 2020. "The Effects of Natural Disasters on International Tourism: A global analysis." *Tourism Management* 79: 2-10.

Rozenberg, J. B. 2021. 360° Resilience: A Guide to Prepare the Caribbean for a New Generation of Shocks. Washington, DC: The World Bank.

Rupasingha, A., & Patrick, J. M. 2009. Tools for Understanding Economic Change in Communities: Economic Base Analysis and Shift-Share Analysis. New Mexico State University. Retrieved from https://www.cdfa.net/cdfa/cdfaweb.nsf/fbaad5956b2928b086256efa005c5f78/3dce10502365d4cf88257a1b006db496/$FILE/Tools%20for%20Understanding%20Economic%20Change%20in%20Communities%20-%20Economic%20Base%20Analysis%20and%20Shift-Share%20Analysis%20-%20NM%20State%20University.pdf

Safran, P. 2015. "Understanding Land Issues and Their Impact on Tourism Development." Manilla: ADB.

Samoa Chamber of Commerce & Industry. 2020. "Rapid Assessment of the COVID-19 Impact on Businesses, Employment and Households in Samoa." Apia: Samoa Chamber of Commerce & Industry.

Scheyvens, R., and M. Russell. 2009. "Tourism and Poverty Reduction in the South Pacific." Report for the New Zealand Ministry of Foreign Affairs and Trade (MFAT), Massey University. https://www.mfat.govt.nz/assets/Uploads/Tourism-and-poverty-reduction-in-the-South-Pacific.pdf.

———. 2011. "Tourism, Land Tenure and Poverty Alleviation in Fiji." *Tourism Geographies* 14 (1): 1-25.

———. 2012. "Tourism and Poverty Alleviation in Fiji: Comparing the Impacts of Small- and Large-Scale Tourism Enterprises." *Journal of Sustainable Tourism* 20 (3): 417-436.

Schlumberger, C. E., and N. Weisskopf. 2014. "Ready for Takeoff? The Potential for Low-Cost Carriers in Developing Countries." Washington, DC: World Bank.

Siegel, B. 2021. "What Happens When You Stop Marketing? The Rise and Fall of Colorado Tourism." Longwoods International.

Singapore Management University. 2022. "National and Sectoral Scores". https://ise.smu.edu.sg/csisg/score-ranking.

Smeral, E. 2006. "Aspects to Justify Public Tourism Promotion: An Economic Perspective." *Tourism Review* 61 (3): 6-14.

Solomon Island Government. 2020. "Solomon Islands International Visitor Survey." Honiara: Tourism Solomons.

Solomon Islands NSO (National Statistics Office). 2022. "Tourism and Migration Statistics." https://www.statistics.gov.sb/statistics/90-migration-statistics.

SPREP (Secretariat of the Pacific Regional Environment Programme). 2020. "Webinar Series to Encourage Sustainability as World Emerges from COVID-19." https://www.sprep.org/news/webinar-series-to-encourage-sustainability-as-world-emerges-from-covid-19.

SPTO (Pacific Tourism Organisation). 2015. "Niche Market Study: Romance." Suva, Fiji: SPTO.

———. 2020. "2019 Annual Review of Visitor Arrivals Report." Suva, Fiji: SPTO.

———. 2021b. "2020 Annual Visitor Arrivals Snapshot." Suva, Fiji SPTO.

———. 2021a. "Pacific Sustainable Tourism Policy Framework." Suva, Fiji: SPTO.

STA (Samoa Tourism Authority). 2020. "Samoa International Visitor Survey." Apia: Samoa Tourism Authority.

———. 2021. "Sector Plan 2021/22 – 2025/26." Apia: Samoa Tourism Authority.

———. 2022. "Tourism Statistics." https://www.samoatourism.org/section/19/statistics.

Sumb, A. 2017. "New Zealand Travellers' Perceptions of Safety and Security in Papua New Guinea." *Contemporary PNG Studies* 27: 42-50.

SuperGuide. 2022. "SuperGuide." https://www.superguide.com.au/retirement-planning/retiring-overseas-implications-super-tax.

Sustainable Hospitality Alliance and IFC. 2020. "Business Case for Sustainable Hotels." https://sustainablehospitalityalliance.org/resource/business-case-for-sustainable-hotels/.

Tahana, J. 2020. "A Surge in Poverty as Tourism Jobs in Samoa Disappear." Radio New Zealand. https://www.rnz.co.nz/international/pacific-news/416094/a-surge-in-poverty-as-tourism-jobs-in-samoa-disappear.

Taher, R. 2010. "General Recommendations for Improved Building Practices in Earthquake and Hurricane Prone Areas." Newark: Architecture for Humanity.

Tanner, T. S. 2015. "The Triple Dividend of Resilience: Realising Development Goals Through the Multiple Benefits of Disaster Risk Management." London: Global Facility for Disaster Reduction and Recovery at the World Bank and Overseas Development Institute.

