Public Disclosure Authorized

Public Disclosure Authorized

The Future of Pacific Tourism

November 2022

Acknowledgement

This report was prepared by a World Bank team of the Finance, Innovation and Competitiveness (FCI) Global Practice led by Antoine Coste (Economist, FCI), Jessie McComb (Senior Private Sector Specialist, FCI) and Blair Lapres (Economist, FCI) and made up of Jennifer Bartlett (Senior Consultant, FCI), Andrew Beath (Senior Economist, FCI), Alba Suris (Analyst, FCI) and Jessica Wilson (Consultant, FCI). The team worked under the guidance of Stephen Ndegwa (Country Director for the PNG and the Pacific Islands), Hassan Zaman (Regional Director, EAP) and Cecile Niang (Practice Manager, FCI).

The report also benefited from advice by Martha Licetti (Practice Manager, ETIMT), Alvaro Gonzalez (Lead Economist, FCI), Louise Twining-Ward (Senior Private Sector Specialist, FCI), Kim Edwards (Senior Economist, MTI), Vincent Palmade (Lead Economist, FCI), Becky Last (Operations Officer, IFC), 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, SPJ), Dimitria Gavalyugova (ET Consultant, Gender), David Gould (Program Leader), Shohei Nakamura (Economist, POV), Taufik Indrakesuma (Economist, POV), Kasia Mazur (Environmental Economist, ENB), Chris Miller (Senior Private Sector Specialist, FCI), Darian Naidoo (Economist, POV), Sara Diane Turner (ET Consultant, LAC SD) and John Perrottet (Consultant, FCI). The team is grateful for the time and insights provided by the public and private sector representatives of the tourism sector across the region.

Financial support from the Pacific Facility, a Multidonor Trust Fund administered by the World Bank and supported by the Governments of Australia and New Zealand, has made this work possible and is gratefully acknowledged.

List of Acronyms

ADB	Asian Development Bank
ADR	Average Daily Rate
APEC	Asia-Pacific Economic Cooperation
ATTA	Adventure Travel Trade Association
BAU	Business-As-Usual
BRI	Building Resilience Index
CAGR	Compound Annual Growth Rate
CGE	Computable General Equilibrium
COVID-19	Coronavirus Disease 2019
DMO	Destination Management Organization
DRM	Disaster Risk Management
ECAL	Environmental Climate Change Adaptation Levy
EFL	Energy Fiji Limited
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FDI	Foreign Direct Investment
FJD	Fijian Dollar
FNPF	Fiji National Provident Fund
FSM	Federated States of Micronesia
GDP	Gross Domestic Product
GST	Goods and Services Tax
HTHH	Hunga Tonga-Hunga Ha'apai
IATA	International Air Transport Association
ICT	Information Communications Technology
IFC	International Finance Corporation
ILO	International Labour Organization
IMF	International Monetary Fund
IVA	International Visitor Arrival
IVS	International Visitor Survey
KPI	Key Performance Indicators
LGBT	Lesbian, Gay, Bisexual, Transgender
LNG	Liquefied Natural Gas
MBIE	New Zealand Ministry of Business, Innovation and Employment
MSME	Micro, Small and Medium-sized Enterprises
NPV	Net Present Value
NTO	National Tourism Offices
NZ	New Zealand
PATA	Pacific Asia Travel Association
PDNAs	Post Disaster Needs Assessment
PGK	Papua New Guinean Kina
PNG	Papua New Guinea
PIC	Pacific Island Country
PPA	Power Purchase Agreement
PPP	Public Private Partnership

PRTC	Puerto Rico Tourism Company
PV	Photovoltaic
PVA	Palau Visitors Authority
RevPAR	Revenue Per Available Room
RMI	Republic of the Marshall Islands
Sol. Isl.	Solomon Islands
STA	Samoa Tourism Authority
TAK	Tourism Authority of Kiribati
TAT	Tourism Accommodation Tax
TC	Tropical Cyclone
TDR	Tourism Destination Resilience
TNZ	Tourism New Zealand
TPA	Tourism Promotion Authority
TSA	Tourism Satellite Account
TTRA	Travel and Tourism Research Association
TVET	Technical and Vocational Education and Training
VAT	Value Added Tax
VTO	Vanuatu Tourism Office
SIDS	Small Island Developing States
SME	Small and Medium-sized Enterprises
SPC	Pacific Community
SPREP	Pacific Regional Environment Programme
SPTO	Pacific Tourism Organization
STT	Service Turnover Tax
UK	United Kingdom
UNDP	United Nations Development Program
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UNWTO	United Nations World Tourism Organization
USA	United States of America
US$	United States Dollar
VAT	Value-Added Tax
VFR	Visiting Friends or Relatives
WDI	World Development Indicators
WST	Samoan Tālā
WTTC	World Travel and Tourism Council
WWII	World War II

Table of Contents

Acknowledgement **2**

List of Acronyms **3**

Executive Summary **7**

The Boom of Pacific Tourism and COVID-19's Impacts 8

Obstacles to Expand Pacific Destination's Presence in High-Value Markets 11

Policy Priorities for a Competitive and Sustainable Pacific Tourism 12

Introduction **16**

Chapter 1: The Boom of Pacific Tourism and COVID-19's Impacts **22**

1.1. Tourism's Contribution to Economic Development in the Pacific 22

1.2. Differentiating the PICs as Tourism Destinations 34

1.3. Strategic Tourism Market Segmentation in the PICs 36

1.4. Potential Benefits of Targeting High-Value Markets for the PICs 47

Chapter 2: Obstacles to Expand Pacific Destination's Presence in High-Value Markets **50**

2.1. Uncoordinated Tourism Development Efforts 51

2.2. MSMEs' Fragility Threatens Tourism Competitiveness and Diversity 54

2.3. Inadequate Skills Inhibit Tourism Value Creation 58

2.4. Limited Progress Towards Environmentally Sustainable Tourism 60

2.5. Increased Vulnerability to Climate Change and Natural Disasters 64

Chapter 3: Policy Priorities for a Competitive and Sustainable Pacific Tourism **68**

3.1. Improving Tourism Governance 71

3.2. Refocusing Destination Development 79

3.3. Building Human Capital in the Tourism Workforce 86

3.4. Mainstreaming Resource Efficiency and Resiliency in Destinations 90

Conclusion **94**

Annex 1: Tourism Typology and Country Characteristics **95**

Annex 2: Methodological Notes **102**

Annex 3: Overview of Recent Tourism Development Strategies in the PICs **121**

Annex 4. Implementation Tools for Policy Reform and Destination Management **122**

References **123**

Key Messages

- **Tourism has been and remains an important element of the Pacific Island Countries' (PICs) growth strategy.** International arrivals to the 11 countries covered in this report doubled between 2000 and 2019, reaching an all-time high of 1.5 million arrivals (1.8 million including cruise ship/day visitors). In a region with major structural obstacles to growth and few opportunities for diversification, tourism growth has therefore 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 US$2.4 billion in receipts (representing over 10 percent of GDP in 7 of these countries). It directly employed around 71,000 people through formal jobs, and many more through informal and indirect jobs supported by the sector. Although they face some common challenges, the PICs are at very different levels of tourism development due to different characteristics, endowments and levels of government support, and priorities to further grow the sector will be country-specific.

- **At the same time, the growth of tourism has increased the PICs' vulnerability to shocks affecting the sector.** COVID-19 has been the worst crisis affecting the sector to date, with severe economic and social consequences. With the collapse of international arrivals, tourism receipts in the PICs were down 81 percent in 2020 compared to 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 a quarter to half of the poverty increase between 2019 and 2020 in Kiribati, Fiji and Vanuatu. While tourism had restarted in most PICs by October 2022, the industry will need time to fully recover. Increasing resilience in the Pacific tourism sector and fostering economic diversification remain priorities, especially given the PIC's exposure to the adverse impacts of climate change. Moreover, ensuring that reforms and investments made to support tourism growth also provide broader 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 adverse environmental and social consequences.** At US$1,226 on average, receipts per arrival were only 3 percent higher in 2018 than in 2012. Computations in this report suggest that, even with lower total arrivals, targeting higher value markets could yield aggregate revenue 5-20 percent higher than by following a volume-led strategy. The PICs have stated policies objectives to increase the value from tourism and can compete in several high-value segments (e.g. luxury tourism, adventure tourism, diving, cultural, long stay tourism), but attracting travelers in these segments will require targeted policy decisions to attract private investment, improve infrastructure and public works, and adapt destination positioning, marketing and the tourism offer. While most PIC governments share core goals of developing higher value tourism that is also more inclusive, sustainable and resilient, more efforts will be needed to translate this vision 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 to economic development (particularly those related to scale and remote geography), the 11 Pacific Island Countries (PICs) examined in this study, namely Federated States of Micronesia, Fiji, Kiribati, Palau, Papua New Guinea, Republic of Marshall Islands, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu,[1] have increasingly relied on tourism to generate revenue and employment where opportunities for other sectors were limited. At the regional level, arrivals grew at 3.6 percent per annum on average over the two decades preceding the pandemic and reached an all-time high of around 2 million arrivals in 2018 (including cruise ship visitors). Although the nature and scale of the sector's development have varied across countries, each of the PICs 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. It 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 activity 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 the PICs, especially hard-hit (World Bank, 2020a; UNWTO, 2020b). COVID-19 brought international travel to and from the Pacific to a standstill in March 2020 for more than two years. International visitor spending in the PICs is estimated to have 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, which have only partially been offset by relief measures adopted by some PIC governments. The crisis has pushed many into poverty, particularly in tourism-reliant countries, such as Fiji and Vanuatu. While 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 (SMEs), jobs and skills may not come back, even when aggregate demand recovers.

This study takes a fresh look at tourism's role for development in the Pacific, its future after COVID-19, and the scope to foster a greener, more 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 the PICs, despite variances 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. While most PIC governments share objectives to develop higher value, more inclusive and sustainable tourism sectors, concrete progress in this direction has been limited so far and could be slowed down by efforts to quickly regain visitor numbers without addressing underlying constraints. This study was a core input to the World Bank's recent update to the Systematic Country Diagnostic (SCD) for 9 of the PICs, which highlights sustainable tourism as one of the key economic

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

opportunities for development in these countries.[2] It complements and builds on the 2016 *Pacific Possible* report, which assessed specific opportunities to increase arrivals in a context of rapid tourism growth, by considering the changes to the industry's model that could maximize tourism's economic, social and environmental benefits for Pacific Islanders. It 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 across 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 and integration exercise.

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

Tourism had become a major economic sector in the years preceding the pandemic. Despite the paucity of detailed tourism data in the Pacific, the available evidence points to tourism's large and growing contribution to growth and development in most PICs over the last two decades. Tourism receipts for the PICs were growing at over 5 percent per annum prior to the pandemic, from US$ 1.5 billion in 2010 to US$ 2.4 billion in 2019. By then, they represented over 10 percent of GDP for seven of the eleven studied PICs; this proportion was among the highest for Fiji, Palau, Samoa and Vanuatu, at around 25-35 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. The available data suggests that the total contribution of travel and tourism to GDP in the PICs was well above the world average in 2019 (especially for Fiji and Vanuatu), although lower than the averages for the SIDS in other regions, including the Caribbean and Indian ocean. While 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 over time in several PICs, broadening the sector's impact and enhancing its inclusiveness. Likewise, in general local firms have generally captured a sizeable share of the income generated by Pacific tourism and foreign players have positively contributed to the sector's development.

Tourism growth has generated many direct and indirect jobs in the Pacific. Pre-pandemic, tourism directly employed around 71,000 people through formal jobs across the PICs, including a large proportion of women compared to their share in the PICs' labor force. It directly represented about 26 percent of the formal workforce in Palau, followed by Vanuatu, Samoa, Tonga, and Fiji, where tourism jobs accounted for between 8 and 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, a large number of informal direct jobs are supported by tourism, for which no official estimates exist. Moreover, many jobs are *indirectly* supported by tourism (e.g. providers of goods/services – such as agricultural products – in tourism businesses' supply chains). The available data suggests that, before the pandemic, total employment in the PICs was relatively less reliant on travel and

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

tourism than in other SIDS, particularly in the Caribbean, where almost half of the jobs were supported by these sectors. That said, an estimated 88,200 jobs - a quarter of the total national employment - were supported directly or indirectly by tourism in Fiji alone in 2019.

Tourism jobs and income have helped reduce poverty in the PICs in the years preceding the pandemic. There is evidence from the global literature that tourism can make a significant contribution to poverty reduction. 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 poverty reduction in Fiji in recent decades was largely enabled by the fast growth of tourism-related service sectors and the linked job creation (World Bank, 2017b).

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 source of revenue for the state before the pandemic, generating about FJD 1 billion (US$ 452 million) annually, about 28 percent of the total in 2019/2020. Although lower in absolute terms, other PICs also draw significant contributions to public budgets from tourism through various sectoral taxes (e.g., airport departure tax and arrival fees, turnover/bed taxes, site user fees) as well as value-added tax (VAT) or goods and services tax (GST).

Beyond the regional picture, the PICs are at very different levels of tourism development due to different characteristics, endowments and levels of government support. Although the PICs share key traits that have influenced the way 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 the 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. While COVID-19 is not the first shock to affect tourism in the region, where political crisis and natural disasters have led to temporary declines in international arrival 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 the PICs were down by around 81 percent in 2020 compared to the previous year. Fiji, which accounted for over half of aggregate receipts in 2019, faced the largest losses in absolute terms, although smaller economies suffered significant losses too. Given the continued border closures in 2021, receipts are expected to have been even lower that year. Public finances have suffered a large shortfall in tourism taxes, as well as a decline in VAT/GST receipts which can partly be attributed to the sector's collapse. The crisis has resulted in a dramatic decline in tourism employment across the PICs, which has persisted while borders remained closed. In turn, this has severely affected livelihoods and driven up poverty rates in tourism-reliant economies, accounting for a quarter to half of the poverty increase in Fiji, Kiribati and Vanuatu between 2019 and 2020.

Targeting higher value market segments based on the PICs' comparative advantages would increase the economic value generated by tourism, support PICs's own development agendas and reduce negative environmental and social externalities. Increasing the value, sustainability and inclusivity of the tourism sector is a dominate theme across all PICs' tourism strategies and polices with a focus on generating revenue from higher spending tourism markets. However, while the average spending

[3] Based on the upper-middle-income poverty line of US$ 5.5 per capita per day in 2011 PPP terms.

per arrival varies across countries, most PICs have not managed to increase it significantly over the last decade. A few PICs have developed viable high-volume market segments, but all PICs can compete and grow their presence in various high-value segments (e.g. luxury tourism, adventure tourism, diving, cultural tourism) (Box 1). Such segments, which are driven more by destination and product uniqueness, have higher levels of spend per trip, prioritize sustainability and can be more inclusive. They are therefore particularly attractive for the PICs, but attracting travelers in these segments will require targeted efforts to adapt destination positioning/marketing and the tourism offer. Although targeting higher-value tourism markets is a shared objective by tourism policymakers and businesses in the PICs, actual policies and metrics have often focused on growing arrivals. However, simple numerical simulations conducted in this report suggests that welcoming fewer, higher-value tourists could yield higher total revenue in the PICs over time, with fewer negative externalities from tourism.

Box 1. Summary of Tourism Market Segmentation in the Pacific

Volume markets in the PICs center on the sun and sand, family and cruise markets. Travelers are motivated by a need for relaxation, rejuvenation and spending time with family, and are typically price sensitive.

High-value markets in the PICs include luxury tourism (couples/honeymooners/wedding and wellness markets), long stay tourists (digital nomads, retirees) and experiential or niche tourism, including adventure tourism (soft and hard), diving and cultural tourism. These markets are driven by destination branding and unique experiences available on the ground. They are influenced strongly by word of mouth, social media, and, in the Pacific, trusted tour operator recommendations. Long stay tourists are also motivated by a friendly regulatory environment for visas, taxation and land ownership, good ICT infrastructure and robust healthcare.

The 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 2019). Together these represent almost 20 percent of Australian and 29 percent of USA online travel consumers and are motivated to travel for specific interests. Similarly, recent World Bank consumer research on three key European outbound markets (United Kingdom, Germany and Sweden), identified five market segments amongst travelers (World Bank, 2022b). Three of these segments, which represent 66 percent of respondents, have a core focus on nature-based and sustainable tourism and are the highest spending segments across all traveler types. These travelers tend to participate in more activities on ground, are more likely to purchase local goods and services, and have higher interest in nature-based experiences. Tapping into these markets will require changes to the PICs' marketing strategy, updating and expanding distribution channels, improving supplies of active, nature-based experiences, and enhancing communication.

Importantly, both research studies reveal that high-value tourism can be driven by market segments that engage with a broad range of local MSMEs in country. In both studies, market segments were developed based on psychographic models that take in account motivations for travel, personality traits and travel behaviors. They revealed that high spending markets are also those markets that 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/luxury tourism, which may have more limited impacts on local economies.

Obstacles to Expand Pacific Destination's Presence in High-Value Markets

To achieve their vision to attract more tourists from high-value markets, the 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 with a focus on policy and management, (ii) the need to ensure a rich offering through a vibrant ecosystem 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. While these issues do not cover all the structural constraints undermining tourism development in the Pacific,[4] they were selected as particularly relevant for the objective to target high-value markets, based on research and consultations with tourism stakeholders in the PICs.

To maintain and grow 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 contributed to enriching the offering of tourism services and the quality of visitor experiences, making the PICs more attractive as destinations. However, entrepreneurship and business growth have been undermined by structural issues that include business environment constraints, such as burdensome business regulations, poor hard and soft infrastructure (e.g., digital payments), lack of access to finance and skills. Moreover, tourism MSMEs were disproportionally affected by the COVID-19 shock, which led a large share of firms to close or pivot to other activities, as well as to 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 fully recover, invest in new/better services and adapt to structural industry trends, including digitalization, will be key to compete in higher-value markets, maintain visitor satisfaction and increase spending. Indeed, numerical simulations suggests 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 more 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, a lack of basic and advanced education, as well as 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 the local skill supply needed by the industry, complementing other policies that may be needed in different countries (e.g., public investment in basic education, reform of migrant worker programs, relaxation of restrictions on expatriate recruitment). They should be guided by international best practices and carefully designed, as there is no guarantee that their benefits will justify the investment cost.

Minimizing tourism' negative environmental impacts and mainstreaming sustainable tourism can help the PICs both 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 key assets for the PICs' tourism offering. Many Pacific

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

tourism businesses rely on high-cost and/or 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 eco-friendly travelers willing to pay a premium for sustainable tourism experiences, and generate broader economic, social and environmental benefits. Despite these potential benefits, both businesses and governments in the PICs have struggled to invest in resource efficiency at scale, although numerical simulations shows there are profitable investments opportunities in energy, water and material efficiency for different categories of Pacific tourism businesses.

Natural disasters, made worse by climate change, will continue to affect the sector and test its competitiveness in the future, 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 carrying out such investments. Governments have an important role to play to foster 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 measures to manage the residual risk (e.g. early warning systems) and helping firms and workers recover quickly from shocks. Establishing a stronger evidence base about the 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 a Competitive and Sustainable Pacific Tourism

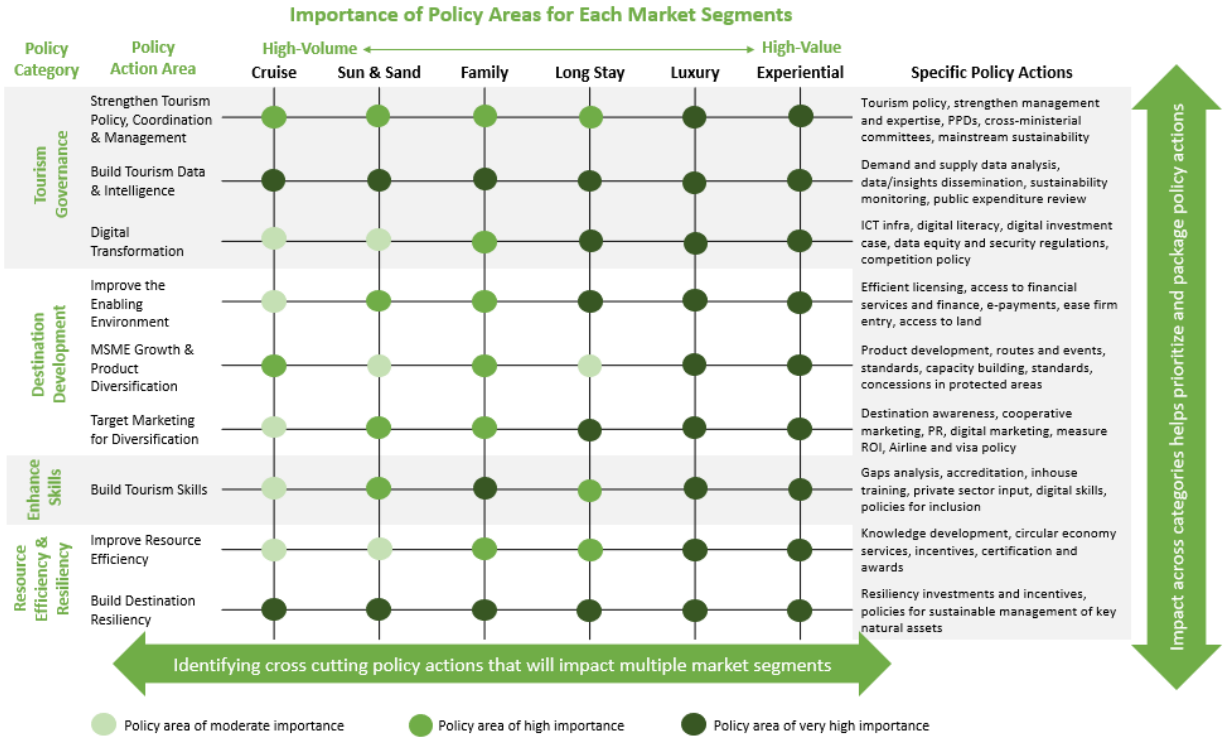
The PICs have long strived for more valuable tourism industries and can leverage recovery from the pandemic as an opportunity for reset. To do so, they will need to prioritize policies and investments that address the underlying tourism sector market failures and structural challenges that have been exacerbated by COVID-19. Even prior to the pandemic, the PICs struggled to implement strategies aiming to enhance the sector's sustainability and attract higher value markets. Now, with additional pressures to regain visitor numbers and limited fiscal space, identifying and prioritizing the most impactful 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 the PICs will be needed.

The study's last chapter highlights four themes of policy challenges that must be addressed to increase value addition in the tourism sector and create more competitive, sustainable, inclusive and 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 sub-category policy areas can be informed by applying a segmentation lens to support development across multiple market segments (Figure 1). Targeted policies to strengthen tourism should be coordinated with efforts to address broader horizontal constraints to growth that are particularly problematic in the PICs. While the

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

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 more specific needs, depending on countries' endowments, obstacles faced in tourism and policy aspirations as expressed in national tourism strategies.

Figure 1. Framework for Policy Intervention Prioritization



Note: Dark green represents critical areas of policy reform to stimulate and cater to demand from specific market segments, medium green represents important areas, and light green represents areas of moderate importance.

Source: Authors analysis.

- *Improving Sector Governance*

To achieve meaningful change in the sector, the PICs will need to establish a more integrated institutional and policy framework for tourism. The limited results of tourism strategies can be partly explained by several issues including a mismatch between tourism authorities' mandates and resources, the wide scope of regulatory areas relevant for tourism, and coordination failures (both within the government and between the government and the private sector). Going forward, tourism policies and strategies can no longer be standalone documents with implementation left solely for 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 the compilation of sector statistics, the lack of granular data on both the supply and demand sides of tourism remains a major impediment to evidence-based policymaking in the PICs. This is a priority and offers avenues for cooperation between the PICs, working with regional bodies such as SPTO. 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. On the digital side, strong leadership and a clear strategy for digital transformation has been shown to be an essential part for supporting a mindset shift in digital adoption. This notably means raising awareness about digital opportunities, putting in place the building blocks for an inclusive and 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 the PICs build diversified and 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 and transparent communication to markets. This should include a focus on:

i. *Product development and diversification:* This is needed to respond to tourists' demand for unique and quality experiences. It can for instance be done through the dissemination of market intelligence, the creation of product development support programs, a renewed focus on route development, better use of quality standards, a modernized management of protected areas, etc.;
ii. *Enabling environment for firms and investors:* This would notably include simplified business regulations, improved access to finance and payment services, and streamlined firm entry and exit processes. Additionally, targeted measures to open markets for women entrepreneurs are need as they face specific constraints, including in terms of access to land and credit, regulatory obstacles, access to government support schemes, etc. Importantly, reforms in this area would address barriers to growth for tourism as well as other important sectors in the region; and
iii. *Market diversification:* This will require investment in marketing by destination management organizations 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 suffering from an image issue. 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 required for Pacific tourism to shift to high value markets and reduce economic leakage. Even prior to the pandemic, the Pacific tourism industry found it challenging to source workers with the right type and quality of skills. The labor shortage caused by the pandemic has exacerbated this pre-existing challenge across the region, decreasing firm productivity and increasing the cost of in-house training for firms. Addressing these systemic and economy-wide issues will

require a combination of skills development (e.g. technical and vocational educational training with deeper industry involvement, market-specific skills, digital skills). Interventions to address skill mismatches need to be accompanied by measures to improve the workplace environment to attract and retain workers: improved 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, DMOs and the industry. This approach will need to be underpinned by enhanced knowledge, especially on climate adaptation and resilience at the destination level, as well as strategic investments 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 incentivize and equip the private sector to make sustainable investments. These supply side actions will also need to be paired with robust disaster preparedness planning and management.

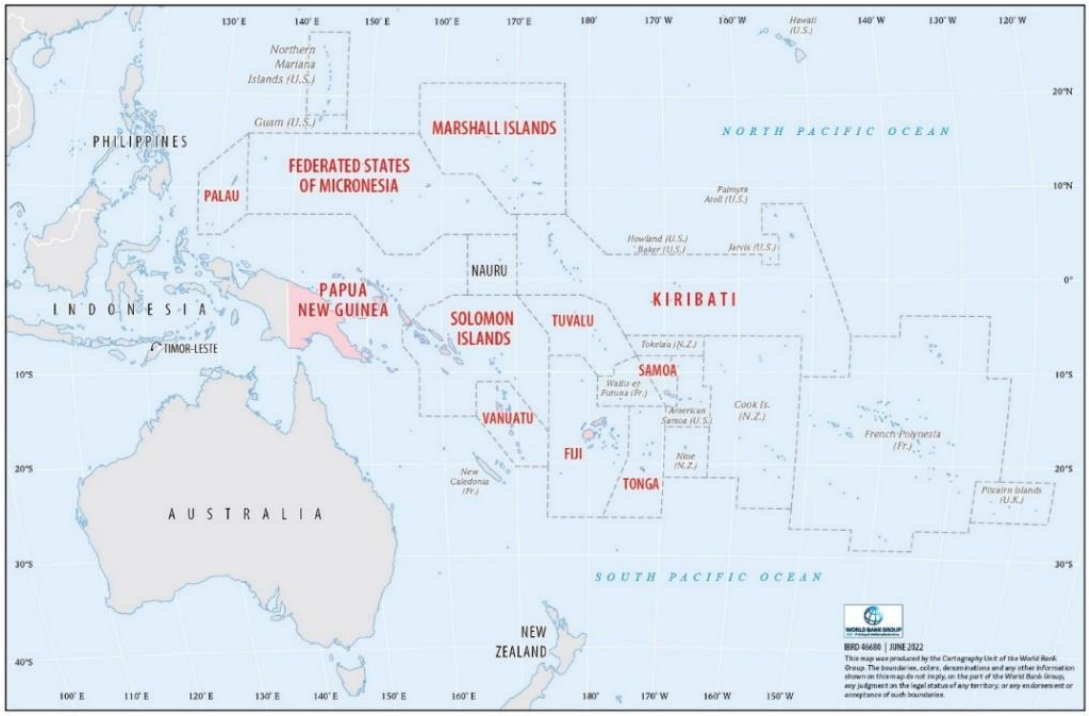
Policy recommendations laid out in this report focus on addressing high-level constraints that must be tackled across market segments. However, this guidance represents only a starting point for each PIC. Each of the PICs will need to examine their policy objectives, both economy wide and tourism specific, to decide the best strategic segment to target and determine 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.

Introduction

The Pacific Island Countries (PICs) and Papua New Guinea (PNG) face major structural challenges that have inhibited their ability to grow and diversify their economies. As illustrated by Map 1, the 11 PICs examined in this study, namely Federated States of Micronesia, Fiji, Kiribati, Palau, Papua New Guinea, Republic of Marshall Islands, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu,[7] are widely dispersed across the Pacific, with a combined population of about 2.5 million people (plus 8.8 million in PNG) (Table 1) scattered on hundreds of islands across an area equivalent to 15 percent of the globe's surface. Lack of scale economies and difficult access to markets, combined with a 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 to production and trade. The PICs only export a small number of natural resource commodities and agricultural/fish products, relying on imports for fuel, food and most other products. Instead, much of the region's growth in the recent period has come from the services sector, including tourism.

Map 1. The Pacific Island Countries and PNG



[7] While PNG is not usually classified as a 'PIC', it is covered in this study and included when referring to the PICs. Other Pacific island countries/territories also have notable tourism industries (e.g., Cook Islands, Guam, Northern Marianas, New Caledonia, French Polynesia), but are not covered in this report as they are not World Bank members. Nauru, a World Bank member, is considered a PIC but is not studied here, due to 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 (LICs), Eastern Caribbean Small Island Developing States (SIDS) and other Small States.

Table 1. Land area and population in the PICs

		Land area (sq. km)	Population (thousands)
Micronesia	FSM	702	114
	Kiribati	811	118
	Palau	460	18
	RMI	181	59
Melanesia	Fiji	18,000	890
	PNG	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: WDI

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 the 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 the PICs. As this report shows, tourism has made a substantial economic contribution to the PICs overall. However, the growing dependency on the sector has increased these countries' vulnerability to various types of shocks that can disrupt the sector, such as natural disasters and recently the COVID-19 pandemic. Another question that has become more relevant as tourism grew is whether the policies adopted and investments made to foster this growth have also benefitted other sectors and helped economic diversification.

The COVID-19 crisis had a devastating impact on tourism activity 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 SIDS especially hard-hit (World Bank, 2020a; UNWTO, 2020b). 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 the PICs in 2020, more than in most other SIDS.[9] Tourism has now restarted across much of the region and some Pacific tourism destinations could rebound fully by 2023 in an optimistic scenario (PATA 2022). Despite these positive trends, COVID-19's deep adverse impacts on global tourism value chains will continue to affect both supply and demand trends for several years. In the 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 have 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

[9] UNWTO data except RMI, FSM, Palau and PNG.

come back even when aggregate demand recovers, with potential adverse impacts on the tourism offer and on PIC economies.

As the crisis subsides, tourism is likely to reemerge as a key driver of economic growth and source of livelihoods for the PICs, despite variances in recovery pathways across the region. In the context of a weak private sector – especially in comparison to the heavy weight of the public sector in these economies – tourism is an important source of tax revenue and foreign exchange. Moreover, it is also a key source of much-needed jobs and income for Pacific islanders, including women and the 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, the PICs could reap an additional US$1.7 billion in revenue annually and 116,000 jobs by boosting demand from certain high-potential markets (Box 2). While overall growth potential remains strong, the sources of this growth may now diverge from pre-pandemic projections, especially as countries seek a more sustainable and valuable tourism future. As governments have a chance for to reset their tourism sectors, some previous opportunities should be reconsidered. For example, focusing on market segment diversification (e.g. adventure or wellness tourism) versus specific source markets (e.g. China), can reduce vulnerabilities to future demand side shocks. Similarly, with an increased focus on value per arrival and sustainability, volume cruise tourism may no longer be an attractive segment to develop. Rather 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 the PICs, tourism development policies can also be leveraged more to address broader cross-cutting constraints to economic transformation, be it in terms of quality of the investment climate, state of infrastructure and connectivity, level of skills, etc.

Box 2. Pacific Possible *Interventions and Long-Term Results*

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

1. Targeting the Chinese visitor market could add over 650,000 additional tourists, bringing nearly US$950 million in additional tourism receipts and generating over 65,000 additional jobs.
2. Engaging more directly in the growing Pacific cruise industry through the introduction of a home-based cruise offer could bring over 250,000 additional tourists, generating an additional US$60 million in tourism receipts, and over 4,000 additional jobs.
3. Expanding the high-end resort offer could add over 130,000 additional tourists, bringing over US$450 million in additional tourism receipts, and generating over 30,000 additional jobs.
4. Growing long-stay visitor options for retirees could result in 10,000 resident foreign retirees, bringing US$200 million in additional receipts and generating over 13,000 additional jobs.

Policy recommendations focused on improving transportation connectivity with growing and establishing markets, long-term market development, improving the investment climate and effectiveness of public sector participation, reducing barriers to travel (e.g. visa regimes), 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. However, they did not directly address wider tourism governance issues and key enabling factors such as skills, resource efficiency and resilience, which are examined in the present report.

Source: (World Bank, 2017a)

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.[10] There have been calls to "reimagine tourism" by addressing its pre-existing structural issues and rebuilding the industry's competitiveness in light of the changes resulting from the pandemic (Destination Think, 2020; World Bank, 2020a; UNWTO, 2020a; UNDP, 2020; IMF, 2021).[11] Similar debates have taken place in the Pacific about challenges faced in terms of competitiveness, inclusion, environmental sustainability and resilience (UNESCAP, 2020, pp. 45-49), many of which have been identified at least since the 1990s (Scheyvens & Russell, 2009).[12] During the crisis, Pacific stakeholders emphasize the role of a sustainable, ocean-based tourism sector to "build back better" (SPREP, 2020; Krishnamurthi, 2020; Taylor, 2020; UNESCAP, 2020). Recent surveys in tourism-dependent PICs also revealed community aspirations for a reset of the regional tourism model that provides broader benefits to the local economy (Movono and Scheyvens 2020). At the same time, the PICs are yet to demonstrate specific action to chart a more sustainable and inclusive path for tourism growth. There is a risk that some policymakers will only focus on short term measures to get visitor numbers back on the pre-pandemic growth trend as quickly as possible. While this is a justified objective, particularly for less-developed PIC destinations that can still arguably develop the carrying capacity for more visitors, this report argues that, in the longer run, broader economic benefits would come from also addressing the structural issues that limit the sector's capacity to enter higher-value markets and undermine economic growth even beyond tourism.

This study takes a fresh look at tourism's role for development in the Pacific, its future after COVID-19, and the scope to foster a greener, more resilient, competitive and inclusive sector. The present study complements and challenges the previous analysis in *Pacific Possible* by factoring in the impacts of the pandemic and by considering changes to the industry that could maximize economic value for Pacific Islanders, in line with the World Bank's twin goals (eliminating extreme poverty and boosting shared prosperity) and the sustainable development goals (SDGs).[13] It also takes a more holistic approach to analysis and policy guidance, identifying policy interventions that can help stimulate demand across different high-value tourism markets, while generating as much benefits 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 (SCD) for 9 of the PICs, which highlights sustainable tourism as one of the key economic opportunities for development in these countries and emphasizes the role of resilience (Box 3).[14] It was prepared by analyzing the available data and information from previous reports, government sources and the academic literature, as well as by collecting new information through consultations with regional and national stakeholders. Given the scarcity of data on Pacific tourism and frequent discrepancies across sources, one of its main contributions

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

[11] For instance, the UNWTO encouraged tourism stakeholders to anchor recovery efforts on six pillars: (i) public health, (ii) social inclusion, (iii) biodiversity conservation, (iv) climate action, (v) circular economy and (vi) governance and finance.

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

[13] See (UNESCAP, 2020) for a discussion of tourism' potential contribution to the SDGs.

[14] The update to the PIC9 SCD covers FSM, Kiribati, Nauru, Palau, RMI, Samoa, Tonga, Tuvalu and Vanuatu.

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.

Box 3. Development Pathways Identified in the PIC9 SCD Update

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

1. **Expanding economic opportunities:** This notably includes (i) revitalizing and realizing sustainable tourism; (ii) expanding economic opportunities in oceanic fishing; (iii) enhancing labor mobility opportunities; and (iv) improving digital connectivity and services in the private and public sectors.
2. **Maximizing human capital and its economic returns:** This can be achieved by (i) improving the quality of education and increasing access to secondary and higher education; (ii) strengthening health systems to improve coverage, quality, and resilience; and (iii) increase women's paid employment and reducing gender-based violence.
3. **Building resilient incomes and livelihoods:** With priorities including (i) strengthen climate and disaster risk management tools and policies; (ii) developing adaptive social protection systems; and (iii) supporting resilient agriculture for small-scale farmers and coastal fisheries.

The study's scope focuses on selected issues for the long term development of high-value tourism that are relevant at the regional level. Although the pandemic is not yet fully behind us, the study does not focus on immediate priorities to help the sector weather the crisis, but rather on medium- and long-term needs post-COVID.[15] While it is regional in scope and does not pretend to establish a precise diagnostic for any single country in the region, the study strives to consider the different country contexts in the Pacific and to identify priorities relevant for PICs with different endowments and tourism maturity, as well as potential opportunities for regional cooperation. While the analysis considers broad constraints to tourism development, particular attention is dedicated to small local providers of tourism services, referred to as MSMEs throughout this report, which can play a large role to improve the quality and diversity of a destination's offering. Finally, the study does not address in detail all the structural barriers to tourism development in the Pacific, but focuses on priorities to increase economic value by repositioning the sector in higher value markets, which were identified through research and consultations with tourism stakeholders in the PICs.[16] 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 both 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 the PICs and on COVID-19's impacts, differentiating between destinations at different maturity levels and reviewing several frequently debated issues, including tourism's role in poverty

[15] On short term priorities for the recovery of tourism, see notably (World Bank, 2020a; IMF, 2021).

[16] Such key issues notably include connectivity, land rights, security, health and the preservation of ecosystems. As discussed in Chapter 3, some of them were already adequately analyzed elsewhere, while the others are too complex to cover in a regional report and require in-depth country-specific analysis.

reduction and the distribution of its gains. The chapter also discusses the current and potential tourism market segments in the Pacific, assessing the potential benefits of targeting higher-value markets. In order to inform strategic choices for the industry in the medium to long term, the second chapter takes a closer look at the current obstacles and potential opportunities for a more competitive and sustainable Pacific tourism, focusing on selected issues deemed key to target higher value markets. Finally, the third chapter discusses and recommends medium to long term policy priorities and investment needs to (re)position the Pacific tourism model for the future, 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 hone in on 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 assist the 11 countries covered in this report in identifying and implementing priority reforms and investments in tourism and linked sectors through further analytical work, technical assistance and financial support.

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

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

The available evidence shows that tourism has had an increasingly strong positive impact on the 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 4). As previously mentioned, one of this report's main contributions is to consolidate data from existing sources and provide new quantitative evidence on tourism's contribution, for instance to public revenue and poverty reduction.

Box 4. Measuring Tourism's Economic Impact in the Pacific

The calculation and reporting of economic indicators for tourism are relatively new for the PICs, and methods are often inconsistent. The use of a tourism satellite account (TSA) was unique to Fiji until 2022, when PNG released its first TSA report.[17] Otherwise, the PICs have determined the value of tourism using the balance of payments or the more rudimentary approach of multiplying visitor numbers and average visitor spend, where available. Agencies such as the Pacific Tourism Organization (SPTO), the UN World Tourism Organization (UNWTO) and the World Travel and Tourism Council (WTTC) also use country data to produce reports of key tourism indicators using different methodologies. As a result, different sources cite conflicting figures for some countries. This study draws on receipts, GDP and employment data from a variety of sources. UNWTO data was used for receipts where available and substituted with data from countries' tourism or statistics authorities.[18] Tourism's contribution to GDP was calculated using this receipts data and World Development Indicator data for national GDP. Tourism employment data was sourced from SPTO's 2019 Annual Review, except where more recent data was available from statistics authorities. The report also includes supplementary data for the six countries for which WTTC 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 the PICs in order to enable more evidence-based policy for the sector.

- *Historical Tourism Demand*

Arrivals of international tourists to the Pacific doubled between 2000 and 2019. In 2019, the PICs saw combined international overnight tourism reach an all-time high of 1.5 million arrivals[19] (1.8 million including cruise ship/day visitors) (Figure 2). However, volumes and growth were highly uneven across countries with Fiji accounting for over half of overnight arrivals, followed by Samoa, Vanuatu, PNG, Palau and Tonga, with a combined share exceeding one-third.[20] Growth in arrivals averaged 3.6 percent per

[17] The TSA is a standard statistical framework for the economic measurement of tourism that allows for harmonizing and reconciling tourism statistics from a national accounts perspective, and enables generating economic data on tourism comparable to other economic statistics.

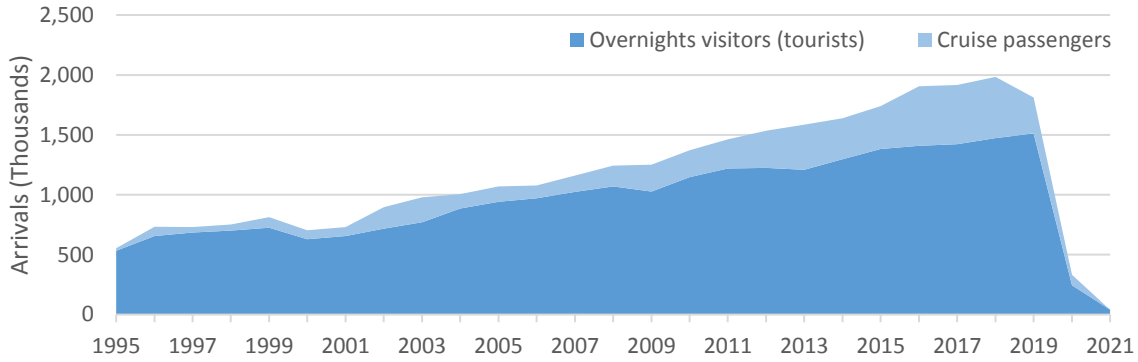
[18] Tourism receipts are expenditures by international inbound visitors, including payments to national carriers for international transport and prepayment for goods or services received in the destination country. Tourism receipts are not perfectly equivalent to the sector's value added (as included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

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

[20] Authors' computations, based on data from UNWTO Tourism Dashboard and updates from national tourism and statistics authorities.

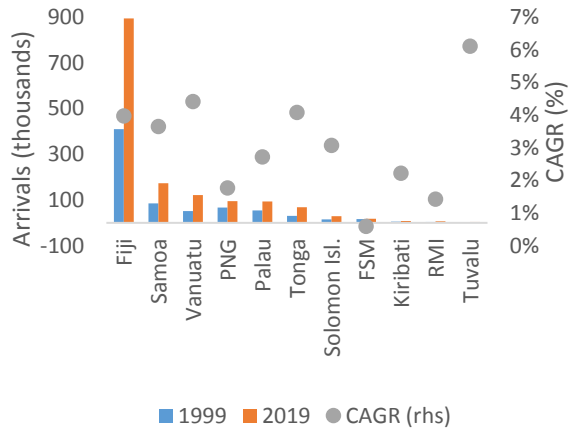
annum over the two preceding decades, although individual country CAGRs ranged between 0.6 percent and 6.1 percent (Figure 3). Some other PICs, which account for a small percentage of total arrivals to the region, have nonetheless seen sustained growth in arrivals since 1999, with Tuvalu achieving the fastest pace (albeit from a low base). Several countries, notably Vanuatu, Fiji and PNG, have also seen strong, if uneven, growth in the cruise ship market, a segment that more than tripled between 1999 and 2019 to reach around 511,000 day-passenger visits (Figure 4).[21]

Figure 2. Regional Growth All Visitor Arrivals in the Pacific Island Countries, 1999–2021



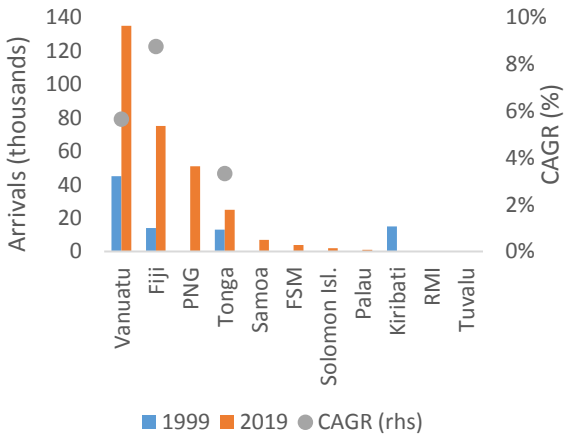
Source: World Bank compilation based on UNTWO data and national statistics

Figure 3. Disaggregated Growth of International Overnight Visitor Arrivals in the Pacific Island Countries, 1999–2019



Source: World Bank compilation based on UNWTO and national statistics.

Figure 4. Growth of Cruise (Day) Visitor Arrivals in the Pacific Island Countries, 1999–2019



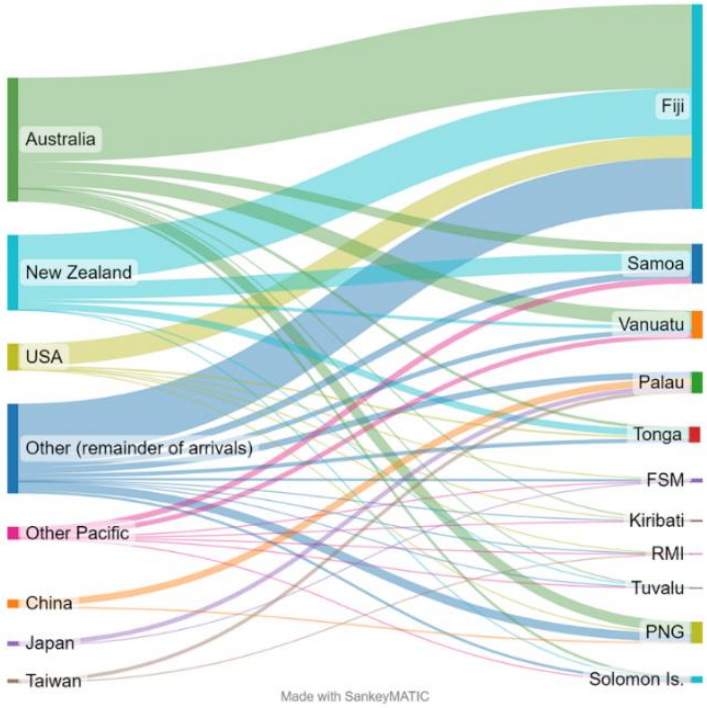
Source: World Bank compilation based on UNWTO and national statistics.

Neighboring markets have accounted for most arrivals in the PICs, driven by proximity, air connectivity and targeted marketing. Australia and New Zealand are by far the dominant source markets for the PICs as a whole (Figure 5). For Fiji, Samoa, Vanuatu and Tonga, these two source markets

[21] Source: Combination of UNWTO Tourism Dashboard data, SPTO's *Annual Arrivals Review 2019* and National Tourism/Statistics authorities.

comprised over 60 percent of total arrivals in 2019. However, for some countries, such as Palau and FSM, more tourists hail from China, Japan and the United States. Some countries have taken specific steps to diversify source markets, for instance with Palau targeting Taiwan and Fiji increasing marketing activities in North America and Japan. In the latter case, Fiji was able to grow arrivals from the United States and Canada by 63 percent between 2013 and 2019 and tripled arrivals from Japan between 2014 and 2019.

Figure 5. Top Source Tourism Markets for the Pacific Island Countries (2019)

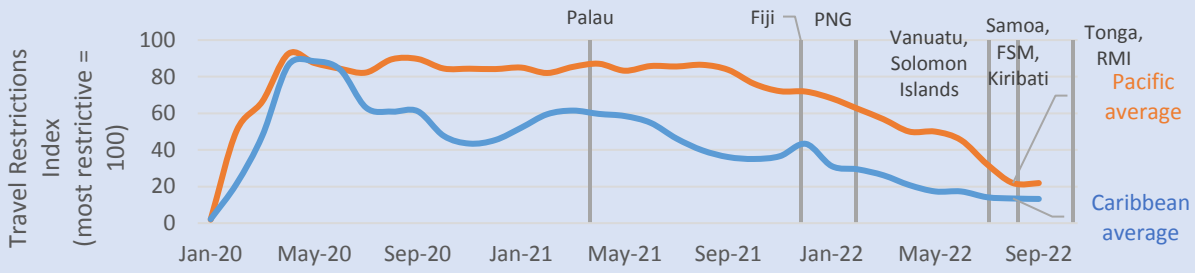


Box 5. COVID-19 Impacts on Tourism Demand and Recovery to Date

The 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. The PICs imposed rigorous and prolonged restrictions for inbound and outbound travel to contain the spread of the virus, with average restriction levels across the PICs remaining long after Caribbean SIDS lowered restrictions (Figure 6).[22] The extended border closures protected public health but resulted in an unprecedented 84 percent decline in combined annual visitor arrivals to the PICs in 2020, and a further 83 percent fall 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). By 2021, the region saw combined international overnight arrivals remain low at about 40,000.

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

Figure 6. Stringency of Travel Restrictions in the Caribbean vs. Pacific, and PIC Reopening Dates



Source: Oxford COVID-19 Government Response Tracker.
Note: Caribbean countries includes Aruba, Bahamas, Barbados, Belize, Cuba, Dominica, Dominican Republic, Guyana, Haiti, Jamaica, Suriname, Trinidad and Tobago and US Virgin Islands. PICs includes Fiji, Guam, Kiribati, PNG, the Solomon Islands, Tonga and Vanuatu.

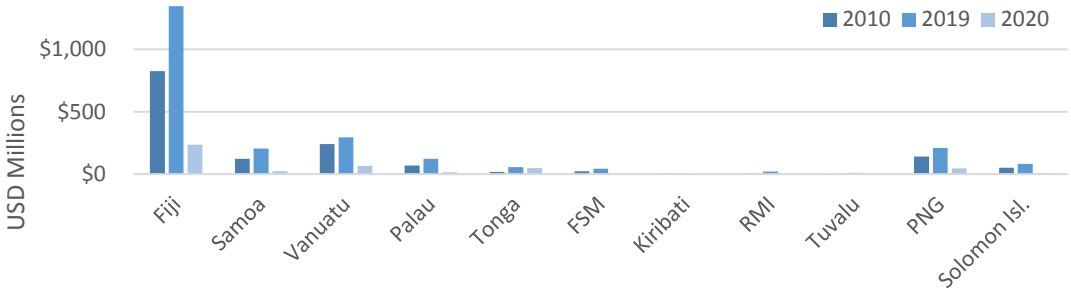
As the PICs gradually reopened their borders in 2022, visitor arrivals to the region started to rebound with partial or full recovery anticipated by 2024. Risk appetites for reopening to tourism varied across the PICs, but most took a conservative approach.[23] By October 2022, all but Tuvalu had reopened their borders with some vaccination, testing and masking restrictions in place. Tuvalu is expected to reopen by the end of 2022. As of August 2022, Fiji received 354,277 visitors (60 percent of 2019 levels for the same period) with Q3 arrivals anticipated to be 80 percent of Q3 2019 volumes. In its first month of opening, Vanuatu received 3,439 international visitors, 27 percent compared to July 2019. By July 2022, Palau experienced a 13 percent recovery in Q2. Interest remains strong for the late 2022 dive season in Palau, but evidence indicates demand is constrained by expensive and infrequent flights.[24] The Pacific Asia Travel Association (PATA)'s forecasts for selected PICs indicate arrival volumes will fully recover by 2023 under an optimistic scenario and recover to 80-90 percent by 2024 in a conservative scenario (PATA 2022).