Tarlow, P. 2014. "Tourism Security: Strategies for Effectively Managing Travel Risk and Safety." Waltham, MA: Butterworth-Heinemann.

Taylor, M. 2020. "Navigating Through Covid19—Our Blue Pacific Ocean Journey." https://opocbluepacific.net/navigating-through-covid19-our-blue-pacific-ocean-journey/.

TEAM Tourism Consulting. 2018. "Developing and Marketing the UK as a Luxury Destination: Four Case Studies (New Zealand, Mexico, California, Iceland)." https://www.visitbritain.org/sites/default/files/vb-corporate/Documents-Library/documents/visitbritain_luxury_tourism_final_report.pdf

The Weekly Journal. 2022. "Puerto Rico Tourism Industry Continues to Break Records." https://www.theweeklyjournal.com/business/puerto-rico-tourism-industry-continues-to-break-records/article_aea4cfa4-2817-11ed-8a69-67d3567f1554.html.

The Wise Dreams. n.d. "The Wise Dreams." http://thewisedreams.com/.

Tonga Statistics Department. 2022. "Migration Statistics." https://tongastats.gov.to/statistics/social-statistics/migration/.

Tourism Fiji. 2017. "2017 Room Inventory Report." Suva: Tourism Fiji.

———. 2022. "Tourism Fiji Industry Database." https://tourismfijicomfj.sharepoint.com/:x:/s/CloudShare-Operations/Ee_WVPWN-3ZHhZHZItFLnSYB1eLkyoJzisSkrdsSePDccg?rtime=qmPpBLUJ2og

Tourism New Zealand. n.d. "Tourism New Zealand." https://www.tourismnewzealand.com/about-us/.

———. 2022c. "Tourism Grows 4% in 2021 but Remains far Below Pre-Pandemic Levels." https://www.unwto.org/news/tourism-grows-4-in-2021-but-remains-far-below-pre-pandemic-levels.

TravelAge West. n.d. "Puerto Rico Is a Tourism Case Study in Overcoming Setbacks." https://www.travelagewest.com/Travel/USA-Canada/Puerto-Rico-Is-a-Tourism-Case-Study-in-Overcoming-Setbacks.

TRIP Consultants. 2013. "Tonga Tourism Sector Roadmap 2014-2018." Brisbane: TRIP Consultants.

Tripadvisor. 2022. Beyond COVID-19: "The road to recovery for the travel industry." Retrieved from https://www.tripadvisor.com/Covid19WhitepaperMay2020#group-accommodations-NG7FoK8gGe

Tuvalu CSD (Central Statistics Division). 2022. "Migration Statistics." https://stats.gov.tv/category/population-and-social/migration-population-and-social-statistics/.

UNCDF (United Nations Capital Development Fund). 2021. "The Opportunity for Digital and E-Commerce Payments in the Pacific Region." New York: UNCDF.

UNDP (United Nations Development Programme). 2020. "How Can Small Islands Reimagine Tourism for a Green Recovery." https://www.undp.org/blogs/how-can-small-islands-reimagine-tourism-green-recovery.

UNESCAP (United Nations Economic and Social Commission for Asia and the Pacific). 2020. "Tourism as a Driver of Sustainable Development in Asia-Pacific Small Island Developing States." Bangkok: UNESCAP.

———. 2022. *Policy Guidebook for MSME Development in Asia and the Pacific, 2nd Edition*. Bangkok: United Nations.

University of Oxford. 2022. "COVID-19 Government Response Tracker." https://www.bsg.ox.ac.uk/research/covid-19-government-response-tracker.

United Nations University. 2016. "World Risk Report." Bonn: Bündnis Entwicklung Hilft and United Nations University. Retrieved from https://collections.unu.edu/

USGAO (U.S. Government Accountability Office). 2018. "Workplace Retirement Accounts." Report to the Ranking Member, Committee on Finance United States Senate.

UNWTO (United Nationals World Tourism Organization). 2007. "A Practical Guide to Tourism Destination Management." Madrid: UNWTO.

———. 2020a. "Tourism in SIDS: The Challenge of Sustaining Livelihoods in Times of COVID-19." Madrid: UNWTO.

———. 2020b. "One Planet Vision for a Responsible Recovery of the Tourism Sector. " Madrid: UNWTO.

———. 2021a. "Compendium of Tourism Statistics, Data 2015-2019, 2021 Edition." Madrid: UNWTO.

———. 2021b. "Sécurité et Sûreté dans le Secteur du Tourisme Volume 1: Des Liens Etroits entre Tourisme, Sécurité, Sûreté et Développement." Madrid: UNWTO.

———. 2022a. "International Tourism Consolidates Strong Recovery Amidst Growing Challenges." https://www.unwto.org/news/international-tourism-consolidates-strong-recovery-admidst-growing-challenges.

———. 2022b. "Tourism Data Dashboard." Madrid: UNWTO.