- *Growing Tourism Receipts have made a Large Contribution to GDP*

Tourism revenues for the PICs were growing at over 5 percent per annum before the pandemic. At the regional level, the value of tourism receipts – defined as expenditures by international inbound visitors[25] – rose from US$1.5 billion in 2010 to US$2.4 billion in 2019.[26] This growth represented a compound annual growth rate (CAGR) of 5.2 percent between 2010 and 2019. However, growth was uneven, as some countries both grew at a faster pace and started from a higher base. Most notably, Fiji accounted over half of total receipts that year, reflecting its dominance in the region (Figure 7). This performance can be linked both to an advantageous location and a history of substantial government support to tourism through policy reforms, early establishment of a national tourism organization (NTO), investment incentives and public investment since the end of World War II. Pre-COVID, Fiji was followed by Vanuatu, Samoa, PNG and Palau, which together shared more than a third of receipts.

[23] The rate of vaccine roll was slower in some of the countries than others. Vaccination targets were cited as reopening criterion for Fiji, Vanuatu, Samoa, Tonga and Kiribati. Visitor entry conditions for reopening borders varied/vary across countries and over time, but included requirements around traveler vaccination, pre and post travel testing, restricted movement, use of contact tracing systems, and mask wearing.
[24] As reported to the Palau Visitors Authority (PVA) at the Scuba Show in the United States, May 2022.
[25] 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.
[26] Source: UNWTO data with exception of (i) 2019 data for Marshall Islands, the FSM and Palau (sourced from SPTO) and (ii) PNG data (source: PNG Tourism Promotion Authority, reported in PGK, converted to US$).

Figure 7. Tourism Receipts in the PICs (2010, 2019 and 2020)



Source: UNWTO data except for (i) Marshall Islands and FSM (source: SPTO); (ii)Palau (source: PVA); and (iii) PNG (source: PNG TPA)

Prior to 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 eleven studied countries (Figure 8). In fact, 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 25–35 percent in 2019 (Figure 9).[27] However, other countries in the region – such as PNG and Kiribati – had a considerably lower dependence on the sector. In PNG, this is particularly due to the large natural resources and mining sectors.

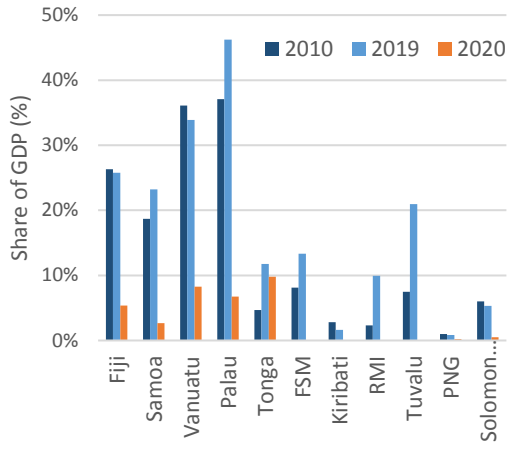
Table 2. Profile of Pacific Island Economies and Tourism Sectors, 2010-2020 (US$ Millions)

Country[c]	GDP[a]			Tourism Receipts[b]		
	2010	2019	2020	2010	2019	2020
FSM	$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
PNG	$14,251	$24,751	$24,667	$141	$211	$45
RMI	$160	$239	$244	$4	$21	-
Samoa	$663	$852	$807	$124	$206	$23
Solomon Isl.	$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 Bank WDI GDP (Current US$) for 2019 and 2020 in US$ Millions.
b. World Bank Group based on WDI, United Nations World Tourism Organisation (UNWTO), SPTO, and national data. Estimate of Direct Contribution in US$ Millions
c. UNWTO data and national sources for the FSM, PNG, Samoa, and Tonga.

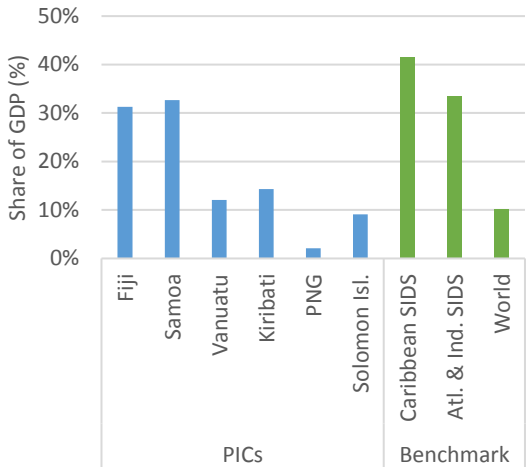
[27] In Tonga's case, the relatively low contribution of tourism receipts to GDP (11.1 percent) is due to the high value of remittances.

Figure 8. Evolution of Tourism Receipts as a Share of GDP in the PICs



Source: Authors' estimate based on UNWTO, SPTO and national data (receipts) and WDI (GDP).
Note: FSM, RMI and Tuvalu do not have data for 2020.

Figure 9. Total Contribution of Travel & Tourism to GDP in select PICs and Comparators (2019)



Source: Authors' computation based on WTTC data.
Note: Atl. = Atlantic; Isl. = Islands; Oc. = Ocean; SIDS = small island developing states. Benchmark data are averages.

The economic value of tourism extends beyond direct receipts, since many economic activities are indirectly associated with tourism and travel. Indeed, tourism stimulates economic activity in several linked sectors, such as construction, agriculture, manufacturing, the arts and cultural industries. WTTC estimates suggest that the total contribution of travel and tourism to GDP in some PICs (such as Fiji and Vanuatu) is well above the world average (Figure 9).[28] However, these also show that it is lower than the averages for the small island developing states (SIDS) in the Caribbean, Atlantic and Indian Oceans.[29] 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 evidenced by recent studies, and could be developed further (Box 6). Beyond supply linkages, tourism can also generate productivity spillovers in other economic sectors (Box 7), but research is yet to be conducted on this specific topic in the Pacific.

Accommodation providers in the PICs offer a range of services, including food and beverage,[30] 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

[28] The WTTC estimates the total (direct, indirect, and induced) contribution that travel and tourism have made to GDP in 6 PICs. That is, 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.

[29] 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.

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

countries to provide tour packages that contract, book and deliver various components of a holiday (such as hotel, in-destination transportation and flights).[31] However, PIC inbound tour operators also provide on the ground services to visitors once in destination, mostly focusing on activity organization (e.g. tours, activities, 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 6. Tourism business' food procurement in the PICs

Demand for fresh food products 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. The available evidence from studies in several PICs suggests that, on average, local production accounts for about half of this demand, the rest being met by imports:

- *Fiji:* Of the FJD 74.4 million (US$ 36.4 million) spent on fresh produce by hotels and resorts in Fiji's main tourism areas in 2017, 48 percent was procured locally and 52 percent was imported (down from 80 percent ten years earlier) (IFC 2018, FAO 2011).
- *Palau:* A 2020 survey of hotels and restaurants in Palau found that almost all fish and root vegetables used were sourced locally, but that this was the case for only 65 percent of fruits and 50 percent of other vegetables.[32]
- *Vanuatu:* Of the 1.5 billion Vatu (US$ 15.6 million) spent on fresh produce by hotels and restaurants in the capital Port Vila in 2014, 46 percent was procured locally (IFC 2015).

Several constraints need to be addressed to maximize local supply linkages of fresh produce in the 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 more include: (i) lack of networking between key decision-makers in hotels and local producers and suppliers; (ii) inconsistency of local supply, particularly for fruits, vegetables, seafood and dairy products; (iii) seasonality of produce available locally (particularly fruits and vegetables); (iv) poor quality of some local products (particularly meat, seafood and dairy products); and (v) lack of food safety standards for meat and seafood (IFC, 2018).

Box 7. Tourism, productivity spillovers and growth

There is a strong theoretical and empirical basis showing 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 and more efficient production techniques (including through the use of more skilled workers) that "spillover" to other sectors and firms, making them more productive in turn. In tourism, such spillover effect may for instance occur through (i) 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), (ii) the movement of workers (e.g., workers apply skills learned as tourism employees when they move to other sectors), or (iii) linkages with foreign markets (e.g., links with particular tourism markets facilitate the establishment of export relationships to these markets for local merchandise producers).

Identifying potential productivity spillovers to other sectors can help better understand tourism's overall economic impact and justify more targeted support for this sector. However, there is still limited empirical evidence on the productivity spillovers from tourism. One of the of few studies that sought to fill this knowledge gap is (Faber & Gaubert, 2019). Focusing on the case of Mexico, it finds that tourism has a strong and significant

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

[32] Source: unpublished survey of hotels and restaurants by Sustainable Travel International

positive effect on local economic activity: a 10 percent increase in local tourism revenues leads to a 2.5 percent increase in employment and a 4 percent increase in municipality GDP. These effects are in part driven by sizable local multiplier effects on the production of manufacturing, including for sectors that are not intensively used as inputs in the tourism supply chain. 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.

Assessing the extent of local value retention in the 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 the PICs and "leaking" abroad. Economic leakage can occur at various stages of the tourism supply chain, starting with the booking process, during which a portion of visitor spend is retained by overseas travel intermediaries and online travel agents through commissions or fees.[33] While these can represent 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.[34] However, as previously discussed, there is potential to further develop supply linkages.

Debates about leakages often focus on the repatriation of profits by foreign-owned tourism businesses or hotels managed by international brands. Although holistic data does not exist on hotel ownership, large and medium-sized hotels are typically owned by corporations (both domestic and foreign) and national provident funds, or have strata title ownership structures. Medium to small high-end resorts are generally owned by property development companies or high net worth individuals, in addition to some domestic corporations. There are also small resort properties that are lifestyle investments owned by expatriates and returned diaspora. Out of the 42 internationally-branded hotels in the PICs,[35] 60 percent are locally or regionally-owned,[36] 19 percent have mixed local and foreign ownership (including strata titles) and 21 percent are wholly foreign owned.[37] While such leakage happens to some extent in all sectors with foreign direct investment (FDI), it again needs to be weighed up against the FDI's benefits in developing tourism. Indeed, foreign-owned hotels provide much needed jobs, knowhow and investment capital in the region, including in infrastructure that benefit local communities. Furthermore, foreign-owned hotels, especially those with international brands, typically invest in marketing that promotes the destination to target markets and provide skills development through in-house training programs

With the onset of the pandemic and the subsequent collapse of arrivals, tourism receipts in the PICs were down 81 percent in 2020 compared to the previous year. As shown in Table 2, receipts for the

[33] Detailed data is not available for the PICs, but accommodation providers typically need to factor up to 30 percent into their rate structure to cover booking administration and marketing costs incurred by distribution partners (e.g., market-based travel wholesalers and agents).

[34] 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.

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

[36] Including only owners from other PICs.

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

group dropped from US$2.4 billion in 2019 to US$442 million in 2020. Fiji, which accounted for over half of aggregate receipts in 2019, faced the largest losses in absolute terms, although the losses were also significant for the smaller economies. At the time of writing, annual regional receipts data is not yet available for 2021, but it is anticipated that revenues will be considerably lower than for 2020, based on the 83 percent drop in arrivals between 2020 and 2021.[38] Expressed as a share of GDP, tourism receipts in the PICs also fell substantially during the pandemic, particularly in the most tourism-reliant countries. They declined 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 has been a Major Source of Public Revenue*

In addition to the 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 (US$ 452 million) annually (Government of Fiji 2021), about 28 percent of the total in 2019/2020, and in PNG it contributed PGK 122 million (US$ 34 million) (PNG Tourism Promotion Authority, 2022). Although lower in absolute terms, other PICs still draw significant contributions to public budgets from tourism. The most common form of direct tourism tax is an airport departure tax (factored into airline tickets for both visitors and residents), although arrival fees (including for visitor visas), turnover/bed taxes, site user fees and special environmental taxes[39] have also been used in some countries (ADB 2021).[40] In Fiji's case, the FJD 200 per passenger departure tax would have collected around FJD 179 million (US$ 80 million) based on international visitor numbers in 2019. Moreover, value-added tax (VAT), service turnover tax (STT) or goods and services tax (GST) also generate significant revenues from international visitors and tourism businesses. While some taxes, such as the environmental levies in Fiji and Palau, have been earmarked environmental conservation projects, most tax revenue generated by the tourism sector 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 the PIC's budget exposure to shocks affecting the sector. For example, the fall in visitors in 2020 and 2021 translated to forfeited departure tax income of approximately US$ 321.82 million in Fiji and US$ 8.32 million in Palau.[41] In Vanuatu, government revenue dropped by about 14 percent in 2020 from the previous year, partially as a result of the suspension of tourism travel. In PNG, there was an estimated 81 percent (US$ 26 million) loss of tourism-related tax revenues in 2020 compared to 2019 (IMF, 2022). In the case of goods and services taxes (GST), almost all of the studied countries saw a decline in this government revenue source in 2020 compared to 2019 (Figure 10Figure 10). GST revenues were impacted most dramatically in three

[38] Note: No 2020 data is available for FSM.

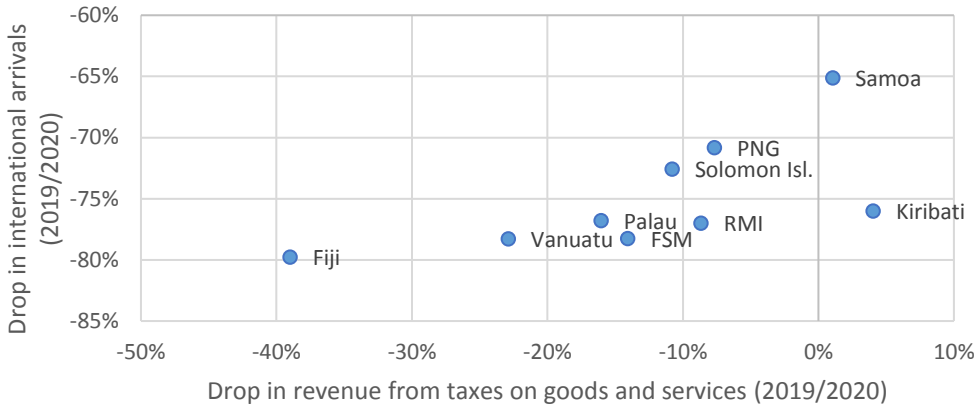
[39] Fiji's Environmental Climate Change Adaptation Levy (ECAL), introduced in 2018, was collected through different businesses, including accommodation providers, tour operators, and restaurants, among other service providers. Generating an estimated FJD 270.2 million in 2019, ECAL collection was suspended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

[40] A couple of 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.

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

of the most tourism-dependent economies, where revenues declined by US$ 165 million in Fiji (-39 percent), US$ 2 million in Vanuatu (-23 percent), and US$ 2.3 million in Palau (-16 percent). While this shortfall cannot solely be attributed to tourism's decline, the high ratio of tourists to population in these countries suggests their contribution to the GST prior to 2019 was considerable.

Figure 10. Relationship between arrivals drop and GST revenue drop in selected Pacific Islands, 2019-2020



Sources: Author's based on OAG and IMF data

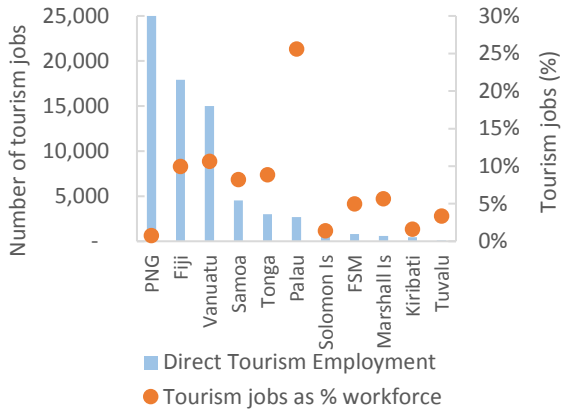
- *Tourism's Contribution to Employment has helped Reduce Poverty and Provided Employment Opportunities for Women*

Pre-pandemic, tourism directly employed around 71,000 people through formal jobs across the PICs. In Vanuatu, Samoa, Tonga, and Fiji, such formal jobs directly accounted for between 8 and 11 percent of employment (Figure 11).[42] In Palau, formal tourism employment in accommodation and food service was considerably higher and accounted for about 26 percent of national employment. On the low end, the available data suggests tourism accounted for only 0.8 percent of formal employment in PNG, due to its large natural resource sector. However, like most tourism data in the Pacific, detailed employment data is scarce, and there are sometimes large discrepancies between sources.[43]

[42] Based on country data available between 2014 and 2019 in SPTO Annual Review 2019. Data is from employment surveys or censuses published by national statistics offices, 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 was analysed against workforce data from national statistics authorities.

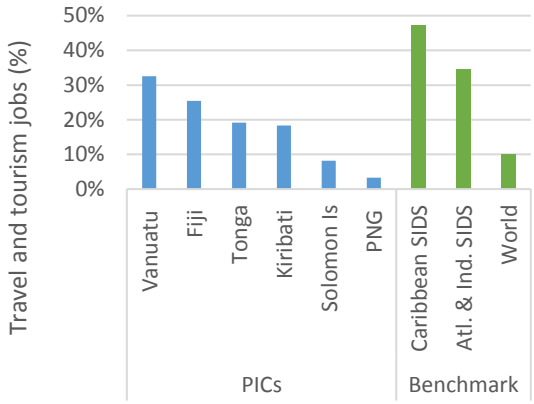
[43] National statistic offices rarely report data on tourism jobs *per se*, but rather on jobs in accommodation and food services, although this is narrowly defined and does not differentiate between those that serve international tourists or domestic markets.

Figure 11. Tourism Jobs and Share in Formal Employment in the PICs before COVID-19



Source: Authors' computations based on SPTO and national statistics office data for 2019 or the closest available year. [44]

Figure 12. Total Contribution of Travel and Tourism to Employment in select PICs and Comparators (2019)



Source: Authors' computation based on WTTC data.

Beyond formal direct jobs, the true impact of tourism on employment extends to a large number of *informal direct* jobs and *indirect* jobs supported by the sector. Although there is 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 the 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, 2020b), it is likely that total direct tourism employment – including both formal and informal jobs – was much higher than reported before the pandemic. In addition, many jobs are *indirectly* supported by tourism. This includes providers of goods and services in tourism businesses' supply chains (e.g. construction services, retail outlets, farm products, etc.). Although data is very limited, these direct and indirect channels provide substantial employment earnings for local populations. The available evidence suggests that the jobs created through tourism growth have contributed to reducing poverty in the Pacific prior to 2020 (Box 8). Conversely, 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.[45]

Box 8. Measuring Tourism's Poverty Impacts

While there is need for more work to validate the contribution of tourism growth to poverty reduction, recent simulations suggest the sector contributed to poverty reduction in the years preceding the pandemic. A simple elasticity analysis suggested that a 1 percent increase tourism sector GDP during this period was associated with reductions in poverty by 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 US$ 5.5 per capita per day in 2011 PPP terms) When assessing tourism's poverty impacts at the US$ 3.20 poverty line, lower impacts were found in all three countries. Although the

[44] Data for FSM (2018), RMI (2015), Tuvalu (2016) and Vanuatu (2018) was not obtained by STPO. Alternative sources were used.
[45] A regional business survey conducted by SPTO in March 2021 determined an average 51.5 percent decline in tourism employment among respondents compared to March 2020 (pre-travel restrictions) (SPTO, 2021).

limited data makes it difficult to draw firm conclusions, especially over a longer 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. These findings are further supported by a microsimulation analysis of the distributional impacts of the COVID-19 shock on household welfare and poverty in 2020 when tourism employment was affected by border closures.

COVID-19 has severely affected livelihoods and driven up poverty rates in the 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 were only partially offset by relief measures adopted by some PIC governments (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 the loss of tourism jobs have been the subject of media reports throughout the crisis, including in Samoa (Tahana 2020), Fiji (Baleinakorodawa and Vaai 2021), Vanuatu, Palau and Tonga. For this study, a macro-micro simulation analysis was conducted in three PICs for which reliable data is available: Kiribati, Fiji and Vanuatu (Montanes & Nakamura, 2022). Translating aggregate output and employment data to individual and household income for 2019 and 2020, it found that suggests that adverse developments in the tourism sector accounted for a quarter to half of the poverty increase over this period. Specifically, the decline in tourism accounted for poverty rate 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 (US$5.5 per capita per day in 2011 PPP 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 — the scale of its contribution to the recent poverty growth is sizeable.

These results confirm previous studies that have found similar poverty reducing impacts as a result of growth in tourism and tourism-related employment. A 2015 study of several SIDS (American Samoa, Aruba, Fiji, Jamaica, the Maldives, Mauritius, and the Seychelles) using input-output analysis, linkage analysis and a CGE model found that tourism had a positive effect on economic and poverty indicators (Pratt 2015). Specifically, it found that, for Fiji, a 10 percent increase in international tourism expenditures leads 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, relatively larger economies. A 2011 study conducted across 49 SIDS – including Fiji, PNG, Samoa, the 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 the associated benefits (such as social safety nets) 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-skill workers with implications for the sector's potential to bridge gender gaps in employment and reduce poverty in vulnerable groups. PIC economies are characterized by persistently low female labor force participation (FLFP) and a large gender gap in employment rates. The average FLFP for the PIC economies is 45.8 percent, compared to 58.8 percent in the overall East Asia and Pacific region (ILOSTAT). However, across the Pacific, the overall tourism sector tends to employ men and women in similar proportions, with the hospitality and retail sectors specifically 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 Solomon Islands, Tonga, FSM and Fiji women working in hospitality actually outnumber men, nearly two to one.[46] 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 of rural men and women's direct tourism employment consists of wage jobs. On the other hand, nearly 70 percent of rural women's retail work (compared to 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.[47]

1.2. Differentiating the PICs as Tourism Destinations

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

- ***Size:*** The PICs vary widely in their 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. The 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 significantly impact regional tourism opportunities as well.
- ***Historical and strategic ties****:* Similar to labor migration, patterns in tourism flow are being determined by political and historical ties—such as the Compacts of Free Association linking the FSM and RMI to the United States—and relations with neighboring countries, such as the United Kingdom (Fiji, Tonga) and Australia (PNG).
- ***Tourism assets:*** Most PICs are attractive for "sun and sand" tourism and offer a wide range of marine and nature-based activities. However, these are less unique to the PICs. Tourism development depends on the destinations' ability to continue to develop differentiated or unique natural (e.g. volcanoes or bird watching), cultural (traditional performances), and historical (WWII dive sites) assets, as has been done in some PICs.
- ***Other:*** Important determinants that vary across the PICs also include government tourism policies, the availability of supporting infrastructure, and the recent history of internal shocks, including political unrest and natural disasters.

Although the PICs each have specific challenges and opportunities as destinations, 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

[46] Based on latest national survey estimates retrieved from ILOSTAT.
[47] Based on analysis of the Fiji Bureau of Statistic's Household Income and Expenditure Survey 2019/2020. World Bank staff calculations as part of the poverty analysis.

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 (i) economic reliance on tourism (proxied by receipts expressed as a share of GDP); (ii) volume of tourism arrivals, and (iii) development of leisure tourism markets (proxied by share of arrivals with leisure as the main reason for traveling).[48] The typology also considers destinations' profiles in terms of (i) the dominant leisure market segments, and (ii) safety and security, both of which are key determinants of tourism appeal and potential.[49] This typology aims to help differentiate policy priorities and investment needs.[50]

Table 3. Typology of Pacific Tourism Destinations

	Type 1 (Fiji)	Type 2 (Palau, Samoa, Tonga, Vanuatu)	Type 3 (FSM, Kiribati, RMI, Tuvalu[51])	Type 4 (PNG, 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 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/ family	Marine and adventure	Marine	Marine and adventure
Profile as a safe and secure destination	Yes	Yes	Yes	No

Source: World Bank Group.

Type 1 and Type 2 countries have relatively more 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 due to the magnitude and quality of its offering. 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 more recent decades[52]. These countries have benefited from both their relatively larger size (aside from Palau)[53] and a relative proximity to their source markets (three to four hours flight from the closest ports of departure). Business environment barriers and limited public investment in infrastructure are common across these four countries, although they have benefited from some government interventions. More notably, the countries have faced difficulties

[48] 'Leisure' tourism refers to travel for the purpose of vacation or holidays, as opposed to other travel motivations.
[49] Countries not considered safe and secure destinations (i) are on the World Bank's "fragile and conflict-affected situations" (FCS) country list and (ii) have experienced violent unrest in the past five years.
[50] See Annex 1 for a more detailed description of these categories.
[51] Tuvalu is an exception with a higher economic dependence on tourism, but overall low arrivals. This is due mostly to the limitation of other industries in the country.
[52] Tourism activities originated from those countries mainly by tourists Visiting Friends and Relatives (VFR).
[53] 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

differentiating themselves, although each has unique selling points (for example, Palau's dive sites, Tonga's whale watching, and Vanuatu's volcanoes). Despite these difficulties, the growth of tourism has made it a critical contributor to their economies.

Type 3 and Type 4 countries are the less developed as tourism destinations. Countries categorized as Type 3 – the FSM, Kiribati, the RMI and 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 tourists, the Business and Visiting Family 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.

The typology is not linear, as 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, while Type 4 markets are constrained by political and safety concerns. However, this does not imply that all PICs should strive to grow 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 the Solomon Islands could leapfrog to Type 2 if they addressed safety, product, marketing and domestic connectivity issues. To the extent possible, Chapter 2 uses this framework when developing models, which attempt to quantify the effects of certain policy objectives.

1.3. Strategic Tourism Market Segmentation in the PICs

Targeting higher value market segments based on the PICs' comparative advantages would increase the economic value generated by tourism, support PICs's own development agendas and reduce negative environmental and social externalities. Increasing the value, sustainability and inclusivity of the tourism sector is a dominate 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 spend 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, as a higher share of tourist expenditures remains in the local economy. 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. While some destinations are able to attract both value and volume

markets simultaneously, focusing policies and strategies specifically on high-value tourism can result in higher aggregate tourism revenues (see next section in this chapter).

- *Tourism Spend in the PICs*

Current spend per arrival varies across the region, influenced by connectivity, cost of travel and market segments.[54] Using receipts figures, the Type 3 countries (RMI, Tuvalu and FSM) and Type 4 countries (Solomon Islands) earn over US$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 US$1,504 (Fiji) and US$828 (Tonga) per arrival. Vanuatu and PNG stand out as having particularly high spend per arrivals at US$2,438 and US$2,224 respectively, which is influenced by their adventure and cultural tourism offers (UNWTO 2022).[55] Within the Pacific, long-haul markets spend more than regional markets (Box 10). 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.[56]

Visitor spend per arrival is higher in the PICs on average than in the Caribbean (Figure 13) due to higher levels of air arrivals, longer lengths of stay and more high-value market visitors. 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 (US$0.5 billion compared to US$7 billion for other tourists) (UNWTO 2021).[57] This results in an average spend per visitor below US$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).[58] Further, the PICs tend to benefit from higher average lengths of stay than Caribbean destinations. In 2015, the average length of stay in the Caribbean was 6.7 nights (Mastercard 2016), whereas in 2019 PICs average was around 9.6 nights in Fiji and the Solomon Islands and 8.5 nights in Samoa (Government of Fiji 2020, New Zealand Tourism Research Institute 2020). Longer trips can be attributed to trends in the dominant source markets of Australia and New Zealand, and distance from long haul source markets like the United States and Europe. Finally, the 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 (IFC 2019) and 56 percent of holiday arrivals in PNG being from high value niche markets (PNG Tourism Promotion Authority 2019).

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

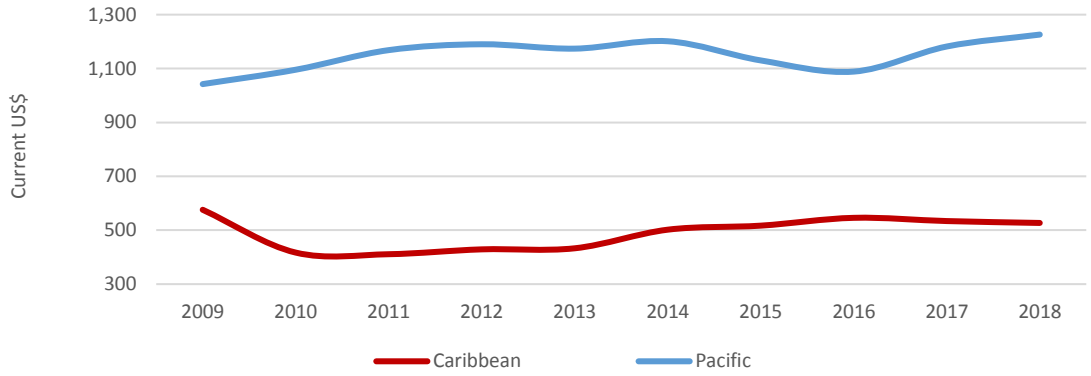
[55] Visitor spend data is from multiple sources, including UNWTO, SPTO and NSOs, that have limited information on methodologies for calculation. The lack of reliable data is a limitation for this country comparison.

[56] 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.

[57] Expenditure includes international receipts for travel items and excludes international transport.

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

Figure 13. Tourism Spend per arrivals Caribbean and Pacific 2009-2018, current US$



Source: UNWTO[59]

- *Market Segments and Drivers of Spend in the Pacific*

Attracting high-value tourists requires understanding market segments and drivers of spend including engaging in niche activities and prioritizing destination sustainability and resilience. While tourism statistics often generalize demand in terms of source countries, this is a simplified categorization based on easily available statistics.[60] In order to better differentiate between the qualities of consumer demand that make a functional difference for in-country spend, it is important to develop consumer segmentation that explains what drives visitor spend and choices. Within this framework, some market segments in the PICs can be competitive in generating higher value and are more inclusive than others (Box 9). For example, consumers that are motivated to travel to the Pacific to engage in niche market activities – such as diving, adventure and cultural tourism – typically have a higher spend than traditional sun and sand, family and cruise tourists. While some of this is driven by pre-paid spend (especially on airfare, since long-haul tourists are disproportionately represented), evidence from PNG suggests that niche market travelers spend similarly regardless of source market origin (PNG Tourism Promotion Authority 2019). Drivers behind visitor spend are nuanced, and consumer segmentation can provide insights to help appropriately predict and increase visitor spend.

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

Volume markets in the PICs center on the sun and sand and family markets. Travelers are motivated by a need for relaxation, rejuvenation and spending time with family, and are typically price sensitive. Across the PICs, Fiji, Vanuatu and Palau are the only countries 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 the PICs include Bali and Phuket that offer lost cost, high quality beach holidays.

[59] Note: travel spend over total arrivals (both air and cruise). Caribbean: Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Sint Kitts and Nevis, Saint Lucia, Saint Vincent and The Grenadines, Trinidad and Tobago, Jamaica and Dominican Republic. Pacific: Fiji, Kiribati, Marshall Islands, Federated States of Micronesia, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu.

- **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 spend 20 percent less than other markets. This market segment typically engages in fewer activities once on ground and are price sensitive (World Bank, 2022b). In the Pacific, these markets often will book flights, hotels and some transportation together in a package deal, prepaying to cover these costs out of their set budget before travel. Quality and comfortable accommodation is important as well as good destination infrastructure (water, roads, electricity, etc.) and safety. 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 have lower impact on local economic benefit.
- Globally, **cruise tourism** was rapidly growing pre-pandemic with 29.7 million passengers in 2019 and the Cruise Lines International Association anticipates passenger volumes will reach 78 percent of 2019 levels by 2022 end (in the worst-case scenario) (CLIA, 2022). Cruise was increasing in popularity for Australians pre-pandemic with 5.8 percent of the population taking a cruise in 2018 (higher than the USA at 4 percent and UK at 3 percent) (CLIA, 2019). Cruise visitors in the Pacific are driven by the timing (dates and duration), departure/return ports, seasonality and price of itineraries and services on the ship. IFC found that satisfaction with the variety of things to see, do and purchase and the length of time spend in port drive spend by cruise passengers. Economic impact of cruise tourism depends on the number of ships per year and port of call per ship, along with individual passenger spending. While cruise only directly contributed $4.3 million and $0.4 million to PNG and Solomon Islands economies in 2015, respectively, it directly contributed $25 million to Vanuatu's economy in 2014 and $21.4 million to Fiji's economy in 2018/19 (IFC, 2019). Critically, while most cruise is high-volume/low-value, small expedition cruises that allow visitors to access remote areas are often high-value and important for destination like PNG that have poor transportation infrastructure.

High-value markets in the PICs include luxury tourism (couples/honeymooners/wedding and 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 available on the ground, have been rapidly growing over the past twenty years.

- While they vary, industry market analyses estimates that **luxury travel** will grow between 6 and 15 percent GAGR over the next ten years with the global luxury hotel market valued at over $93 billion in 2020 *(ReportLinker, 2022; Adroit Market Research, 2022; Fortune Business Insights, 2021)*. Within luxury tourism, **wellness tourism** holds specific potential for the PICs with a global market share of 6.5 percent of global leisure trips and 16 percent of expenditures in 2020 *(Global Wellness Institute, 2021)*.
- The **romance market** in the Pacific is well established with SPTO estimating that in 2015 approximately 15-20 of all leisure arrivals to the region are traveling as part of a honeymoon couple or wedding party *(SPTO, 2015)*. Destination selection is informed by the uniqueness of the destination, quality accommodation offerings, advice through both expert (travel agents) and word of mouth channels, and social media. Traditionally this market did not deeply engage in local experiences, however global trends indicate that engaging in local activities is increasing among this market.
- For countries with more limited luxury tourism supply, the high-value markets of **adventure and cultural tourism** offer potential. Adventure tourism comprises about 30 percent of global tourism *(ATTA, 2020)* with top activities including cycling, hiking safaris/wildlife viewing and culinary. ATTA's *Adventure Travel Industry Snapshot May 2022,* which surveys adventure tour operators, found that 70 percent of the total trip prices is spent with local suppliers *(ATTA, 2022)*. Similarly, compared to the 14 percent of revenues that remain in the local economy from mass tourism, adventure tourism leaves 65 percent of or revenues in the local economy and creates 2.6 local jobs per $100,000 in revenues (compared to 1.5 jobs for similar mass tourism spend) *(ATTA, 2020)*. There are a number of 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. There is little data available on digital nomads, however estimates indicate that there are 35 million global digital nomads with 83 percent being self-employed and 17 percent remote workers *(A Brother Abroad, 2022)*. Additionally, while the exact number of **overseas retirees** are not known, the US government estimates that 8.7 million citizens live aboard with over half a million of them drawing social security payments. While representing just 6 percent of all Americans living aboard, the number of people receiving these payments has increased by 40 percent between 2007 and 2017 *(Walker, 2016) (United States Government Accountability Office, 2018)*. This growth is fuelled by the ageing global population with the proportion of the population over 65 expected to rise from 9 percent in 2019 to nearly 17 percent by 2050. Closer to the Pacific, sources estimate there were about 90,000 Australian retirees living overseas in 2016, with strong growth rates only temporarily halted by COVID-19 *(SuperGuide, 2022)*. Long stay tourists are motivated by a positive regulatory environment for visas, taxation and land; ICT and healthcare infrastructure; and the presence of a likeminded community.

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

The PICs have the opportunity to leverage trends in high-value, experiential tourism to increase revenues from tourism arrivals. A 2019 market research study – conducted on Fiji, Vanuatu, PNG and the Solomon Islands – identified three segments of travelers with high potential to travel internationally for entertainment purposes:

'Adventure Intensives', 'Experience Samplers' and 'Cultural Explorers' (IFC 2019). Together these represent almost 20 percent of Australian and 29 percent of USA online travel consumers and, notwithstanding different experience preferences and levels of engagement, they are motivated to travel for specific interests. The PICs have the opportunity to develop a competitive edge by targeting these specific 'interest groups' through their 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 the PICs to target high-value tourism markets. Recent World Bank research on three European outbound markets (United Kingdom, Germany and Sweden), identified five market segments (World Bank, 2022b). Three of these segments, which represent 66 percent of respondents, have a core focus on nature-based and sustainable tourism and are the highest spending segments across all traveler types. These travelers tend to participate in more activities on ground, are more likely to purchase local goods and services, and have higher interest in nature-based experiences. While the research was conducted in Europe, the market segments are likely applicable across a range of source markets. Tapping into these markets will require changes to the PICs' marketing strategy, updating and expanding distribution channels, improving supplies of active, nature-based experiences, and enhancing communication.

Importantly, both research studies reveal that high-value tourism can be driven by market segments that engage with a range of services providers in country. In both studies, market segments were developed based on psychographic models that take in account motivations for travel, personality traits and travel behaviors. They revealed that high spending markets are also those market with travelers that seek unique experiences, desire connections with local communities and businesses, engage in travel as a way to learn, and engage in regularly sustainable practices. This highlights an important difference between high-value tourism and high-end/luxury tourism, which may have more limited impacts on local economies.

The urgent dialogue on climate change, impacts of the pandemic, and the rise of the Generation Z[61] traveler has also catalyzed shifts in tourism demand that need to 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 towards shorter booking timeframes, more direct booking and more in-destination booking, as travelers seek flexibility in travel planning (World Bank, 2022b). This creates uncertainty in demand, which may affect airline decisions on route relaunching and will impact MSMEs that have fewer resources for direct marketing, struggle to accept e-payments, and have less flexibility overall. COVID-19 has also sparked an increased focus on health and safety considerations (Amadeus, 2021). PICs will need to maintain enhanced health, hygiene and safety protocols in the post-pandemic context. Similarly, the climate crisis has increased focus on sustainability in the industry (Booking.com, 2021) as well as interest in nature-based tourism (World Bank, 2022b). PIC industry will need to consider these trends as they prioritize investments in assets and new products. Finally, as a new generation of travelers enter into adulthood, destinations and businesses will face pressures to compete digitally and offer new levels of personalization.

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

- *Destination Positioning to Attract High-Value Markets*

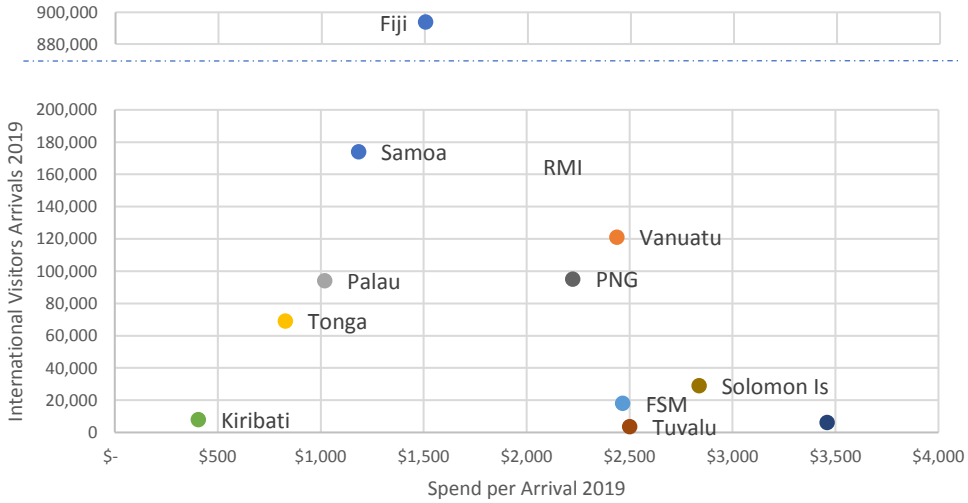
Each market segment requires different destination positioning, including appropriate tourism supply and effective marketing, to successfully reach and attract travelers. Destination positioning is the process of creating and delivering on a specific impression of the country's tourism offer within the minds of the consumer and especially in relation to competitor destinations.[62] Underlying market segment characteristics are often driven more by psychographics (behaviors and beliefs) than demographics (location, age, gender, etc.). 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 to the right quality level. Delivering this positioning requires coordinated efforts between the public sector, as leaders of destination policies, strategies and marketing, and the private sector, as the delivery of tourism experiences. This coordination should extend across marketing as private sector has an important parallel role to play in destinations marketing to ensure that the destination position, brand and value offer are consistently communicated.

As PICs seek to increase value from tourism, understanding current positioning and balancing policy reforms and investments to grow specific markets will be critical. Within a global context, all PICs except for Fiji would be considered low volume destinations. However, that does not necessarily equate to a high-value positioning. As seen in Figure 14 below, Samoa, Tonga, Palau and Kiribati still struggle to gain value from their arrivals while Vanuatu, Solomon Islands and PNG[63] are more successful in encouraging spend per arrival, particularly due to their niche market strategies. Most Type 3 countries (FSM, RMI and Tuvalu) are able to capture higher spend levels per arrival, but this is mostly due to high travel costs associated with the destinations. For those countries with lower spend per arrival, increasing focus on quality supply and targeted marketing can drive value up. On the other hand, countries with high spend and low volumes will need to focus on addressing connectivity issues and increasing destination awareness and market penetration. However, investments that target one segment, may do so at the expense of other tourist segments, and so it is important to understand the difference between such segments, their potential in the destination, and the implications this has for growth and development. Chapter 3 discusses the policy levers needed to stimulate and cater to demand from both high-volume and high-value segments and identifies which policy reforms cut across segments and could be prioritized for growth.

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

[63] 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 14. PICs Tourism Positioning: International Arrivals versus Spend per Arrival 2019

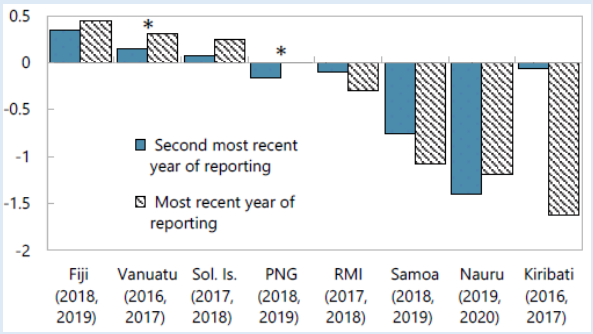


Source: UNWTO 2022

Box 10. The challenges of connectivity and air transportation in the Pacific region

The Pacific is characterized by a set of geographical and demographic characteristics that hamper the development of connectivity through air transportation in the region. With relatively small populations spread across thousands of islands, connectivity has proven challenging. Many governments in the region subsidize some routes, either directly or by cross-subsidization of domestic routes through international fares (IMF, 2021). Nonetheless, many regional airlines are still not able to attract sufficient demand. Out 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 low compared to passenger load factors in the overall Asia Pacific (81.6 percent) in December 2019 (IATA, 2020). This remoteness, geographical dispersion, and thin traffic levels, results in financial losses and weak profitability for many Pacific airlines. Fiji Airways is the only airline which made consistent profits in the pre-pandemic years (IMF, 2021).

Figure 15. National Airlines' P&L, in % of GDP of year of financial reporting



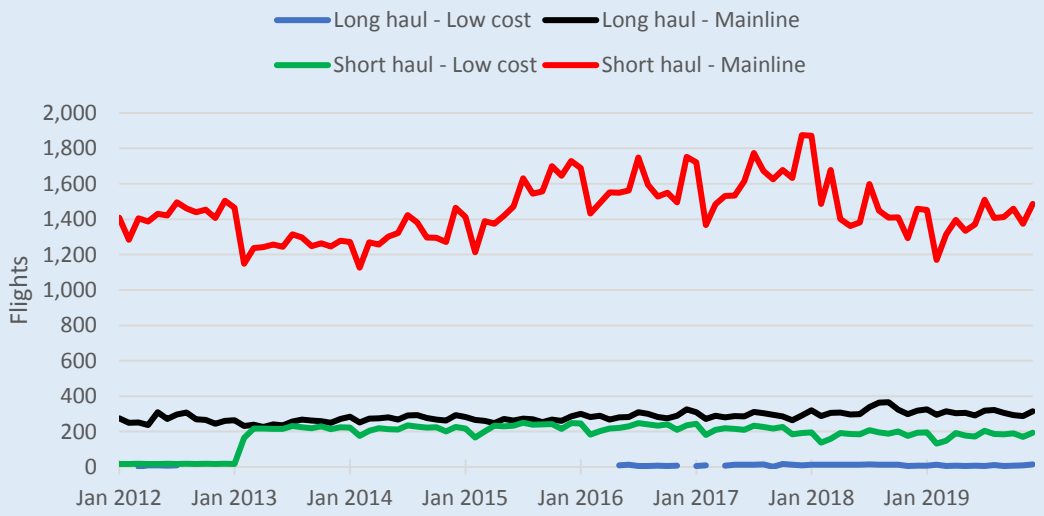
Sources: Financial statements, IMF WEO April 2021. Asterisk denotes media reports used for Vanuatu and PNG, in absence of recently published financial statements. Note: Reporting years in brackets. Excludes government subsidy/CSO payments.

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 government some routes in the Pacific would either be forced to shut down or to significantly reduce operations (Cummins, 2020). During COVID most national airlines received financial support to sustain their domestic services and retain

basic capability to operate internationally while borders remained closed.[64] However, governments are also conscious of the cost of maintaining them and seek ways to maintain/enhance connectivity at a minimum efficient scale. Growth of passenger demand from foreign arrivals will be necessary for enabling 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 services 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.[65] From 2012 to 2019, 85 percent of commercial flights to the PICs (156,554), not including private flights, came from short-haul source markets, which include the PICs, Australia and New Zealand, whereas the remaining 15 percent came from long-haul markets such as the US, Korea or Europe. Mainline carriers are the ones dominating 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. Thus, passengers from these long-haul markets currently rely on mainline carriers to make their way to the final destination, first through the main flight to the region and then with a secondary intra-regional flight (from Australia, New Zealand or the PICs) or domestic flight (after their land into their destination country). From 2012 to 2019, 21 percent of flights coming from long-haul markets had at least one stop-over connection and reached their final destination taking a domestic flight. (OAG, 2022)

Figure 16. Monthly frequency of low cost and mainline flights to Pacific Island countries, 2012-19



Source: (OAG, 2022)

Mainline carriers have been historically important for connectivity in the PICs, and their capabilities will continue to be necessary for tapping into high value markets in the future. 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

[64] Similar challenges exist for operators of airport infrastructure where revenue from international airports and government often subsidize the operations of rural and remote domestic airports.

[65] 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, Wallis and Futuna Islands

tourists from short-haul markets and, often, pay for more activities (**Error! Reference source not found.**).[66] As a result, attracting travelers from long-haul markets can help increase the length of stay and the spend per trip. Recovering the number of long-haul flights from mainline carriers will therefore be important for ensuring connectivity with more positive spillovers for the local economy.

The low-cost carrier model is instead more aligned with high-volume tourism markets. The low-cost carrier model is concentrated only on basic services (i.e. transportation), while additional services are subject to charges and generally discouraged. This model reduces operating cost while improving margins and passenger volumes from particular source markets (Schlumberger & 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, while such low-cost carriers help improve intra-regional connectivity from limited geographies, they do not generally enhance inter-regional connectivity and access to high-value markets.[67] 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, the growth of passenger arrivals from low-cost carriers would not likely imply an increase in high-value tourists.[68]

In order to improve connectivity, the region needs enhanced frameworks for ensuring growth in long-haul connections, while ensuring that passenger volumes are maintained and seat capacity increases. Pro-competitive efforts towards the liberalization of the aviation market, including the free competition and coexistence of low-cost carriers, should be undertaken in order to enable growth of long-haul connections. This should be done in parallel with effort 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 (PIASA), which aimed to establish a framework for the gradual integration of aviation services; however these efforts stalled (ADB, 2007). More recently, in 2021 the Pacific Regional Aviation Ministers agreed to implement the Pacific Regional Aviation Strategy 2022-2032 that has four main goals: sustainable aviation, regional connectivity, aviation regionalism and aviation development (PASO, 2022). Such efforts will be important for maintaining or improving the efficiency benchmarks of servicing airlines, while growing passenger volumes from mainline carriers.

- *Coordinated Marketing and Product Development Approaches*

Strategic and coordinated destination-level marketing is critical to tourism recovery, 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. Across the PICs, marketing has traditionally been led

[66] A detailed ticket class analysis shows that business class bookings are more common from long-haul markets than those 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), while intra-regional business bookings comprised just 9 percent of all bookings.

[67] 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.

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

by national tourism offices (NTOs) or marketing agencies with joint public-private leadership and core public sector funding. In Type 1 and 2 countries, NTOs and marketing agencies have also, to some extent, led cooperative marketing campaigns that coordinate amongst private sector to deliver the same message and leverage private sector funding. This coordination between public and private sector is essential to ensure a consistent destination brand and position is being put forth.

However, public sector leadership and investment in destination-level marketing is often a key success factor. 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 very detrimental to a destination's success (Box 11). Research has shown that public sector support for marketing can address gaps caused by tourism market failures in information asymmetry, coordination, and concentration of market power. 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, etc.). Concentration of market power is also important 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 to the lead firm's goals. Further, public marketing also decreases transaction costs, reduces firm level risk and supports growth-stimulating effects across the destination (Smeral 2006, Dwyer 1992). 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 11. 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' US$12 million tourism promotion budget. By 1997, Colorado's share of the US domestic leisure market had dropped by 30 percent, An estimated US$2 billion in annual visitor spending was being forfeited, US$134 million in tax receipts were lost, and the state's rank in summer resort destination category dropped from first to seventeenth place. By the early 2000s, the state reinstated the Colorado Tourism Office and increased the budget to US$19 million in 2006, noting a return on investment of twelve to one. Source: (U.S. Travel Association, 2017) (Siegel, 2021)

While product development is largely a private sector activity, public sector leadership in addressing core market failures is required to ensure 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 as 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 the PICs

Could value-led tourism growth provide equal or higher 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 by tourism policymakers and businesses in the PICs. However, there is limited evidence available about the potential tradeoffs compared to a volume-led strategy focusing on increasing arrivals. To inform policy debates on this topic, this section discusses the potential interplay of value and volume in Pacific tourism.[69] It sets the scene for an analysis of the constraints and opportunities for the PICs to grow their presence in high-value market segments (Chapter 2) and the related policy implications (Chapter 3).

The focus and success metrics of national tourism development policies adopted by governments can durably influence the market positioning of destinations. Despite strategies emphasizing value (see next section), national tourism organizations (NTOs) in the PICs have sometimes often focused marketing efforts and key performance indicators (KPIs) on increasing arrivals and visitor spend through mass distribution channels, and provided incentives for mass tourism investments. However, such volume-led (rather than value-led) strategy can durably weaken the brand positioning in target markets and create a disconnect with the product offering. Destination positioning amongst price-conscious consumers would be reinforced, as the country becomes known as a budget destination. Moreover, high-volume tourism can cause asset degradation, making it harder to offer high quality experiences for higher spending travelers. Over time, it will become increasingly challenging to transition to value-driven markets and increase tourism yield in the long term.

Welcoming fewer, higher-value tourists could yield higher total revenue in the PICs over time, with fewer negative externalities from tourism. A simple numerical model 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 in the long run (Box 12). While 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 both industry and government and a willingness to possibly sacrifice some arrivals and revenues in the short term.