———. 2022c. "Tourism Grows 4% in 2021 but Remains far Below Pre-Pandemic Levels." https://www.unwto.org/news/tourism-grows-4-in-2021-but-remains-far-below-pre-pandemic-levels.

———. n.d. "Tourism Statistics Database." Retrieved from https://www.unwto.org/tourism-statistics/tourism-statistics-database

UNWTO and STR (Smith Travel Research). 2022. "Tourism Recovery Tracker." https://www.unwto.org/tourism-data/unwto-tourism-recovery-tracker.

U.S. Travel Association. 2017. "What's at Stake When Destination Marketing Stops: The Power of Travel Promotion." Washington, DC: U.S. Travel Association.

Vanuatu NSO (National Statistics Office). 2022. "International Visitor and Resident Arrivals." https://vnso.gov.vu/index.php/en/statistics-report/economic-statistics/international-visitor-resident-arrivals.

Vanuatu Chamber of Commerce & Industry. 2020. "Vanuatu Private Sector Economic Update." Port Vila: Vanuatu Chamber of Commerce & Industry.

Vanuatu Department of Tourism & Vanuatu Tourism Office. 2020. "National Tourism Business Impacts Survey - TC Harold and COVID-19 Pandemic." Port Vila: Vanuatu Department of Tourism.

Vanuatu Department of Tourism and Vanuatu Tourism Office. 2020. "National Tourism Business Impacts Survey: TC Harold and COVID-19 Impacts."

Visa Navigate. 2021. "Preparing for the return of travel in a post-COVID world." Retrieved from https://navigate.visa.com/europe/research-and-insights/preparing-for-the-return-of-travel-in-a-post-covid-world/

Visit England. 2016. "Wild Atlantic Way Case Study." https://www.visitbritain.org/sites/default/files/vb-corporate/Documents-Library/documents/England-documents/waw_case_study_15_nov_2016_final_-_copy.pdf.

Walker, D. 2016. "Social Security Matters." https://blog.ssa.gov/social-security-benefits-u-s-citizens-outside-the-united-states/.

World Bank. 2014. "Tourism in Africa: Harnessing Tourism for Growth and Improved Livelihoods." Washington, DC: World Bank.

———. 2016. "Pacific Possible. Climate and Disaster Resilience." Sydney: World Bank.

———. 2017b. "Pacific Possible: Long Term Economic Opportunities and Challenges for Pacific Island Countries." Washington, DC: World Bank Group.

———. 2017a. "Republic of Fiji—Systematic Country Diagnostic." Washington, DC: World Bank Group.

———. 2018. "PNG Urban Youth Employment Project Impact Evaluation." Washington, DC: World Bank.

———. 2019. "Pacific Islands: Harnessing the transformative power of digital connectivity." https://www.worldbank.org/en/news/feature/2019/11/04/pacific-islands-harnessing-the-transformative-power-of-digital-connectivity.

———. 2020a. "Rebuilding Tourism Competitiveness." Washington, DC: World Bank Group.

———. 2020b. "Pacific Island Countries in the Era of COVID-19: Macroeconomic Impacts and Jobs Prospects." Washington, DC: World Bank Group.

———. 2020c. "From Containment to Recovery: Economic Update for East Asia and the Pacific." Washington, DC: World Bank Group.

———. 2020d. "Vanuatu Tourism Investment Needs Assessment and Plan (2020-2030)." Washington, DC: World Bank.

———. 2020e. "Resilient Tourism: Competitiveness in the Face of Disasters." Washington, DC: World Bank.

———. 2021. "How Could the Pacific Restore International Travel?" Washington, DC: World Bank Group.

———. 2022a. "Shifting Tourism Demand Risk, Health and Sustainability in the Age of COVID 19." Washington, DC: World Bank Group.

———. 2022b. "Expecting the Unexpected: Tools and Policy Considerations to Support the Recovery and Resilience of the Tourism Sector." Washington, DC: World Bank Group.

———. 2022c. "World Development Indicators Database." https://databank.worldbank.org/source/world-development-indicators.

———. 2022d. "Fiji Climate Vulnerability Assessment: Making Fiji Climate Resilient." Washington, DC: World Bank.

———. 2022e. "Case Study Analysis on Digital Adoption in Tourism." Washington, DC: World Bank.

———. n.d. "Mapping of Digital Along the Tourism Value Chain." Unpublished mimeo.

World Bank and IFC. 2020. "Tourism Recovery in the Pacific: Building Resilience After COVID-19." Washington, DC: World Bank Group.

WTTC (World Travel and Tourism Council). 2020. Economic Impact Assessment Reports. London: World Travel and Tourism Council.

———. 2022. "Economic Impact Assessment Reports." London: World Travel and Tourism Council.

Yap Visitors Bureau. 2019. "Yap Visitor Survey and Regional Examples." Yap: Yap Visitors Bureau.

Image: *Marshall Islands*

For more information please contact:
E-mail: tperry@worldbank.org
www.worldbank.org
March 2023