The potential of high-value strategies differs for countries in different categories of the Pacific destination typology used in this report. For countries that already have a larger relative share of high-value tourists, such as PNG and Vanuatu, the challenge is less to increase this share than to develop the

[69] As previously argued, this is not to say that the 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.

supply diversity and quality to boost overall spend per high-value arrival. For countries that currently have 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 like Tonga and Samoa, which could focus marketing, supply development and air connectivity specifically on high value markets to increase long term revenues. For Type 3 countries that currently have lower market penetrations in both high- and low-value markets, developing supply and marketing that shape a strong, value-led brand reputation from the start will be important although growing lower value arrivals can also be a sensible objective in the short term.

Box 12. Modelling high-value and high-volume tourism growth trajectories in the PICs

This model assesses the relative impacts of targeted marketing approaches on overall revenue in a country over the medium- to long-term. It assumes that (i) as prices in the destination increase over time, the overall number of visitor arrivals will slightly decrease, and (ii) as a destination focuses marketing and tourism supply efforts on value-led market segments, the proportion of high-value arrivals will increase while the proportion of lower-value arrivals will decrease.[70] It estimates and revenue impacts over 30 years by summing the expenditure 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 results. The model was applied to three countries based on data availability: Fiji (Typology 1), Vanuatu (Typology 2) and PNG (Typology 4). Key variables collected include 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 lower tourist arrivals. Table 4 shows the 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 model 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 lowest arrival numbers. These results alone are not a sufficient indication of the outcome of value-led marketing strategies, as it is possible for a lower number of arrivals to produce a higher overall revenue.

Table 4. International visitor arrivals by 2042 in the 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
PNG	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

Despite lower arrivals, shifting to higher value markets could result in higher 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 through mass market, high-volume tourism. In this

[70] For details about the model, refer to the Annex 2.A.

case, the price does not increase, the number of arrivals continues to grow at a similar rate to the pre-COVID-19 growth rates, and the spend per arrival remains the same. For all three countries, the model 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 (US$ mil), by 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		
PNG	Value-led	$738.0	$742.0	$752.0
	Volume-led	$701.7		

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

Chapter 2: Obstacles to Expand Pacific Destination's Presence in High-Value Markets

This chapter focuses on selected issues undermining the PICs' capacity to attract more tourists from high-value markets. These include (i) uncoordinated tourism governance with a focus on policy and management, (ii) the need to ensure a rich and attractive offering through a vibrant ecosystem 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. The following sections summarize the nature of each of these issues, as well as the extent to which they are impacted by COVID-19 and/or climate change and provide a quantitative analysis of the potential benefits of adopting targeted measures to address them. These 'simulations' are only simple illustrations not meant as precise diagnostics to guide policy, but as tools to explore these issues and stimulate policy dialogue, paving the way for more in-depth analysis at the country/destination level.[71] Based on research and consultations with tourism stakeholders in the PICs, these issues were selected as particularly relevant for the objective to target high-value markets. As mentioned in the introduction to this report, they do not cover several structural issues undermining tourism development in the Pacific (e.g., connectivity, land rights, security, health, preservation of ecosystems), which are analyzed elsewhere and/or require country-specific analysis outside the scope of this regional report.

The first three sections examine key levers 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 the existing challenges within tourism governance and management. Second, global evidence shows that tourist satisfaction is driven to a significant extent by the range of activities and services available locally, which in turn drives higher tourist expenditure (Alegre, Cladera, & Sard, 2011). Since the Pacific tourism industries is largely comprised of MSMEs, a robust and healthy MSME ecosystem is needed to provide such services. The second section therefore discusses the business landscape in the PICs' tourism sectors. It also 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 the availability of a workforce possessing the hard and soft skills necessary to provide quality services. The third section therefore presents current skills constraints in Pacific tourism and discusses how they are impacting the growth of high-value tourism. In addition to supporting the industry's competitiveness, supporting tourism governance, MSMEs and workers would also help broaden tourism benefits in PIC societies and increase sector inclusivity.

Finally, the fourth and fifth sections assess the benefits of investing in greener and more resilient tourism. High-value tourism markets put an additional premium on sustainability in the industry, with tourists willing to pay more for sustainability, including at their accommodations. For the PICs to attract these higher value and more discerning markets, hotels and resorts need to identify opportunities for

[71] Further information on the methodologies utilized for the scenarios can be found in Annex 2.

investing in resource efficiency, in parallel with broader environmental preservation efforts. The fourth section investigates the potential return on such investments. Similarly, the PICs' capacity to welcome foreign tourists, both in low and high value markets, is undermined by their vulnerability to external shocks from the pandemic and from natural disasters that are expected to increase in severity with climate change, stressing the need for more resilient businesses and infrastructure. This is important not just from an economic standpoint, but also from a tourist safety and security perspective. This last section therefore estimates the 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 growing the value of tourism. As of mid-2022, nine of the eleven PICs have a medium- to long-term tourism policy or plan that expresses goals and conditions for sector development.[72] Six of those plans were released in 2021/2022 and take COVID-19's impacts into account, with Fiji's new national sustainable tourism framework now under development.[73] 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, revenues and employment generated by tourism while ensuring more inclusive growth. Arrivals, yield (revenue per arrival) and contribution to GDP are the most frequently used metrics. The different national strategies also share several cross-cutting priorities, including environmental sustainability and resilience. While 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 advances towards the vision set in their tourism strategies so far. 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 before COVID-19.[74] These themes have also become more present in the new tourism strategies developed by countries with less developed tourism markets and destinations, such as Kiribati, the RMI and Tuvalu, after the crisis hit. Environmental and social sustainability and increasing tourism yield and contributions to GPD 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 available data suggests that most PICs have

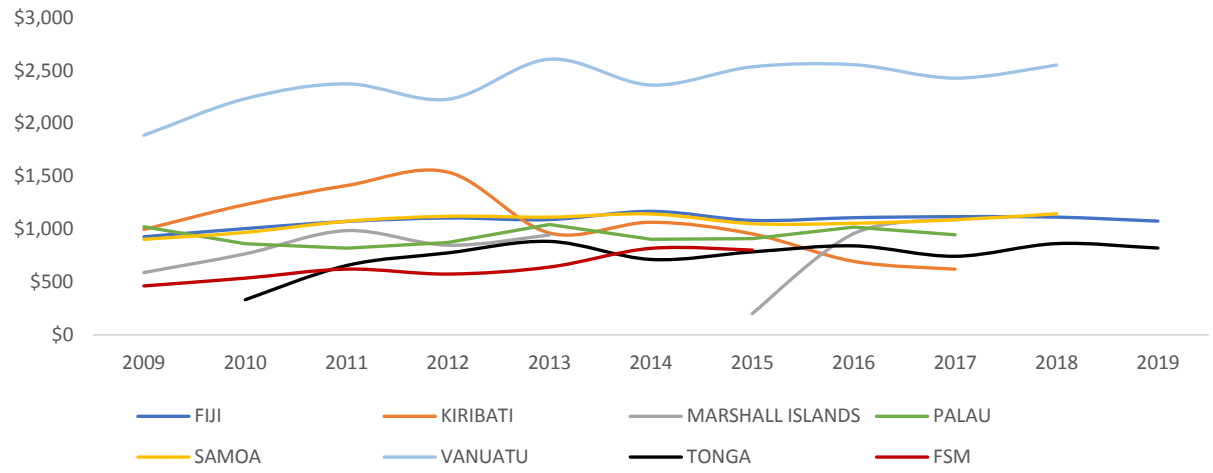
[72] See Annex 3 for an overview. This excludes short term, tactical planning (related, for example, to marketing or reopening borders) that changes frequently.

[73] PNG, Vanuatu, the Solomon Islands, Samoa, Tuvalu, Kiribati, Palau, Tonga and RMI all have a current medium- to long-term tourism development policy or plan. The first six of these were released 2021/2022.

[74] The Government of Palau introduced a Responsible Sustainable Tourism Policy Framework as early as 2016 that emphasizes avoiding mass tourism and focuses on the development of 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 first regional Pacific Sustainable Tourism Framework was launched by SPTO, marking a regional commitment to sustainable tourism development.

made little or no progress on increasing tourism expenditure per arrival over the last decade (Figure 17**Error! Reference source not found.**).

Figure 17. In-Country Receipts by Tourist Arrival



Source: UNWTO

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 the PICs, tourism policy, research and development predominately sit within ministries and marketing is led by destination marketing organizations.[75] Only Samoa, PNG and Kiribati have integrated tourism authorities that oversee all functions.[76] Such dedicated agencies for tourism development and/or marketing are an indication of destination maturity. RMI and FMS's tourism management is fully under a government office or department.[77] In all cases, these structures are seen as national tourism organizations (NTOs), as they provide national leadership in tourism management and marketing (Box 13) (UNWTO, 2007). However, most are poorly networked throughout the government with little ability to influence policy. Most NTOs receive funding either through the annual government budget or a dedicated bed tax. A 2018 assessment of NTO budgets by the Pacific Tourism Organisation (SPTO) found that the majority of budgets were spent on marketing and promotion versus planning, research, or product development. Tourism Fiji's budget was exceptionally high at US$ 21.3 million (about 1 percent of Fiji's overall budget). Other PICs with developed tourism sectors had NTO budgets anywhere between US$ 2 million and US$ 4.6 million, whereas NTO budgets for PICs without substantial visitor arrivals were between US$ 150,000 and US$ 300,000. Product and skill development to improve the quality of visitor experiences is high on the agenda for all countries, although budgets are limited, and interventions are

[75] Designated marketing agencies include Tourism Fiji, Vanuatu Tourism Office (VTO), Palau Visitors Authority (PVA), Tonga Tourism Authority, and Tourism Solomons. In the FSM, each states promote their islands via their respective tourism bureaus.

[76] Since 2021, the UNESCAP-funded 'Every Policy is Connected' tool has been trialed with the Samoa Tourism Authority (STA) to ensure that tourism policies and indicators are integrated with national and sector frameworks. This exercise has highlighted both the importance and complexity of cross-sectoral planning.

[77] Integrated tourism authorities include Samoa Tourism Authority (STA), Tourism Authority of Kiribati (TAK), and PNG Tourism Promotion Authority (TPA). In the 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.

not always effectively designed. There has been little to no efforts to evaluate Pacific NTO performances to date or understand the returns on investment tourism development or marketing.

Box 13. 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*." 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 is then implemented by departments of tourism and other regulatory bodies. However, overall destination management requires the active private sector engagement. Therefore, many destinations have a national tourism authority/office (NTO) or destination management and/or marketing organization (DMO) to implement the operational elements of national tourism strategies. These organization are usually overseen by a board of directors with both public and private sector leadership, receive direction and funding from the national government, and have an execution-oriented role and some autonomy. In some destinations, DMOs can be run as private sector associations with more limited involvement from the government. One key distinction between the two models is that NTOs function at the national level, while DMOs can be subnational and focused on a specific destination within the country.

Source: (UNWTO, 2007)

Delivering on the PICs' visions for more sustainable and high-value tourism has been challenged by overly ambitious strategies, regulatory purview mismatch, institutional capacity, program design and budget shortfalls. The 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.[78] For example, tourism ministries often do not have regulatory purview over zoning, licensing, immigration, marine regulations (such as those related to mooring) and infrastructure,[79] all of which can significantly affect tourism's competitiveness. While in some countries, a 'whole-of-government' approach is adopted in principle, it is often not put in practice. In other countries, tourism ministries are simply not involved in critical decision-making on issues that impact the sector. It should be noted that the difficulty to develop a more integrated policy framework to implement sustainable and inclusive tourism development strategies is not unique to the Pacific (Box 14).

Box 14. 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 implement 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 impact the effectiveness of sustainability measures in tourism policies. This results in a "*gap between policy development and*

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

[79] Accountabilities for investment in public infrastructure lie outside tourism ministries, and so most plans only allude to what is needed from other agencies (rather than stating a commitment).

implementation….[and] an inconsistency between the priorities of officials and the goals of sustainable tourism policies in national tourism strategies." Sustainable tourism policies often include conflicting goals, even when policies and regulatory frameworks support sustainability at the highest level. Like in the Pacific, the research found that "*legal provisions are ambiguous, many organizational responsibilities are repeated, and the definition of responsibility is not clear.*" The literature on the topic concludes that shifting the focus to long-term sustainability over short-term economic growth will require stronger political will, empowerment of tourism leaders, and the definition of more effective institutional arrangements that define responsibilities of and place accountability on government ministries and agencies at all levels.

Source: (Guo, Jiang, & Li, 2019)

2.2. MSMEs' Fragility Threatens Tourism Competitiveness and Diversity

Supply in the tourism sector is made up 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 (i) lead firms (e.g., travel agents, tour operators, airlines, cruise and accommodation providers), which play a key role to bring in tourists, and (ii) local providers of goods and services (e.g., food and beverage, activities and entertainment, local transportation), which contribute to the quality and diversity of their experience in destinations. In the Pacific, most firms in both categories are relatively small and would fit typical definitions of MSMEs due notably to the small market sizes,[80] although lead firms tend to be larger. The term "MSMEs" is used throughout this report to refer to smaller local providers of tourism services.

Table 6: Tour Operators, Product and Accommodation Providers across the Pacific

	Tour Operators	Pre-COVID In-Bound Flights		Accommodation Providers	
	# of Tour Operators and Product Providers	# Country connections	Flights / week	# Hotels (of which Interna./Reg. 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
FSM	50	3	13	30	500
Kiribati	6	6	10	47	500
RMI	20	4	11	12	281
Tuvalu	0	2	4	10	60
PNG	102	8	64	501 (3)	6,195
Solomon Isl.	20	6	19	181	1,991
Regional total	**697**	**70**	**366**	**2,101**	**32,571**

[80] Most of the region's businesses are thought to be MSMEs (with using a threshold of >100 employees for large firms), although the lack of granular data makes it difficult to analyze the size and growth dynamics of tourism businesses in the PICs. Only five PICs have an official definition of "micro", "small", "medium" and/or "large" businesses (Fiji, PNG, Samoa, the Solomon Islands and 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 SME definition.

Sources: STPO (2019), PSDI Snapshot data, World Bank aviation dashboard, Various other sources

The growing diversity in tourism supply across the PICs before the pandemic was largely due to the entry of new MSMEs, which made these destinations more attractive. 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 by the diversity of tourist facilities and attractions spend more in a destination compared with those who are less satisfied with these factors (Jurdana and Frleta 2016)[81], 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 the diversity of attractions and activities available in a destination was a key driver of satisfaction and travel intention, especially among 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 customized and personalized service that high value market segments desire (Khokhobaia 2019). Further, 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, small providers' capacity to develop new tourism products and grow was hampered by various supply-side constraints. This includes industry-specific challenges as well as general constraints that undermine private sector development across sectors in the PICs, such as cumbersome business regulations, and poor hard and soft infrastructure, including those 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 reported by MSMEs in the Pacific, with many failing to obtain loans from financial institutions due to inadequate collateral or financial records and limited capacity to prepare bankable proposals.[82] Financial system constraints include small markets with limited competition, a lack of financial market infrastructure and ongoing challenges with meeting Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) requirements. Several development banks have attempted interventions in some PICs with financing products tailored to MSMEs' needs and capacities but have had varying success. Beyond financing, the lack of managerial and specialized tourism skills has also undermined the growth of tourism MSMEs in the PICs (see next section).

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

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

Tourism MSMEs were disproportionally affected by the COVID-19 shock. While firms suffered across sectors, the sudden and prolonged collapse in arrivals hurt tourism businesses the most. Furthermore, survey evidence in Fiji shows that, while large tourism businesses lost twice as much revenue as large businesses in other sectors, tourism MSMEs lost seven times more than those in other sectors (IFC 2020).[83] Despite the relief measures adopted by several PIC governments (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 accommodation) experiencing higher closure rates than larger accommodation providers.[84] While detailed data on business reopening rates in different countries is lacking, a regional survey of exporting firms suggests that, by the first quarter of 2022, 6 percent of tourism firms had permanently closed, compared to 1 percent in manufacturing (PTI 2022).[85] Many firms that remained open or hibernated faced severe liquidity issues, as they still had payment obligations (e.g. debt service, utilities, retained staff) and ongoing maintenance costs to avoid assets falling into even costlier disrepair.[86] With limited alternatives, there are many accounts of tourism MSMEs having to sell off assets to pay debts and survive (e.g., vehicles, boats, furniture) to pay debts.

The financial position of many tourism MSMEs could remain fragile even after reopening. While 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/consumables, renew licenses). This is especially true of small and medium enterprises, as large enterprises were better placed to access funds upon reopening and micro enterprises typically have lower operating costs. As a result, some businesses could face liquidity issues 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 have a bearing on the quality of the experience provided to tourists and ultimately on destinations' reputation. Tourism stakeholders consulted in several PICs for this study reported that financially-strained firms were under-investing in visitor services, leading to a lower quality than what they were able to offer pre-COVID.[87]

The ability of Pacific MSMEs to fully recover, invest in new/better services and adapt to structural industry trends, including digitalization, will be key to compete in higher-value markets. As argued, difficulties for small and medium-sized local tourism service providers to regain their financial footing and increase their investment capacity could negatively impact the quality of offerings in Pacific destinations over time. Moreover, while the use of digital technologies has been an important driver of growth and productivity for the tourism industry globally, and key to enhance resilience during the pandemic, the depth of digitalization remains limited among Pacific tourism businesses despite recent progress in terms

[83] Findings from an April 2020 survey that received responses from 3,596 businesses, including 620 in tourism.
[84] 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, Vanuatu, Samoa, Kiribati, Tonga, FSM, Solomon Islands and Palau in Q1/Q2 2022.
[85] 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 are confident that most accommodation will be back operating by the end of this year.
[86] 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, 2020; Samoa Chamber of Commerce & Industry , 2020b). While reports of tourism sector financial difficulties escalated across the PICs in 2021 and 2022, there have been no comparable surveys since 2021.
[87] Globally, the pandemic delayed tourism investment pipelines by an estimated one to two years, with firms just restarting investment plans in late 2021 (World Bank, 2022a).

of internet connectivity in most PICs.[88] Beyond connectivity, common constraints across the region include the low digital literacy of firms and workers, as well as the weakness of the digital payment infrastructure.

To maintain and grow tourism expenditures per arrival, ensuring that a diversity of tourism facilities and services are provided in destination is essential. Numerical simulations suggests that seemingly small decreases in visitor satisfaction can lead to significant losses in tourism revenue over time, with local MSMEs losing out the most and therefore reducing the sector's inclusiveness (Box 15). Rebuilding, and further growing/diversifying, the services and facilities that MSMEs offered pre-pandemic will be essential to maintain high visitor satisfaction levels and tap into higher-value market segments. To do so, governments will need to foster a positive enabling environment for MSMEs and support product development to add value to the tourism sector.

Box 15. Potential Impacts of Declining Visitor Satisfaction on Expenditures

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

A simple model was prepared to illustrate the potential negative impacts that a gradual loss in the diversity and quality of tourism MSMEs' offerings in the PICs could have on visitor expenditures by undermining visitor satisfaction.[89] Using conservative annual decline values with a lower- and upper-bound (0.3 – 1.1 percentage point decrease per year) over 10 years results in sizeable losses in tourism expenditure over time. Specifically, an annual decrease of 1.1 percentage point in visitor satisfaction could result in losses of 0.5 percent of local tourist expenditures for all countries from the main short haul source market over 10 years (US$10.5 million in Fiji, US$2.4 million in Samoa, US$0.3 million in the Solomon Islands and FSM US$0.03 million), compared to the business-as-usual (BAU) case and without considering inflation. These are large numbers considering that they only reflect 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 (period 2015-2018) and 39 percent in the Solomon Islands.

These estimates of potential losses in tourism revenue due to declining satisfaction only are conservative. This model is based on the results of an empirical study that relates satisfaction with the diversity of tourism facilities and spending at a moment of time. Other factors that could have an impact on tourism revenues if the quality and diversity of MSMEs' service offering declined are, for instance, a loss of visitors over time due to a lack of tourist services, excursion offerings and cultural diversity options at the destination, creating at the same time negative reviews and generating poor word of mouth marketing for the countries. The decrease in the diversity of facilities at the destination might also have an impact on the length of stay, which would further limit overall expenditure and the flow of tourism spend into the local economy, as spending would become centralized within accommodation.

[88] The World Bank conducted an (unpublished) business survey on digital adoption in 7 PICs (Fiji, Kiribati, PNG, Samoa, the Solomon Islands, Tonga and Vanuatu) between March and September 2020, collecting responses from 656 firms across sectors. It found that, while most firm had some access to the internet and around 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.

[89] For details about the methodology, refer to Annex 2.B.

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-skill and generalist workers prior to the pandemic (e.g., housekeeper, waitstaff, driver). However, recruiting for positions requiring intensive training or highly specialized roles (e.g., SCUBA diving instructors, chefs, spa attendants) was more problematic. This also concerns highly-skilled managers in hotels, resorts and tour operators, including possessing with skills that have grown in importance in the recent period, such as the capacity to use digital channels for marketing and sales. Table 7 categorizes some examples for the degree of skill investment in three levels: high, medium, and low.[90] 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. This includes higher costs, higher rates of turnovers based on 2-3 year contracts and expatriate workers' sometimes limited understanding of the Pacific tourism sector and cultures.

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

Skill Level	Positions	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 pre-existing COVID-19 can explain local skills shortages affecting Pacific tourism businesses, including restrictions on recruiting expatriates, a lack of basic and advanced education, as well as physical and occupational migration. Visa regulations in some PICs are designed to encourage tourism firms to recruit locally, for instance due to high visa costs and restrictions on the length of contracts for foreign workers. This imposes significant costs on businesses needing to recruit expatriate labor to make up for the local unavailability of needed skills, and may also constrain firms beyond tourism.[91] Local shortages of high-skilled workers are also a function of inadequate primary and secondary

[90] A diversity of skills are required for the delivery of tourism services, some of which are highly specialized (e.g. scuba diving instructors) while others are more generalist (e.g. housekeeper or management). However, this is not to say that those generalist roles are low skill. In fact, some generalist positions require high levels of investment in training in order to become proficient in that skill.

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

education.[92] Technical and Vocational Education and Training (TVET) in the PICs and neighboring countries is often cost prohibitive, particularly for more reputable programs that have a good track record of producing skills needed by the industry.[93] The lack of industry input in curriculum and absence of rigorous evaluations for local training programs in most PICs also raise questions about the quality of tourism-specific TVET courses, an issue not limited to the Pacific. Moreover, as higher education developed across the region, more students enrolled in tourism and hospitality management courses rather than TVET programs, with reports that they often graduate without having acquired the practical skills required by employers and/or fail to meet industry standards. Finally, skills shortages may also have been heightened by short-term labor mobility programs with Australia and New Zealand. 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 and less qualified activities (e.g. fruit picking).

COVID-19 has heightened skill 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, as they perceive the sector to be vulnerable to downturns. Since the reopening of international borders, stakeholder interviewed in Fiji, Samoa and Vanuatu explained that this has created significant challenges in recruiting qualified local workers for both skilled and unskilled positions in tourism.[94] For instance, the Fiji National Provident Fund (FNPF), which owns and operates several hotels in the country, reports that, as of mid-2022, it had been unable to fill approximately 30 percent of available positions with qualified and experienced workers compared to pre-COVID-19 levels. Major employers, such as Marriott, report that recent recruitment drives have attracted an overwhelming number of applicants from various backgrounds, but relatively 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. In order for the 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 require improved hard skills, as well as soft skills (e.g., customer service, timeliness and ownership/accountability). An under-supply of skilled workers undermines the quality and price level of tourism services, which reduces tourist satisfaction and spending, and increases costs for tourism businesses as they must compete to recruit scarce skills or use foreign labor. A high cost of hiring skilled labor reduces profit margins for tourism businesses and can inhibit private investment in the sector. Finally, as skilled workers are more productive, an under-supply of skills reduces overall economic productivity and suppresses economic growth. Accordingly, the contribution of the tourism sector to employment, poverty reduction, and economic development is strongly affected by the extent to which tourism businesses can recruit skilled workers.

Tourism growth could play a larger role to address gender inequalities in the labor market, provided plans and interventions in the sector target the constraints faced by women in the sector. As discussed in Chapter 1, the tourism industry represents a critical source of employment opportunities for

[92] The 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.
[93] Major providers include the College of Business, Hospitality & Tourism Studies at the Fiji National University and Blue Mountains International Hotel Management School in Australia.
[94] On the other hand, expatriate workers have generally returned to work, as many had existing contracts with businesses.

women in the Pacific and the industry relies on women to deliver its services (ILOSTAT). In fact, while 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 when compared to non-tourism sectors.[95] However, their full and equal participation in the tourism workforce is constrained by skills mismatches,[96] persistent vertical segregation, gender-based violence (including sexual harassment),[97] 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).[98] The economic impacts of the pandemic exposed and were exacerbated by these entrenched gender inequalities, leaving both women and the industry worse off.

2.4. Limited Progress Towards Environmentally Sustainable Tourism

Minimizing tourism' negative environmental impacts and mainstreaming sustainable tourism can help the PICs both 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.[99] The growth of tourism infrastructure across the islands in response to growing visitor numbers has led to concerns about the 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 at 16.25 percent between 2017 and 2019 and estimates indicate 50 percent more rooms will be required by 2030 (with respect to 2018 supply data) (World Bank 2020d). In Tonga, accommodation supply grew at 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 also concerns about their adequacy, policing and compliance.[100] Across the region, there are also reports of untreated wastewater polluting fresh water/saltwater sources and damaging coral reefs. Weak solid waste management infrastructure, services and regulations also contributes to marine litter. Aside from the harms caused to the environment, these impacts also erode the PICs' tourism offering, particularly as outdoor nature-based activities have featured more prominently in the list of experiences sought by international travelers after COVID-19.[101] In this context, the PICs have an

[95] Based on World Bank analysis of Fiji 2019-2020 HIES data

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

[97] 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).

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

[99] 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 the PICs, including pollution, waste, resource over-exploitation, biodiversity degradation, and climate change.

[100] In 2018 resort developers at Malolo Islands irreversibly damaged mangroves and coral in Fiji after disregarding environmental regulations and numerous warnings. The investors were fined FJD 1 million (US$ 460,000) in 2022 (Source: ABC News Australia, April 28, 2022).

[101] Research conducted by NielsenIQ found that among European outbound travel consumers, the effects of COVID-19 have increased interested in outdoor and nature-based activities by three percentage points. The research demonstrated an increased interested from these markets 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 dominate the list of experiences travelers were seeking in post-COVID-19 holidays.

opportunity to position themselves as low-impact 'blue tourism' destinations centered around the promotion of local communities and conservation of natural resources in coastal and maritime areas, in line with the growing focus on the 'blue economy' in the region.[102]

Many Pacific tourism businesses rely on high-cost and/or high-impact energy sources, water supply and waste management practices, often for lack of access to better alternatives. Geographical constraints, small economies of scale and small/outdated power infrastructure have led to high reliance on diesel imports for power generation, high electricity tariffs (or costly subsidies),[103] 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.[104] The relatively high cost of power generated using diesel lowers the price competitiveness of PIC destinations, as it can account for up to 25 percent of hotels' operating costs in the PICs, compared to a global benchmark of 4-8 percent (International Institute for Energy Conservation 2015). On the other hand, the experience shows that investments in energy efficiency can generally reduce a hotel's energy cost by 10 to 40 percent, depending on the measures taken (ibid.).

A slow uptake in environmental sustainability may also impact the PICs' competitiveness with certain high-value, eco-friendly travelers willing to pay a premium for sustainable tourism experiences. Recent consumer research conducted by the World Bank in Europe identified that market segments with a core focus on nature-based tourism, sustainability and local products are higher spending markets (US$5,742 per trip compared to lower spending markets at US$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 (US$2,641 per trip) (IFC, 2019). 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, both businesses and governments in the PICs have struggled to invest in resource efficiency at scale. Although valuable insights can be derived from successful cases that can be found within and outside the Pacific (Box 16), 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 the awareness of available resource efficiency options and technical capacity to implement them. Hotels, especially smaller, family-owned ones in rural areas, also need an understanding of the return on investing in resource efficiency. A recent study in Fiji pointed to this as a one of the main reasons 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 could be implemented by individual businesses are often not readily available locally or even regionally. Even where solutions are available, many tourism businesses lack the financial capacity options to invest in small-scale resource efficiency

[102] The blue economy is an approach to promote the sustainable and integrated use of marine resources.

[103] The average electricity price in the Pacific region is around US$ 0.32 per kWh, compared to US$ 0.12-0.14 per kWh in the United States and Australia (GlobalPetrolPrices.com, 2021; ADB, 2021).

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

projects which can yield long term returns but imply high upfront capital costs. This is especially true for the predominant SME segment, which has limited access to commercial financing and limited cash flow. In Fiji, financial constraints was among the main barriers cited by over a third of hotels for not installing solar PV (52 percent of MSME hotels) (Global Green Growth Institute, 2019).

Box 16. 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 PV system in 2013 providing 56 percent of the island's annual power needs, making it the largest off-grid solar PV installation in the South Pacific for a resort at the time. The project had a capital investment of US$ 1.1 million and a payback period of 8.6 years. Diesel consumption for electricity generation reduced by 77,405 liters per year, corresponding to annual savings of US$ 124,000. Carbon emissions avoided correspond to 205 tCO2e per year (IRENA, 2014).

Soneva Fushi, Maldives: Located in a remote island in the Baa Atoll in Maldives, Soneva Fushi is a prime example of a resort that has taken advantage of renewable energies without investing resources of its own. Before 2016, the resort had no access to the electricity grid and relied on diesel generators. In that year, it partnered with the manufacturer Yingli Solar to install a 624 kWp solar PV system through a power purchase agreement (PPA). This partnership allowed Soneva Fushi to reduce the resort's capital expenditure required, since in the agreement 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).

Renewable Energy Project, Tonga: In May 2022 Tonga commissioned its first utility-scale battery energy storage system (BESS), as part of the multilaterally funded Tonga Renewable Energy Project (TREP). Two systems – a short and a 3.3-hour duration system – were installed on Tongatapu, Tonga's biggest island, which immediately enabled the country to double its use of renewable energy together with the completion of a 6MW solar PV power plant, taking it to 20 percent. The BESS projects cost around US$16.7 million of investment, with the wider TREP project costing just over US$50 million (Colthorpe, 2022).

Renewable Energy Sector Project, Cook Islands: The multilaterally funded US$43.65 million project installed in 5 small islands in the country is already having a positive impact on outer communities. The installations have already connected solar PV 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 and affordable energy to 1,500 inhabitants (9 percent of the nation's population), who are benefitting from the US$6.9 billion in annual savings from reduced fossil consumption and many other advantages the works have brought about, such as a reduced hour residential tariff (from US$0.63 per kilowatt to US$0.47) or indirect job creation (ADB, 2021; ADB, 2017).

There are opportunities for profitable investments in energy, water and material efficiency for different categories of Pacific tourism businesses. A simple numerical model that was developed using EDGE, IFC's tool and certification system for green buildings, suggest such investment could pay off quickly and bring significant financial and environmental savings (Box 17).[105] To achieve these gains, critical barriers need to be addressed with strong cross government coordination. For larger, 4- and 5-star hotels with sufficient funds or credit to invest, ensuring equipment is available at the country or regional level and facilitating import is essential. For medium and smaller hotels in lower price categories, facilitating access to appropriate finance will be a necessary step, especially in the aftermath of COVID-19 where many have lower risk appetites for borrowing and less stable balance sheets. For all hotels (regardless of size and category), education and awareness on the returns on investing and the benefits of resource

[105] See Annex 2.C. for more details about the methodology.

efficient investments are required to highlight the costs and benefits. Further, governments will need to partner with industry associations, universities and other agencies to ensure that the right technical expertise, resource efficiency and circular economy firms and tools are available in country to support hotels in the transition process.

Box 17. Benefits of Resource Efficiency in Tourism Businesses

This model is based on a cost-benefit analysis to assess the potential returns of investments in more resource efficient tourism operations in the PICs. Specifically, it focuses on the case of hotels in three countries based on data availability: Fiji, Samoa and Vanuatu. Different energy, water and materials efficiency measures were selected to reach at least 20 percent savings, the threshold for EDGE certification. In the case of 1-to-3-star hotels, simple measures were selected, such as roof insulation, efficiency lighting or the upgrading to water efficient faucets for public or private bathrooms. In the case of 4- and 5-star hotels, more costly investments were selected, such as onsite renewable energy or smart measures. These larger and higher earning hotels have more accessible capital for investment in these resources efficiency areas and can therefore gain higher energy savings in the medium run.

Results suggests that the investments in resource efficiency considered for hotels in the PICs would be paid back quickly, assuming pre-pandemic occupancy levels in high-peak season. Table 8 shows the amount that hotels would need to invest to implement the considered energy, water and material efficiency measures, as well as their respective payback periods. As expected, the investment size generally increases with the hotel category, due to building dimensions and associated cost. In particular, the elevated cost of investment for 4- and 5-star hotels is explained by the considered investment in renewable electricity generation, which in turn brings much higher annual CO_2 and utility savings.

While 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 faster than that. A recent internal audit report on a 4-star hotel in Samoa reveals that, for a normal year of operation with a 78 percent occupancy rate, the incremental cost in Table 8 for the country and category selected would represent approximately 6.5 percent of annual income. On the other hand, an extrapolation of the annual income of a 2-star hotel in Fiji[106] reveals that for this category and country the investment required (which is 40 times lower than a 4-star category in the same country) equals to around 2 percent of the business annual income.

Table 8. Selected Key Performance Indicators (KPIs) for investments in resource efficiency

Typology category 1 (Fiji)					
Hotel category	**Incremental cost (US$)[107]**	**Payback in years[108]**	**Operational savings (tCO_2/year)**	**CO_2 savings (% total)**	**Utility savings (USD/year)**
1-star	2,601	0.1	47.0	20.61%	45,735
2-star	4,945	0.1	66.7	21.20%	65,206
3-star	3,500	0.0	82.8	20.50%	80,063
4-star	201,566	1.1	115.1	25.01%	181,188
5-star (small)	221,397	1.1	124.6	24.84%	197,352
5-star (large)	244,787	1.2	123.3	24.85%	209,261
Typology category 2 (Samoa, Vanuatu)					
	Incremental cost (US$)	**Payback in years**	**Operational savings (tCO_2/year)**	**CO_2 savings (% total)**	**Utility savings (USD/year)**

[106] 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.

[107] Incremental Cost: Additional cost of implementing the selected efficiency measures compared to the baseline.

[108] Payback in Years: Number of years to repay the incremental cost compared to the cost savings of utilities. The method used is simple payback based on the capital cost of the measure.

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

Results were extrapolated at a national level based on World Bank estimations on available room supply. For Fiji, the individual Key Performance Indicators (KPIs) of Typology 1 were used, whereas Samoa's and Vanuatu's calculations were based on Typology 2 KPIs. Overall, the investment needed for Fiji is much higher due to a larger market supply of hotels, especially those categorized as 1- to 3-star. On the other hand, Samoa needs a higher investment than Vanuatu because of its elevated offer of 'Deluxe' rooms, which were classified as being part of 4-star hotels. Finally, Samoa also has the highest 1-star hotel available supply, which require a small investment but bring lower CO_2 savings as well.

Table 9. Country-level investment needs and potential results of resource efficiency

Country	Investment needed (US$ million)	Payback in years	Emissions saved (tCO_2/year)
Fiji	7.2	0.11	38,096
Samoa	3.1	0.11	12,349
Vanuatu	1.8	0.09	15,901

2.5. Increased Vulnerability to Climate Change and Natural Disasters

While 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 test its competitiveness in the future. Tropical cyclones (TCs), flooding, volcanic eruptions, tsunamis and earthquakes are common in the region. Despite significant uncertainty, extreme weather events are expected to increase in intensity, if not in frequency, with climate change.[109] 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 Vanuatu, the Solomon Islands and Tonga in the top three spots (Bündnis Entwicklung Hilft 2021).[110] Since 2009, major disasters have caused over US$250 million in tourism-specific damages and losses, about 9 percent of the total damages and losses to the PICs during this period (Figure 18).[111] Disasters affect tourism businesses directly by damaging their assets, and indirectly by disrupting the services, supply chains and public infrastructure they rely on. These effects are compounded by the loss of income during repairs and the market downturns that usually follow the events. 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 to 29 percent of manufacturing firms (PTI 2022). Many tourism

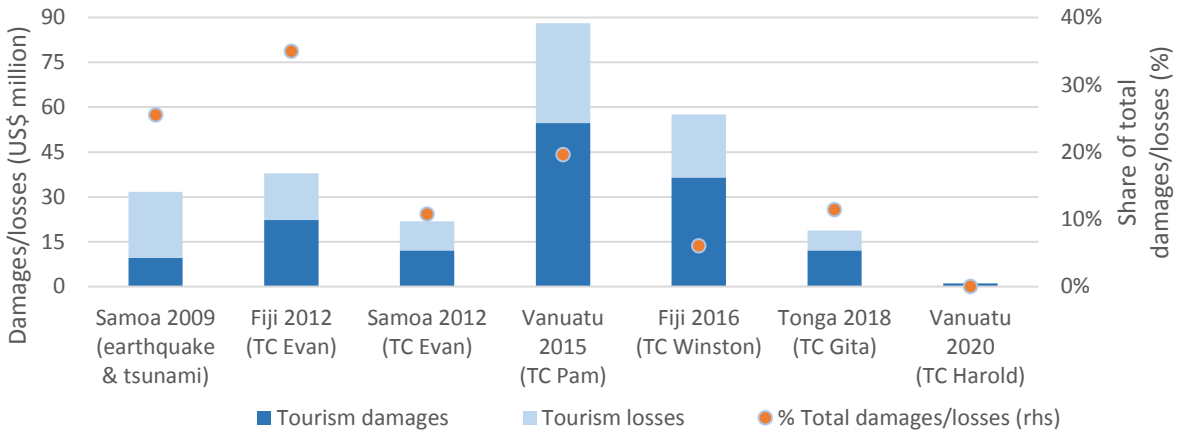
[109] Since 2000, TCs have been the most frequent natural disaster (38 percent), followed by floods (21 percent), volcanic activity (10 percent) and earthquakes (9.5 percent) (EM-DAT 2022). While TCs tend to be the most common source of damage in the PICs, volcanic activity, recovery from earthquakes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

[110] A new methodology, including both 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

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

businesses tend to be located in coastal areas, which are higher-risk areas for some hazards. Disasters undermine destinations' risk perception by tourists and investors, and arrivals can take years to recover after major events (World Bank 2020, Erman, et al. 2021). Beyond disasters, rising sea levels threatens fragile tourism assets and infrastructure in the PICs, while higher water temperatures affect the coral reefs that underpins several marine activities. An early study found that the declining appeal of the Pacific as a destination due to climate change could reduce regional tourism revenues by 27 to 34 percent by the end of the century, compared to a business-as-usual scenario (ADB 2013).

Figure 18. Damages and Losses to Tourism from Recent Natural Disasters in the PICs



Source: PDNAs, World Bank and PIC governments

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. Large firms generally have the capacity to invest in disaster risk reduction (DRR), while microfirms have fewer fixed assets that can be damaged by disasters. On the other hand, tourism MSMEs often underinvest in DRR because they are less aware of available DRR options, because they lack technical knowhow, or because the costs to prepare events that remain uncertain, 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, & Rennie, 2013)**.** Financing constraints often leads MSMEs to underinvest in climate adaptation (Crick, Eskander, Fankhauser, & Diop, 2018; Collier & Ragin, 2022). While support has been provided by governments and donors for business continuity planning (BCP) advice in the aftermath of disasters, financing options to actually implement such plans are still limited. Moreover, the available evidence suggests that access to insurance products for natural disasters is limited in the Pacific: in a survey conducted after TC 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, De Vries Robbe, Browne, & Solis Uehara, 2021). Failing to build resilience can have long-term consequences for firms' capacity to provide competitive services, even in the absence of a disaster, as high background risk can disincentivize them from making long-term investments and developing new products/services (Tanner, 2015).

Government investments in resilient tourism sectors have not gone far enough due to uncertainty about future events. Governments in the PICs have different 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) and measures to manage the residual risk (e.g. early warning systems) and help firms and workers recover quickly from shocks. Even in PICs that have made significant investment 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, 2022). Investments in resilience are sometimes perceived as a "gamble" given the large uncertainty about the timing and severity of future disasters, disincentivizing policymakers and investors with shorter time horizons to invest in it. In fact, *ex ante* DRR can yield significant co-benefits even if a disaster does not happen for many years, including by stimulating economic activity thanks to reduced disaster risk and by generating development co-benefits through multi-purpose infrastructure design (Tanner, 2015).

The lack of a strong evidence-base about the potential long-term benefits of investment in resilience has limited public and private funding. There has been a lack of quantitative evidence enabling public and private tourism stakeholders in SIDS to clearly articulate the benefits of DRR, to unlock private investments and efforts to create an enabling policy environment (Mahon, Becken and Rennie 2013)**.** In the PICs, while cost-benefit analyses of investing in resilient infrastructure, housing and public buildings were conducted, none have focused specifically on the tourism sector. Simple analysis can be conducted to assess the net present value (NPV) of potential short-term investments over a certain period of time and understand the factors that influence it. This can notably be done for investments in more resilient buildings and facilities. An initial assessment for a few PICs found that such investments would have positive NPVs in most cases (Box 18). These estimates are based on conservative assumptions and do not capture the broader benefits of DRR investments previously mentioned, but they can help anchor the policy dialogue about the importance of investments, incentives, financing and standards for resilience, as well as lay the ground 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 the design, construction and retrofitting of buildings.[112]

Box 18. Benefits of Resilient Tourism Infrastructure

The economic rationale for investing in more resilient tourism buildings in the PICs was assessed using a simple model.[113] The model 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 model focuses on TCs given their frequency in the Pacific, although investment in resilience against TCs could also reduce vulnerability to other types of disasters.[114] The model was applied to four countries for which comparable information on the impacts of past TCs is available (Fiji, Samoa, Tonga and Vanuatu).

Investing in resilient tourism infrastructure in anticipation of natural disasters was found to have a positive NPV for all four countries analyzed (Table 10). Relative to their GDP and tourism revenues pre-pandemic, the present value of the operation for Tonga is the highest among the four countries, followed by Vanuatu, Samoa and Fiji.

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

[113] See the Annex 2.D. for more details about the methodology.

[114] For instance, in engineering design methods, there are some general similarities between engineering design for resilience against wind and earthquake (Taher, 2010).

While the return on investment for Fiji is minimal 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 the expected reduction in the loss from other natural hazards, the impact on people, or the positive effects for other sectors. In the case of 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 TCs, such as Vanua Levu and other outer islands. Even in the case of Vanuatu, damages of the 2015 TC impact may be underestimated due to a lack of data from hotels.

Table 10. Potential Return of Investment in Resilient Tourism Buildings

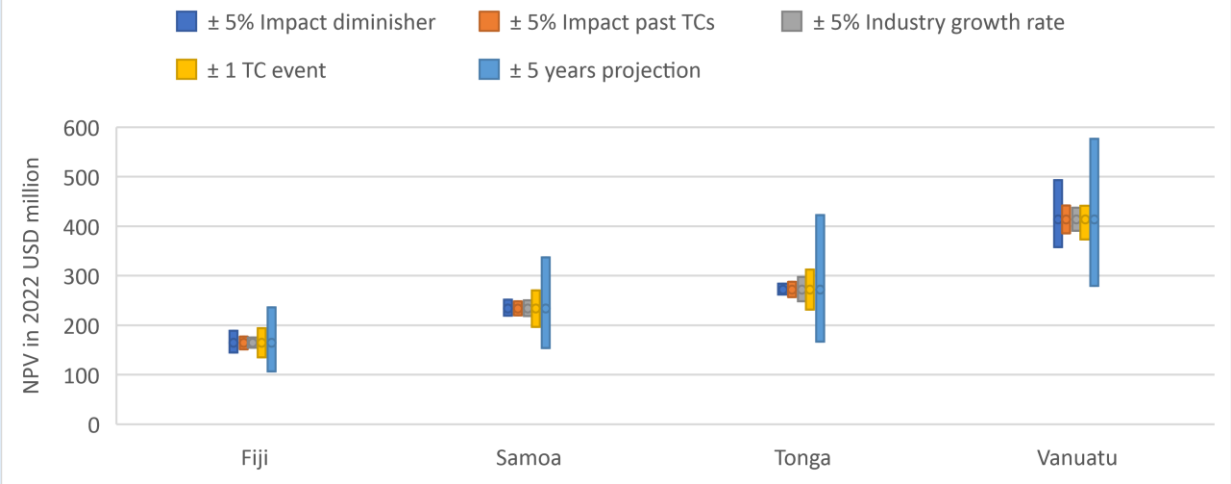
Country	NPV	Benefit-Cost ratio	GDP 2019	Tourism receipts 2019
Fiji	164.65	2.75	5,496.0	1,345.0
Samoa	234.07	5.65	852.3	206.0
Tonga	272.29	7.51	512.4	57.1
Vanuatu	413.63	3.81	930.3	295.0

Note: Monetary data in 2022 US$ million

Long term benefits from investments varied among countries based on the number of forecasted TCs, 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 as historically it has been struck by a Category 5 cyclones twice as often as Fiji, Tonga and Samoa (World Bank, 2016), thus increasing the savings over time of rebuilding tourism infrastructure. On the other hand, Fiji has the lowest benefit results, as the country has the lowest expected growth in supply and the highest investment costs relative to expected TC impact savings, the latter partially due to the large supply already in existence and therefore the high costs to refurbish it all to resilient standards. For Samoa and Tonga, they both have high expected returns on investment due to the estimated impacts of a TC in absolute terms and a higher projected growth in accommodation supply, the latter mainly for Tonga.

While the results are only estimates based on limited available data, the model 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 help to understand the parameters that might have a higher positive or negative impact on the investment justification process. The figure below shows the sensitivity of the countries' NPV to relevant parameters in the model equation, which influence the results differently for the four destinations being analyzed.

Figure 19. Results of the sensitivity analysis on the Resilient Tourism Buildings model



Chapter 3: Policy Priorities for a Competitive and Sustainable Pacific Tourism

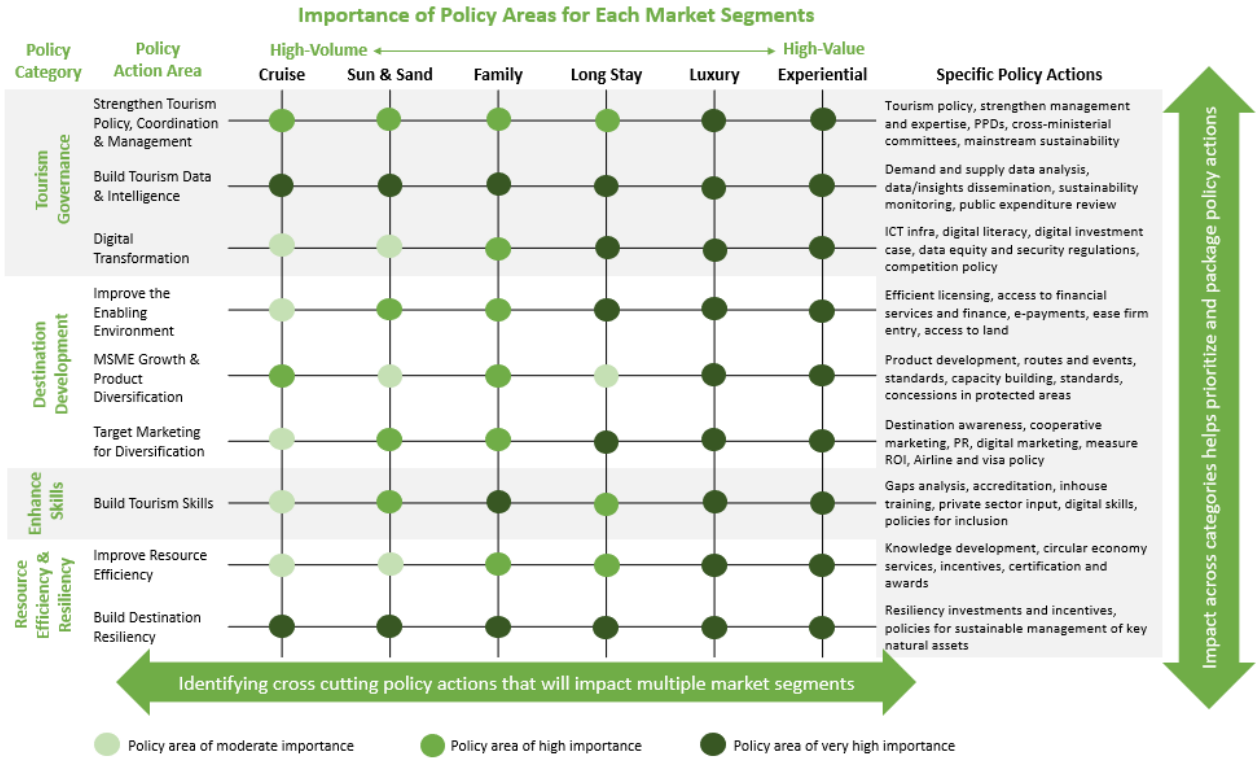
The PICs have long strived for more valuable tourism industries and can leverage recovery from the pandemic as an opportunity for reset. To do so, they will need to prioritize policies and investments that address the underlying tourism sector market failures and structural challenges that have been exacerbated by COVID-19. Even prior to the pandemic, the PICs struggled to implement strategies aiming to enhance the sector's sustainability and attract higher value markets. Now, with additional pressures to regain visitor numbers and limited fiscal space, identifying and prioritizing the most impactful 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 the 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 and resilient Pacific destinations. While short-term measures to solidify and broaden the recovery from COVID-19 may still be required in the PICs, recommendations on this were covered extensively in other publications and are not repeated here.[115] Within each policy category, this report's recommendations are prioritized to focus on the most impactful 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

[115] Guidance focusing on crisis response and short-term recovery published by the World Bank include *Rebuilding Tourism Competitiveness* (World Bank 2020a), the *Tourism Recovery in the Pacific* (TRIP) paper (World Bank and IFC 2020), and the *Expecting the Unexpected: Tools and Policy Considerations to Support the Recovery and Resilience of the Tourism Sector* (World Bank, 2022a). The latter provides detailed short term policy guidance to (i) support firms and workers, (ii) reopen safely and (iii) stimulate demand. The Asian Development Bank also published reopening policy guidance for the PICs (ADB 2022) and tourism recovery policy priorities for Asia and the Pacific (ADB 2021, ADB 2022).

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. While most of these policy categories are already included in national tourism strategies, the experience in the Pacific shows that countries still struggle to achieve sectoral change due to a lack of specificity and weak implementation.[116] Prioritization of these categories and their specific policy actions can be informed by applying a segmentation lens: Figure 20 identifies policy categories and actions that will support development across multiple market segments, as well as highlights the integrated approach to policy reform required to develop the most valuable markets.

Figure 20. Framework for Policy Intervention Prioritization



Given the different maturity of their tourism sector 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 different destination categories (Table 11). Prioritization of policy areas by country typology was informed by structural barriers to growth, market potential, destination vulnerabilities, and government strategies across each category. Countries with more mature tourism sectors that have already 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. Emerging

[116] Tools and guidance for the implementation and monitoring of the prioritized policy actions are provided in Annex 4.

tourism countries 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 a 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 by PIC Destination Categories

Category	Policy Area	Type 1	Type 2	Type 3	Type 4
Tourism Governance	Strengthen Tourism Policy, Coordination & Management	Very High	Very High	High	Very High
	Build Tourism Data & Intelligence	Moderate	Moderate	Very High	High
	Digital Transformation	High	Moderate	Moderate	Moderate
Destination Development	Improve the Enabling Environment	Moderate	High	Very High	High
	MSME Growth & 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 & 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 to growth that are particularly problematic in the 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 issues notably include connectivity,[117] land rights,[118] security,[119] health[120] and the preservation of ecosystems.[121]

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

[118] Analysis on the complex issue of land rights in the Pacific and its impacts on development can be found (AusAid, 2008a) (AusAid, 2008b), with specific implications for tourism (Scheyvens & Russell, 2011) and (Safran, 2015).

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

[120] On the influence of actual/perceived health risks and healthcare systems on travel intentions, see notably (World Bank, 2022a) and (Rasoolimanesh, Seyfi, Rastegar, & Hall, 2021).

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

Additional research using country-specific data and information will be required to determine more specific policy action plans. While this regional report provides research and policy recommendations to guide dialogues, further country-level analysis will be needed to determine a concrete action plan for tourism investments. This will depend on countries' endowments, sectoral obstacles and policy aspirations as expressed in national tourism strategies. The design and prioritization of these investments would also need to consider the broader context of structural challenges not addressed in detail in this report. This exploration could be linked to the preparation and implementation of projects addressing key structural constraints to development, for instance on skills and essential services.[122]

Box 19. Targeting High-value Markets in Latin America and the Caribbean

Costa Rica and Bermuda have a deep experience targeting high-value visitors, a strategy adopted for 10 years in the case of Bermuda and 20 years for 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 $1,284 in 2002 to $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 leverage for sustainable development. By 2014 the destination had already 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 undertaken 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 in the destination. Between 2012 and 2019, Bermuda increased its spend per arrival from $1,931 to $2,234.

Sources: (Costa Rica Tourism Board, 2022; Costa Rica Tourism Board, 2002; UNWTO, 2022; Bermuda Tourism Authority, 2012; Bermuda Tourism Authority , 2019)

3.1. Improving Tourism Governance

Table 12. Tourism Governance Priorities for Country Types

Policy Area	Type 1	Type 2	Type 3	Type 4
Strengthen Tourism Policy, Coordination & Management	Very High	Very High	High	Very High
Build Tourism Data & Intelligence	Moderate	Moderate	Very High	High

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

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 the government and industry, with all actors held accountable to sustainable tourism commitments. While the PICs have created useful tourism policies and strategies that set specific goals for sustainability and target high-value tourism markets, including at the regional level (SPTO 2021), most have not been able to effectively execute these strategies. The core challenge is a mismatch between tourism authorities' narrow mandates and the wide scope of policy areas that impact tourism firms and activities. Underlying this are coordination failures, both within the government and between the government and the private sector. Addressing these issues and improving tourism governance is necessary for the sustainability growth of all market segments, but more pressing for high value markets like luxury and experience (e.g. adventure tourism) that 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 and resilient tourism destinations in the Pacific, tourism management and development need to 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 19). Public sector leadership is required to ensure public assets are developed and maintained, and to guide high-value, sustainable, inclusive and resilient destination development, spreading the benefit of tourism throughout the economy and destination. Tourism sector leadership also needs to be a coordinated effort between the public and private sectors, drawing together funding, expertise, and knowledge to create sustainable and 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 is needed to effectively implement tourism development plans and integrate the different policies impacting and influenced by tourism. This notably implies better equipped tourism ministries and departments, notably 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/Economy is also warranted, to coordinate reforms and public investments in different 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 for more effective policy implementation and coordination.[123] While the ministries and committees will

[123] Key roles for committees include: reviewing existing policies and regulations that impact tourism to assess gaps and conflicts; mainstream sustainable tourism priorities into policies of other ministries, departments and agencies; identify regulatory reforms required to achieve sustainable tourism; and create accountability systems for committee members. Cross ministerial

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 more flexible agreement mechanism to develop cooperative marketing campaigns with industry or regional partners.

- **Suitably equipped human resources:** To achieve the goals of both policy and execution driven agencies, governments need to develop, incentivize 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 as well as an 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 creating tourism boards that bring public and private sector leadership together.
- **Capacity to engage and influence**: A robust private sector is required for the dynamic growth of tourism, and industry representatives should have a role in sector leadership. To achieve this, public and private sector must lead destination management, marketing and development together. While most PICs already 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 dialogues and create multiple, permanent seats within tourism committees or NTO leadership for the private sector. This is important for industry to have a voice within government, across the ministries and agencies impacting the sector. Similarly, the public sector needs an ongoing mechanism to facilitate engagement with both the wider 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, as 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 (via voluntary contributions, bed taxes or other) can help address the funding gap.

With a stronger, more empowered, and 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 geographies 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 growing new market segments, and for Type 3 and 4 countries that required planning for current destinations to develop and stimulate initial demand.

committees will also help destinations respond to COVID-19 related trends in the market for increase hygiene and sanitation levels at the destination.

Box 20. Whole of government approach to tourism development: The case of 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, digital, 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 crosscutting and wide mandate allows for a tourism strategy that can tie together critical elements of tourism regulation. However, even MBIE realizes that the tourism ecosystem extends beyond its mandate. Its current tourism strategy was developed in partnership with the Department of Conservation and specifically sets out a whole-of-government approach with coordination across the government system being the plan's top priority. Through the strategy, MBIE, and TNZ coordinate with RTOs. While their roles vary, RTOs focus on tourism promotion, economic development from tourism, product development and capacity building.

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

Box 21. 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 PRTC and Discover Puerto Rico joined forces to support tourism recovery in the aftermaths of Hurricanes Irma and Maria and a series of earthquakes. PRTC worked with the state government to led infrastructure rebuilding, investment incentives and capacity building. Discover Puerto Rico initiated a new campaign "Have we Met Yet" to build new consumer confidence and introduce the destination to new markets. This was followed by a number of other campaigns that built on destination level branding and responded to the ongoing crisis of COVID-19. This required coordination across the government, marketing agency, private sector, and investor, led by PRTC, and consistent communication both to industry and to travelers. In addition to marketing, the industry worked together to build new tourism product experiences to attract new markets in volunteer, community-based tourism, culinary/agrotourism, and LGBT tourism. Total this resulted in US$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)

- *Building Tourism Data and Intelligence*

A core function of a NTO is the generation of robust and accurate data on tourism demand and supply to inform better policymaking and business investment for more high-value, sustainable, resilient and inclusive tourism. Over the past decade, some PICs have significantly strengthened their statistics and measurement system on the size, value and trends of the tourism industry, particularly in most Type 1, 2 and 4 countries. However, only Fiji (2012) and PNG (2022) have Tourism Satellite Accounts (TSA). While TSAs provide robust analytical data, they are expensive, time consuming and challenging to implement on an annual basis, especially for small states. Other data collection on demand and supply can provide critical information for policymaking in the absence of a TSA. Table 13 provides an illustrative list of the type of data that would inform demand stimulation, supply development and monitoring, and economic statistics, along with the relevant data collection tools that could be employed.

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

Category	Markets	Indicators	Data Collection Tool
Demand	Existing Markets	Arrivals, source market, purpose of visit, average length of stay, locations visited, spending by category, activities, satisfaction rates, demographics, travel party, travel motivations, repeat visitation, type of accommodation, net promotion score, planning and booking sources, influencing factors, mode of transport, etc.	Official immigration statistics, international visitor surveys, Mobile tracking data, Credit card data, Big data scrapping
		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 and market segmentation	Competitor analysis, Consumer research, Trend reports, Qualitative focus groups, Trade consults, Big data scrapping, Social media listening
	New Markets	Demographics, psychographics, customer journey details, trip details, spend planning and booking sources, destination selection influences, image or campaign responses, etc.	
Supply	Existing supply	Inventory of tourism businesses including accommodation by size (rooms and beds), location, price and segments, tour operators, activities, products, etc. including employees and turn over data	Business licensing authority, Tax agency, Representative firm survey
		Firm revenues, consumption, gross value added, employee compensation, gross fixed capital formation	
		Employment data disaggregated by occupation, status (self employed, employee, full time, part time), level of skills, gender, location, youth, etc.	Census and household survey
		Occupancy, Average Daily Rate (ADR), Revenue per Available Room (RevPAR), average length of stay for accommodation by size, location, price and segment	Hotel Survey, STR
		Key obstacles faced by firms (business environment, finance, skills, exposure to shocks, etc.), extent of local procurement, investments in key technologies (digital technologies, clean energy, resilient building, etc.).	Representative firm surveys, Investor surveys
	Pipeline Supply	Investment pipeline including type, size, service and location of business and scale and timeframe for investment	Investment promotion agency, Investor surveys, Landowners, Government
Other		Macroeconomic indicators inbound tourism expenditure, outbound tourism expenditure, tourism balance, tourism	Tourism Satellite Account

	Indicators for current measurement	openness, tourism coverage, inbound tourism expenditure compared to exports, current account and imports, etc.	
		Public spending in tourism and linked sectors	Government budgets
		Data on negative environmental and social externalities of tourism (waste, pollution, natural asset damage, etc.)	Environmental audits, Community sentiment surveys
		Tourism contribution to poverty reduction (necessary to include appropriately specific tourism related IOS classifications)	Census and household survey
	Future measurements	Impacts of natural disasters on tourism businesses (lost revenue, damage, environmental considerations, etc.)	Post-disaster need assessment

Collecting data on new markets and competitor destinations is equally as important to 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. Exploring 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 22).

Improving the quality of tourism data will facilitate accurate 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 is essential for countries to understand the scale and size of the sector, the types of businesses and the number of employees that comprise the industry. In the event of future shocks, including natural disaster and demand-side events, such as the pandemic, having a detailed understanding of industry make-up will support the government to make informed decisions about government assistance measures. Robust supply side data is also important for investors and financial institutions to understand the market size for new products, such as insurance for natural disasters or firm level circular economy services. Data on tourism supply and employment should be sex-disaggregated to track issues and improvements on women's economic empowerment and employment. For supply side data, working across the government with licensing boards and regulatory agencies and with private sector is essential to ease the burden of data collection (Box 23).

PIC governments could enhance 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 the current times of tight fiscal space. Limited data is currently available about the contribution of tourism to tax earnings and amount and efficacy of public spending to support tourism in the different PICs. This includes any incentives and subsidies for businesses in tourism and linked sectors, such as transport, public investment in infrastructure, funding of tourism management bodies, etc. 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 with, what are potential gaps, etc. (Box 24). This could take the form of a "public expenditure review" for tourism and should be linked with broader efforts to improve public financial management in the country.

Data collection priorities for different destination categories include:

- In Type 1, 2 and 4 countries, priorities are to maintain funding for tourism statistics collection and analysis through research initiatives, such as the international visitor surveys (IVS), as well as to focus on impactful dissemination of the knowledge created through these initiatives. Since Fiji is advanced in data collection and dissemination, they should focus on institutionalizing these activities with permanent budget, deepening subnational tourism data to understand how to spread the benefit of tourism throughout the country, and deepening global data on high-value market trends. Type 2 countries could also benefit from strengthened subnational tourism data.
- Type 2 and 4 countries should specifically explore the integration of existing arrivals and visitor survey data into accessible business intelligence platforms with actionable 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 by categories, product and service supply) and coordinate data collection and analysis across the government. This will lay the needed statistical foundations for deeper data engagements, like launching an IVS or leveraging big data. For Type 3 and 4 countries, limited budgets often inhibit data collection and analysis, so working closely with regional organizations, such as SPTO and Pacific Community (SPC), is necessary, especially to improve economic analysis of data. Regional organizations could lead in analyzing trends across markets and monitoring the potential demand shocks that could impact the region.

Box 22. 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, seasonality, etc.[124] 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 (ADR), Revenue per Available Room (RevPAR) and available inventory and tour operator information including top tour sites and activities and tour guide and tour operator inventory by destination.

Box 23. France's DATAtourisme: Compiling Available Information for Tourism Intelligence

DATAtourisme[125] 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 OpenData 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 2022)

[124] See https://www.belizetourismboard.org/belize-tourism/statistics/
[125] See https://www.datatourisme.gouv.fr/

Box 24. 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 tourism strategic plans and investment planning. Leaders are equipped with the skills and knowledge to interpret data. After 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 (TAT), launched in 1986, supported the creation of Hawaii Tourism Authority in 1998, and the construction of the Hawaii Convention Center. The tax provides a dedicated source of funds for promotion and is easily levied with limited impact on local residents. More importantly, tax allows for clear and transparent fiscal transfer for public funding for tourism management, marketing and development. The TAT revenue is distributed to the counties (20 percent), Tourism Special Fund managed by the Hawaii Tourism Authority (16 percent), the Convention Center (5 percent), conservation programs (0.8 percent) and the General Fund (57 percent). z (IFC, 2019)

- *Digital Transformation for Tourism*

Finally, tourism planning and measurement require coordinated leadership on tourism sector digitalization. In order to take advantage of direct booking trends and retain more of the tourism dollar in the local economy, it will be important to enhance digital adoption by governments, national tourism organizations, 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**: National tourism organizations, destination management organizations and firms are often hesitant to invest in digital technologies, as 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 relation management, inventory, finance and accounting). This means firm lose out on potential productivity gains. By identifying and communicating the benefits and 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 inhouse knowledge and skills on digital. 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). Technical support and training programs on digital technologies could also be implemented to build the capacity of MSMEs. Such programs could aim at equipping firms and employees not just with tourism-specific digital capabilities, but also with more broadly applicable skills that could be useful to pivot to other activities in case of 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 across the value chain, so that MSMEs also have access to powerful data-driven insights (Box 25). 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 in the future.

Underpinning investments in digital transformation is ICT infrastructure, combined with the establishment of an adequate competition framework in the sector. Competition within the Pacific tourism sector is important as large online travel agents (OTAs), online marketing platforms and Pacific financing institutions have a concentration of market power, meaning that services can be expensive and limited, especially for MSMEs. Further, ICT infrastructure varies in quality and range across the region. While these issues are not covered in detail here as they have been discussed elsewhere (World Bank, 2019), they are a foundation for a modern, digitally-enabled tourism. For Type 3 and 4 countries ICT infrastructure is a binding constraint to 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 as well as open these destinations for certain high-value markets, such as "digital nomads" and "Gen Zers" that require quality internet while traveling.

Box 25. Turismo de Portugal Travel BI: Tourism data analytics for destination management and growth

Travel BI[126] is a knowledge management platform developed by Turismo de Portugal that integrates visitors data produced by the different information systems within the DMO and 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, 2022)

3.2. Refocusing Destination Development

Building on integrated tourism planning, the right measures can help the PICs build diversified and quality destinations that attract high-value and high-yield tourists. To do so, the public and private sectors must work together to invest in targeted destination development through fostering MSME growth for market and product development, paired with consistent and 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:

[126] See https://travelbi.turismodeportugal.pt/pt-pt/Paginas/HomePage.aspx

1) enabling environment for firms and investors; 2) MSME growth and product diversification; and 3) 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 target market are essential for high value markets that seek unique experiences in destinations and can be harder to reach given their propensity to book direct.

Table 14. Destination Development Priorities for Country Types

Policy Area	Type 1	Type 2	Type 3	Type 4
Improve the Enabling Environment	Moderate	High	Very High	High
MSME Growth & Product Diversification	Very High	Very High	High	High
Target Marketing for Diversification	Very High	High	Moderate	Moderate

- *Improve 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 aim to support both large firms, often required to anchor destinations, and MSMEs that provide the majority of tourism 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 cumbersome licensing and regulations to register and maintain their businesses. As a tourism business typically engages in multiple types of activities, obtaining licensing can significantly add to business costs. At the minimum, all countries should seek to ease business licensing and regulations through streamlined processes and cross agency coordination on documentation and renewals (e.g. a centralize business profile to avoid duplicated submissions to multiple agencies). This can be paired with capacity building on basic business skills so tourism firms, especially micro and small enterprises, are operating in line with regulations. In addition, key steps to support new firm entry include reducing foreign ownership restrictions, creating basic licensing categories for formalization of micro enterprises, and potentially incentivizing 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 digitalizing and consolidating licensing, registration, renewal processes, fees and taxes into a one-stop-shop with a centralize 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 improving financial inclusion and expanding digital payment systems, particularly for Type 2, 3 and 4 countries. Financial inclusion is critical coming out of the pandemic as most firms need finance to invest in upgrading their assets after a period of limited business and to meet new market expectations for health, safety

and resilience. Improving the availability of low-cost digital payment services is also necessary to grow the sector and to access new, high-value markets which expect direct booking opportunities as well as data privacy and security. PICs with greater digitalization – like Fiji - also can look at pushing beyond traditional financial services to build digital loyalty programs and e-payment systems to create loyalty schemes and data for MSMEs (Box 26). Key reforms and support programs to address access to finance constraint include:

- Providing training on financial management and basic business skills to support MSMEs to run profitable businesses and, where necessary, access financing. This can be supported through platforms to build MSME capacity and to work on MSME financial inclusion. Digital channels for this training can be utilized especially in Type 1 and 2 countries where MSMEs are more digitally savvy.
- Incentivize 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, etc.), developing capital markets and private equity markets, or specialist platforms for the public listing of MSMEs (World Bank 2022a). Private equity markets may be most appropriate at the regional level with public listings of MSMEs in Type 1 and 2 countries.
- Explore 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 that have limited public fiscal space and smaller and risker 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:** The PICs should address legal and institutional barriers to women's economic empowerment economy-wide, including ensuring 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. The should also proactively promote women's entrepreneurship through supporting access to finance and information. This includes engaging existing women's organizations and establishing / strengthening women's business networks.[127] Approaches that leverage community-based platforms to facilitate access to finance and knowledge for female entrepreneurs could be relevant 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 trainings (such as bookkeeping, savings and loans) and seed grants to groups which have developed business plans for their members.[128]

- **Standards**: As countries look to improve the quality of their tourism offering and expand into high-value markets, setting and enforcing standards can raise product quality. This includes both international standards compulsory for certification as well as local standards, both those that are regulated for safety and health purposes and those that are industry led. Adventure and wellness tourism are two specific markets where standards are important to ensure the health and safety

[127] For instance, the Solomon Islands Women in Business Association provides business trainings and lectures to its numerous members from both the formal and the informal sectors.

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

of tourists and maintain a positive destination reputation. However, governments need to pair new standards with appropriate enforcement regimes that do not create additional business barriers (i.e. obtaining certification or recertification should be a simplified process). Importantly, new standards need to be developed in partnership with private sector and training institutes to ensure they are reasonable and achievable in the local context.

While reforms discussed above are key to create 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 regulations reforms can benefit both 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 also help them access foreign markets.

Box 26. X World Wallet and Visit Mexico: Building Customer Loyalty through E-payments

DMO's have an important role to play in access to data and data equity, especially through destination wide loyalty schemes and leveraging digital 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 in order to drive visitors to specific destinations and businesses. The program has a specific goal of supporting small and 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. Pacific tourism products, experiences and services are mainly offered by MSMEs, including tour operators, activity providers and accommodations. Supporting the recovery of the MSME sector and fostering long term growth is necessary for the establishing of new products that can attract high value tourists. These investments are particularly important for experiential tourism market segments that engage in many activities on ground and seek out local businesses. In addition to improving the enabling environment as laid out above, this requires both 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 inhouse capacity for product development. This extends to communities and MSMEs that tend to gravitate to existing markets and replicate existing experiences as trusted and proven business models. While there has been 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 business 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 will need to 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 on ground experiences will increase visitor spending, through raised satisfaction levels and an increased 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 market or 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 from a marketing perspective (Box 27).[129] Similarly, experience packaging is a way to present a range of activities into an overall experience to showcase what the destination has on offer. NTOs are well placed to lead these initiatives that bring together multiple businesses and often rely on public assets. 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 develop events with Type 1, 2 and 4 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 (accommodation, 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 good quality, innovative, and consistent tourism experiences for high-value markets whilst also conserving the environment, private sector investment and management can provide new opportunities (Box 28). To support PPPs in protected areas, Pacific countries need to streamline, harmonize, and simplify their protected area management regimes and create formal pathways for concessions or PPPs.

Box 27. 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 including a new overarching brand, definition and presentation of zones and itineraries to market to travel trade and consumers, dedicated marketing campaigns and trip planner tool, investment in discovery points (e.g. access points, lookouts, attractions, etc.), and support for extensive experience development and business support programs. Business and product development support was provided by Failte Ireland and Local Enterprise Offers and included providing industry market insights and competitor set analysis, facilitating networking, trade forums and manual, and business level support for to develop quality, market-ready visitor experiences. Industry capacity building and investment is delivered through Failte Ireland across topics such as sales, distribution, revenue management, cross promotion, digital, and customer care. Key factors underpinning the success of the Wild Atlantic Way route include beginning with research, developing a strategic approach and comprehensive monitoring and evaluation; thinking big and linking

[129] This is opposed to itinerary development that includes specific activities, accommodation and services for a dedicated trip.

geographies together to achieve scale; good leadership and adequate budget for staffing and investments; strong partnerships with environmental, government, community and business stakeholders; a comprehensive investment approach; and finally, brand-led development with commitment from industry and travel trade. For more information read the full case study at VisitBritain.org.

Source: (Visit England, 2016)

Box 28. 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 scaling 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 bring tourism, conservation and sustainable business operations through community joint ventures. In addition to revenues and incomes, both businesses provide technical expertise on business and financial management to communities to support 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 and mutually beneficial joint venture agreement with income for communities. The model aims to transition conservation and protected area management from donor or government funding to a private sector driven approach.

Source: (World Bank, 2014)

- *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 good investment, particularly given coordination failures across the private sector, high transaction costs, and a concentration of market power by anchor businesses. NTO-led marketing should aim to build awareness of the destination in target markets and create and communicate a consistent message. Public investments in marketing and promotion are critical as they underwrite the risk of accessing and entering new, priority markets and ensure that marketing is inclusive of the range of activities and locations available in the destination. The latter is important as countries aim to spread the benefit of tourism to rural or less-developed tourism areas and markets, such as adventure tourism, that are dominated by MSMEs who are not able to effectively carry out 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 (both financial and in kind) to deliver impactful and consistent messaging. Cooperative marketing must have strong leadership and accessible tools on messaging, imaging and distribution channels (Box 29).
- **Public relations**: For Type 3 and 4 countries, investing heavily in marketing will be challenging given limited fiscal space and the negative sentiment that pervades core markets, especially for Type 4 countries. Investing in public relation 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 their reputation after the genocide in the 1990s. In addition to traditional marketing, they leveraged print media, tourism awards, and public events, such as gorilla-naming ceremonies to attract further 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 30). All countries should seek partners to design monitoring systems to measure impacts of their campaigns, especially on conversation to bookings, to demonstrate the value of investing in growing 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 leveraging resources of associations such as the Travel and Tourism Research Association (TTRA) or the Adventure Travel Trade Association (ATTA) to increase understanding of evidenced-based decision making.

In addition to destination marketing, PICs need to consider market-specific regulatory forms. As the PICs 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 will need to 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 to be able to work remotely along with appropriate taxation policies to avoid double taxation (Box 31). 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 grow Asian markets, facilitating visa-free or visa-on-arrival systems for these countries will necessary. Exploring connectivity improvement 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 29. New Zealand Destination Marketing: Shifting perceptions to grow high value arrivals

Tourism New Zealand was mandated to increase the value of international arrivals and grow spend per arrival in order to create sustainable economic prosperity through tourism. Leveraging the 100% Pure New Zealand brand, TNZ began a targeted campaign on premium travelers in 2013. A dedicated internal team began with core market research (including demographic and psychographic profiles) to build targeted content, identify appropriate placements, and create accessible distribution channels. They leverage industry partnerships for ad and native ad placement and for measuring results. The latter was done in partnership with NZ Luxury Lodges (portfolio of 32 properties) to measure and report revenues and the International Air Transport Association (IATA) 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 engaged an affluent influencer. It leveraged and built upon the existing brand with a core focus on a diverse and immersive product offering, exclusivity of experiences, and personalized interactions with New Zealand people. The campaign resulted in a 141 percent increase in NZ Luxury Lodges revenues over five years. (TEAM, 2018)

Box 30. Belize Digital Marketing Campaign: Driving Sales and Measuring Success with Digital Marketing

Belize Tourism Board worked with Digital Visitor to achieve a strategic objective of increasing air arrivals from UK markets through an interactive digital campaign and consumer data collection. The campaign sought 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 both short and longer formats that could be used in different spaces. Additionally, the campaign included data capture campaigns to collect GDPR compliant consumer information and build Belize's email database. Importantly, the campaign measured results including 100 percent increase in booking through partners, 15 million impressions with the targeted audience, and over 6,500 GDPR compliant email address. (Digital Visitor, n.d.)

Box 31. Barbados Welcome Stamp Visa: Regulatory reform to attract new markets

As a COVID-19 response tactic, 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 USA, UK, Canada and Nigeria, far exceeding their 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 $49 million in advertising value. In a survey of 100 of Welcome Stamp Visa holders, around 75 percent had never visited Barbados before, and were paying $2,500 to $5,000 per month for housing. Implementing the new program required regulatory updates in visa, immigration and taxation regulations. (DCI; New York Times, 2021)

3.3. Building Human Capital in the Tourism Workforce

Addressing the skills shortage in tourism through better training provision, updates to labor policies and programs, and investment in basic education is required for Pacific tourism to shift to high value markets and reduce economic leakage. Even prior to the pandemic, the Pacific tourism industry found it challenging to source workers with the right type and quality of skills. The labor shortage exacerbated by the pandemic has brought the pre-existing challenges across the region to the forefront, including decreasing firm productivity and increasing the cost of in-house training for firms. Poor quality skills and a lack of market-specific skills can also hinder development of high value markets that seek quality customer service and diverse experiences in destinations. To address these systemic and economy-wide issues, a combination of skills development, labor policy, and gender-related reforms are required.

Table 15. Building Human Capital Priorities for Country Types

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 and skilled graduates that are prepared for employment. To improve both the content of courses and delivery, understanding specific skills gaps is a foundational step. Countries should conduct regular analyses of skills gaps and creation of market information systems to ensure TVETs and educational institutions have knowledge about in-demand skills, gaps, and graduate success (Box 32). Further resourcing for TVET teacher training is also important. More importantly, skills training needs additional focus on soft skills development, such as conflict resolution, timeliness and responsibility. Pivoting toward work readiness training has already begun in some countries and should be supported through policy and resourcing. Offering both formal training in soft skills as well as informal learning opportunities is necessary to build a culture of work readiness in the population. 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. International accreditation TVET certificates or courses is also challenging. As countries aim to improve their TVET experiences they should seek international linkages with the most appropriate regional systems (Australia/NZ versus USA). Accreditation systems should aim for flexibility and focus on achievement versus highly standardize 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, they 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 setting up costs and variable cost per trainee), its effectiveness at producing employable graduates (justifying involving the private sector in curricula and delivery) and the type of skills/market segment targeted. Given that the direct benefits of providing vocational training primarily accrue to employers of graduates and to the graduates themselves, it can be appropriate for the costs of establishing and maintaining training institutions to be at least partially financed by employers and students. For instance, prospective employers may partially cover the fixed and/or variable costs of training through public–private partnerships, 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, there is a need to institutionalize private sector involvement in curriculum development and standards settings so that training is aligned with private sector needs in terms of content and delivery modes (Box 33). While this is already being done in some countries, there is a need to strengthen tourism private sector's role in training through enhanced apprenticeships, lecturers that are actively working in tourism, and monitoring of graduate success. Many tourism graduates require additional, inhouse training once hired by firms. Leveraging the private sector's ongoing, in-house training through PPP models or subsidies can ease public investment burden in training and education while leveraging the best training available in country, especially for Type 2, 3 and 4 countries. This process will also help to 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 specific 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 aim to build digital abilities at all levels including in basic education, vocational schools, higher education institutes, and within industry and government. Digital education programs in basic education and vocational schools in particular should be built around globally accepted digital education standards and have built-in updates to ensure curricula stays relevant. For the tourism workforce and entrepreneurs, NTOs can create networking and mentoring programs in the digital space which has been seen to be more effective than traditional training. Leveraging industry relationships with tourism businesses in Australian and New Zealand can help the industry to stay up to date with new trends in technology.

- **Labor mobility programs**: Labor mobility programs can provide an opportunity to Pacific Island populations to earn overseas and to gain new skills in the process. They are an important source of income for many families across the region. However, these programs can put additional pressures 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 more strategic approach in the recruitment and matching process to ensure that right participants are being selected and matched with appropriate positions and employers. To do so, countries need to resource their labor mobility operations sending units with adequate financial and human resources to support the recruitment and vetting process. Additionally, involving the private sector, on both the sending and receiving sides, in the recruitment and matching process can provide more input on the types of jobs hospitality workers go into and the types of skills they may learn there (Box 34). 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 is an important study in setting future policy guidance. Overall, the most important policy actions to support long term income generation, whether through mobility programs or domestic employment, should encourage upskilling of the workforce.

- **Gender:** To broaden the benefits from tourism growth, the PICs could addressing 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 HR policies, evaluation and promotion, and addressing gender stereotypes through dedicated trainings of staff at different levels of seniority (Das & 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.[130] At the policy level, this also includes addressing sexual harassment in national employment legislation, strengthened implementation of national domestic violence laws, establishing parental and maternity leave policies, and quality and affordable childcare provision.

- **Immigration and labor reform:** In parallel with efforts to build the domestic skill base, which will take time to bear fruit, the PICs should review the rules governing the entry and hiring of foreign workers, particularly for positions where the quantity and quality of local skills are insufficient. Tourism businesses, notably those seeking to develop a high value and sustainable offerings, should be consulted to identify excessively stringent and costly rules that could be candidates for reform. Any ensuing liberalization measures could be extended to other sectors to bring benefits for private sector growth beyond tourism.

Box 32. 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 guided by the National Agency for Qualification (Agência Nacional para a Qualificação) and the National Agency for Vocational Education and Training (Agência Nacional para a Qualificação e o Ensino Profissional). Together they inform national and regional skills development priorities based on research, consultations with industry, and the Qualification Needs Anticipation System (Sistema de Antecipação de Necessidades de Qualificação, SANQ) that provides a comprehensive analysis of skills supply and demand. SANQ collates data from a number of skills planning exercises to inform policy, 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)

Box 33. Amadeus Travel Tech School and Lab: Private sector solution to digital training for tourism

Amadeus partnered with public and private sector entities to launch a Travel Tech School alongside a 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 $6

[130] For instance, the Vanuatu provincial TVET centres established under the Vanuatu Skills Partnership have been able to attract an increasing number of female participants adopting some promising approaches in this regard. The dedicated TVET centre 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).

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. (World Bank, 2022; The Wise Dreams, n.d.)

Box 34. Coral Seas Hotel: Private sector led labor mobility as workforce development tactic

The Coral Seas Hotel group in PNG 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, as well as strategic investments in essential services, targeted policy reforms, and programs that incentivize and equip the private sector to make sustainable investments. While resilience investments are necessary for the long-term viability of all tourism markets, high-value markets are more sensitive to resources efficiency, as they often seek sustainable destinations. Both 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 destinations and the private sector in making informed short term investment decision. This would include understanding of 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 issues. 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 the 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, green and climate-smart technologies.

- **Policy reforms**: To achieve these goals, ministries of tourism will need to advocate and network through their cross-ministerial committees to identify and implement policies that facilitate the emergence of more sustainable and resilient destinations. 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 to leverage knowledge on the economic rationale for climate action to regulate and disincentivize certain actions that have negative environmental impacts. Other key reforms to consider include: biodiversity conservation and protection; 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; incentives for resource use reduction in the industry, particularly water and energy; and independent power production regulations for resorts with renewable energy sources to sell surplus power and thus reduce payback period for private investment.
- **Essential service investments**: Strategic investments by the public and/or private sectors in essential services, such as electricity, water, wastewater and solid waste management, will be necessary to service both growing populations and expanding tourism markets. Planning these investments in line with tourism forecasts is crucial to ensure services have the capacity to service both populations and visitors in a sustainable manner. While typically outside the purview of the tourism ministries, governments should consider how investments in essential services meet current and future tourism demand and impact destination competitiveness. Pursuing high value markets that put a premium on sustainability will put additional pressures on destination infrastructure, as tourists expect resource efficient and circular services and adequate waste management, particularly in environmentally sensitive locations. PICs and regional organizations will need to continue promoting regional or sub-regional opportunities for circular economy infrastructure in waste management and recycling to achieve adequate economies of scale.
- **Private investments and incentives**: The private sector must also be active participants and investors in creating resilient and resource efficient destinations and businesses (Box 35). 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/installation, and reducing the cost of importing resource efficient equipment. Specifically, this can include property-linked efficiency financing or insurance for green assets tied to environmental and social criteria, ensuring that private solutions are not crowded out. For MSMEs, financial constraints to invest in resource efficiency are a major obstacle. Special credits and preferential loan terms for renewable energies, water efficiency systems installation and resilience infrastructure targeted at MSMEs can help ease the transition. Equally as important as financial incentives for private sector is improved knowledge on circular economy, resilience, and resource efficiency options and benefits that can be delivered through targeted training programs and awareness raising campaigns. Finally, at the regional level, there is an opportunity to develop and incentivize 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 spillages, as well as by creating new job opportunities for the installation, operation and maintenance of such technologies (IRENA, 2014).

- **Safety and security**: Destination safety is often ranks among the top ten destination selection factors for arrivals. Improving safety, security and political stability in country for Type 4 countries is critical for long term sustainable tourism growth. Developing destinations in safe provinces or regions of country has proven successful in the past for some countries, but 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 hard investment in resilient infrastructure, NTOs and tourism businesses need to be well-prepared for managing a crisis when a disaster strikes (Box 36). Working closely with industry, NTOs should develop comprehensive crisis preparedness frameworks, including detailed action plans for different disaster scenarios, capacity building programs, communications protocols, and safety and security arrangements. These should be paired with sufficient resources that can be rapidly mobilized (such as crisis escrow accounts) and disaster insurance products to aid industry response and recovery. Plans require thorough dissemination to industry, communities and tourists to ensure a coordinated response and to 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 and help shorten the demand recovery period (e.g. Fiji's Stronger than Winston campaign).

Box 35. IFC and UNWTO Hotel Greening: Supporting knowledge development to unlock green finance

UNWTO partnered with the IFC for a series of technical training programs aimed at promoting green finance and unlocking its potential to accelerate tourism's recovery and stimulate sustainable growth, with a pilot phase in seven countries (India, Indonesia, Jamaica, Philippines, South Africa, Thailand and Vietnam). The program was a post-COVID medium-term credit line made available for hotels impacted by the downturn in tourism caused by the pandemic, coupled with provisions for retrofit greening, and disbursed in partnership with local financial institutions starting in 2021.

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

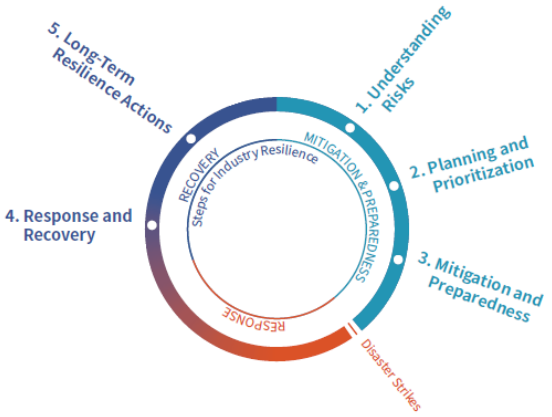
- Tax incentives such as tax credits to offset additional costs associated with resource efficient construction
- Bonus density to allow increased heights or sizes of building
- Expedited permitting to prioritize permits for green construction or waive permit fees
- Grants and loans to cities to incentivize solar power or to 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
- 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 VAT and income tax deductions for project design services and technical solutions including insulation and energy-efficient air conditioning systems. (IFC and UNWTO)

Box 36. The 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 tourists to better manage and mitigate disaster risk. This includes improving 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, 2020)

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 actions 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.

Source: Adapted from World Bank 2020.

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 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.
- Vanuatu, Palau, Samoa and Tonga (Type 2) also need to strengthen tourism management and integrate a whole of government approach to sector development, ensuring tourism-related policies and regulations are strategically integrated across the government. Similarly, MSME development and product diversification, along with enhanced skills, through private sector growth will be needed to ensure a competitive tourism offering. Type 2 country tourism industries are most at risk to the impacts of climate change and natural disasters, given their existing tourism supply and exposure, and will need to invest in more resilience.
- Given the lower maturity of their tourism sectors, FSM, Kiribati, RMI and Tuvalu (Type 3) need to generate basic tourism data, statistics and intelligence to make evidence-based policy decisions, improve the general enabling environment for private sector growth, and build tourism skills in order to foster a dynamic tourism private sector.
- Finally, the Solomon Islands and PNG (Type 4) will need to improve tourism management and coordination and enhance destination resilience, notably by prioritizing tourism in public policy for enhanced safety. These countries will also need to 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 detailed and sound policy guidance. Policy recommendations and discussion laid out in this report focus on addressing high-level constraints that must be tackled across market segments. Each of the PICs will need to examine their policy objectives, both economy wide and tourism specific, to decide the best strategic segment to target and determine the most important policy actions. This will need to be supported by deeper, country-specific analysis (based on quantitative models presented in this report) to provide the evidence-base and policy guidance to achieve greater value from each PIC's tourism sector.

Policy reforms will also need to 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 across 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. Additionally, 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 set out in this report can help to envision a more valuable sector and provide the incentives to commit to this more sustainable future of Pacific tourism.

Annex 1: Tourism Typology and Country Characteristics

Although the PICs each 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 in the following chapter. It identifies four types based on several quantitative indicators (Table 17), including (i) economic reliance on tourism (proxied by receipts expressed as a share of GDP); (ii) volume of tourism arrivals, and (iii) maturity of leisure tourism markets (proxied by share of arrivals with leisure as the main reason for traveling).[131] The typology also considers destinations' profiles in terms of (i) the dominant leisure market segments, and (ii) safety and security, both of which are key determinants of tourism appeal and potential.[132] By providing such a country typology, the paper will aim to differentiate levels of readiness for further investments in the industry.

Table 17. Typology of Pacific Tourism Destinations

	Type 1 (Fiji)	Type 2 (Palau, Samoa, Tonga, Vanuatu)	Type 3 (FSM, Kiribati, RMI, Tuvalu[133])	Type 4 (PNG, 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 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/family	Marine and adventure	Marine	Marine and adventure
Profile as a safe and secure destination	Yes	Yes	Yes	No

Source: World Bank Group.

[131] 'Leisure' tourism refers to travel for the purpose of vacation or holidays, as opposed to other travel motivations.
[132] Countries not considered safe and secure destinations (i) are on the World Bank's "fragile and conflict-affected situations" (FCS) country list and (ii) have experienced violent unrest in the past five years.
[133] Tuvalu is an exception with a higher economic dependence on tourism, but overall low arrivals. This is due mostly to the limitation of other industries in the country.

- *Type 1 Destination: Fiji*

Fiji gradually emerged as the leading destination in Pacific tourism. Fiji's tourism dominance can, in part, be 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 saw the urban area of Nadi develop into the tourism hub it remains today. This eventually led to the development of several smaller tourism hubs in the country.

Pre-COVID, 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, Fiji reported 423 accommodation properties with almost 13,000 rooms, equivalent to 40 percent of all room stock for the PICs (SPTO, 2019 Annual Review of Visitor Arrivals Report 2020). Fiji hosts 31 internationally branded properties of 42 across the PICs. These 31 properties account for almost 40 percent of Fiji's room supply.[134] Fiji is unique in having several "exclusive" properties at the high end of the spectrum (Tourism Fiji 2017).[135] The country's larger and higher-quality offering extends to tour operators: it had approximately 160 in 2019, offering experiences based predominantly on the islands' compelling (marine and terrestrial) nature and culture.[136] Fiji accounts for 23 percent of tour operators in the PICs.

Fiji's high number of visitor arrivals and tourism receipts also set it apart. Fiji 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 CAGR 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 to Fiji (Fiji Bureau of Statistics), highlighting its position as a popular holiday destination, especially for families and couples from nearby Australia and New Zealand. The large number of arrivals translated into USD 1.35 billion in direct tourism receipts in 2019 (57 percent of total receipts across the PICs) (UNWTO, 2021). 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 to 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, the availability of suitable land, the regulatory environment, access to finance, the quantity and quality of labor, the high costs of construction and operation, and a lack of enabling

[134] Source: Authors based on consultations and desk study. In 2019, Fiji hosted 22 'global' brand properties (of 31 for the PICs) and 9 Pacific 'regional' brand properties (of 11).
[135] Based on Tourism Fiji classification of accommodation type by price, where 'exclusive' reflects a daily room rate above FJD 2,500 (USD 1,100)..
[136] Source: Tourism Fiji. Includes operators classified as excursions, inbound tours/transfers, and marine operators.

public infrastructure (such as air, sea, and road transport, information and communications technology, utilities, and waste management) have constrained tourism investment in Fiji as in other PICs. However, the Government of Fiji has sought to address these constraints over the years through targeted efforts, including land reform, investment incentives, regulatory reforms, 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, the country still needs to 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 accommodation. 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 who could provide unique visitor experiences that would enhance Fiji's attractiveness to high-value tourists and improve 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, improved air access from the United States and Asia in the 1960s, followed by investment in a first international hotel in the 1970s, spurred tourism development on the back of its SCUBA diving offer. In Vanuatu, tourism development scaled up 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 catalyzed the growth of tourism in Samoa. The upgrade of its international airport to receive jets, followed by new tourism-enabling government policies, saw tourism markets grow from nearby New Zealand and Australia. Initially led by the VFR market due to migration links, leisure arrivals eventually began to match VFR volumes, with foreign tourists attracted to Samoa's marine and terrestrial offerings. As in Samoa, tourism in Tonga has grown from VFR 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. Tonga, however, has moderated tourism to avoid disruption to the local culture. As a result, the pace of tourism development in Tonga has been somewhat slower than for other countries of this type. Notwithstanding differences in the evolution of tourism, in the last few decades, these destinations have all achieved significant results in expanding public infrastructure to support tourism, growing products and services, and improving air access. As of 2019, they provided 30 percent of the room stock across the PICs, 49 percent of tour operators, and 28 percent of international flights. Vanuatu led on all counts, followed by Samoa.

The 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

CAGRs of around 3–4 percent, despite some volatility.[137] In 2019, Samoa attracted the most overnight international visitors (174,000), followed by Vanuatu (121,000), Palau (94,000), and Tonga (69,000) (UNWTO 2021), 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 equated to 34.9 and 31.5 percent of GDP, respectively, became especially reliant on tourism.[138] Samoa followed at 24.2 percent. Tonga's receipts were a much lower share of GDP (at 11.1 percent), likely due to the high value of remittances in the Tongan economy.

Palau, Samoa, Tonga, and Vanuatu share several advantages in developing tourism. As with Fiji, their geographic proximity to source markets (three to four hours flight from the closest ports of departure) has been a critical driver of market demand and supported the establishment of tourism-enabling air services. Location has also supported the development of cruise tourism in all Type 2 countries, led by Vanuatu (45 percent share in 2019) due to its being 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. One element that sets Type 1 and 2 countries apart is the significantly smaller marketing budget in Type 2 countries. 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—at a scale smaller than Fiji.

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

- *Type 3 Destinations: The FSM, Kiribati, the RMI, and Tuvalu*

The FSM, and more recently Kiribati, the RMI, and Tuvalu, have all sought to develop their relatively small marine-based tourism sectors in the face of geographic and other constraints. The FSM was poised for tourism development in the early 1960s when its four islands, then still part of the US Trust Territory, benefited from new air services connecting the region to the United States and East Asia. Early investment in hotels followed, and by the time the FSM became independent in 1979, it was attracting American and Japanese tourists interested in diving, historic sites, and remote islands. However, the FSM 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

[137] Arrivals to Samoa, Vanuatu and Tonga were negatively impacted by natural disasters. Palau experienced a period of extraordinary growth followed by a sudden decline in 2016 due to market shifts.
[138] Source: Authors' estimate based on UNWTO tourism receipts data and GDP data from the World Development Indicators.

high transport costs, and a less compelling dive proposition. Similarly, for the RMI, Kiribati, and Tuvalu, large distances from source markets, small land size, and the threat of rising sea levels have limited tourism infrastructure and product development and therefore restricted tourism growth. An additional barrier facing the 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. In recent years, however, the governments of both, as well as Tuvalu, have recognized the potential of their marine assets, driving tourism development ambitions. The FSM remains ambitious about growing the sector around its marine, historical, and cultural attributes, although it continues to deal with stagnating tourism investment and arrivals.

Type 3 countries have the lowest tourism volumes among 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 the FSM, which had a CAGR 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 (UNWTO, n.d.). 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 the FSM. A relatively low proportion of leisure visitors (focused on marine activities) is a common trait for Type 2 countries. In terms of economic contribution, the low visitor numbers converted to a low absolute value of receipts, representing a relatively modest share of GDP in Tuvalu (16.6 percent in 2019), the FSM (10.8 percent), RMI (8.8 percent) and Kiribati (1.8 percent). These show that, although tourism is important to these economies, they were not reliant on it in recent years.

The nature and scale of tourism supply in Type 3 countries are the least mature among the PICs. In 2019, Kiribati had 47 properties offering accommodation to tourists, while the FSM had 30, RMI had 12, and Tuvalu had 10. Together, these added up to just 1,300 rooms, or 5 percent of the PICs' total room supply (SPTO, 2019 Annual Review of Visitor Arrivals Report , 2020). Besides a few medium-size hotels or resorts in Kiribati and the FSM, most accommodation is small. The quality of properties in these countries is modest by international standards, and no international brands exist. There are also few tour operators. The FSM has 50 operators spread across its four islands, providing diving, fishing, and land-based tours, followed by the RMI, which also 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. Lower private-sector investment in tourism businesses in these countries compared to the others 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 the RMI, Kiribati, and Tuvalu, is restrictive, with only a couple of weekly flights for travelers from source markets. (The FSM's 2019 average of 13 flights per week, together with RMI's 11, Kiribati's 10, and Tuvalu's 4, accounted for just 10 percent of international flights across the PICs). This paucity of transportation and a tendency for diving and fishing visitors to travel for several days account for the average length of stay rivaling other countries despite tourism supply limitations. As a result, the 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: PNG and Solomon Islands*

Although tourism is more developed in PNG than in the Solomon Islands, the two countries share common characteristics. These countries' colonial histories affected the emergence of tourism leading up to and beyond their independence from Australia (1975) and Britain (1978), respectively. Many early accommodation and tour products developed from colonial roots because source markets in the former colonial powers drove early travel for business, leisure, and VFR purposes. The two countries' war histories also drove demand from leisure tourists and have created strong historical tourism markets. PNG's cultural diversity, globally significant terrestrial biodiversity, and marine attributes also formed the basis of its dispersed tourism offer across several key provinces, with the Solomon Islands sharing similar foundations on a smaller scale. These factors, together with proximity to Australia and Asia, resulted in the growth of overnight visitor arrivals to PNG and the Solomon Islands at a CAGR of 1.8 percent and 3.1 percent between 1999 and 2019 to reach 95,000 and 28,900 overnight visitors, respectively.

Safety and security issues have contributed to the slow and volatile tourism growth in PNG and the 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 the Solomon Islands from 1999 to 2003 and again in 2014. These safety and security factors, unique to Type 4 countries, have had a major impact on their tourism development.

Also setting Type 4 countries apart is their limited reliance on tourism due to predominant natural resources sectors. In fact, over 96 percent of PNG's exports are merchandise exports, a substantial part of which is accounted for by Liquified Natural Gas (LNG) and other resource exports. Tourism receipts for PNG account for 9 percent of the total value across the PICs (and 3 percent for the Solomon Islands). However, they account for the smallest share of GDP at just 0.9 percent for PNG and 5.2 percent for the Solomon Islands in 2019.[139]

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, 2019 Annual Review of Visitor Arrivals Report , 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 (APEC) meeting in 2018. By 2019, Port Moresby had several large (over 100 room) hotels, three of which were internationally branded. PNG-based hotel groups also held a portfolio of properties in the capital and across other provinces. Accommodation quality varied, with several well-appointed but rustic resorts appealing to travelers. Around 100 tour operators (PSDI, 2021) nationwide complemented the accommodations and enabled access to a range of nature-, culture-, and history-based visitor experiences skewed toward adventure travelers. The Solomon Islands had a similar but smaller-scale 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 hosted several business-oriented medium- to large-size hotels at various quality levels, none of which were internationally branded. Other tourism destinations in outer provinces

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

offered smaller, typically more rustic accommodations. Growth in business-oriented accommodations over leisure products in Type 4 destinations reflected the size of these segments. Overnight visitors traveling for leisure accounted for just 15.7 percent of the 2019 overnight visitor arrivals for PNG, and 27.8 percent for the Solomon Islands, with business and other travel associated with official or professional trips dominating the market share (SPTO, 2019 Annual Review of Visitor Arrivals Report , 2020).

Investment in leisure tourism products and services in PNG and the Solomon Islands remains constrained by low market demand and investment barriers. In addition to safety concerns, cost factors have impeded the growth of the leisure market. The dispersal of tourism experiences in locations far from the international entry point makes travel in PNG and the Solomon Islands expensive and complicated due to poor and irregular domestic air service. Furthermore, the high operation costs (e.g. energy, water and foreign labor) make accommodation expensive. Tourism-enabling public infrastructure is also weak in these locations, deterring prospective travelers and investors. The lack of suitable land for new investments, constraints on access to finance (especially for MSMEs), and other business-enabling environment barriers have further impeded the development of pre-established leisure tourism hubs in these countries.

Annex 2: Methodological Notes

A. Potential Benefits of Targeting High-Value Markets for the PICs

This model 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 the PICs would have a positive impact on revenue in the long-run. To do so, a simple model 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 is 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 model was developed with two underlying assumptions around visitor arrival numbers and composition. The first assumes that, as prices in the destination increase over time, the overall number of visitor arrivals will slightly decrease. This assumption is supported by the literature: 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); another study in the Caribbean found that, as prices increased by 1 percent due to a change in real exchange rate, the number of arrivals to the Caribbean decreased by 0.16 percent (Laframboise, et al. 2014). Of course, other factors play a role in tourism demand, including relative prices in competitor destinations, tourist income in source markets, political, health or other external shocks, etc.; however this model focuses only on the impact of changes in price due to value-led marketing and supply strategies.

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 while the proportion of lower-value arrivals will decrease. There is limited data available that tracks market composition over time for tourism destinations. Costa Rica provides a good example of a country that has implemented a high-value tourism strategy since 2002. The increase in average expenditure per arrival that Costa Rica experienced over time since implementing this strategy – about 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 in the years 2015 to 2019, suggesting a slight lag in the market segment composition after the commitment to change (Bermuda Tourism Authority, 2012). While these are two reference points, there is limited benchmarking data on spend per arrival per market segment (i.e. lower-value versus higher-value) to leverage for this model. Therefore, the below results are based on industry estimates and explored through scenarios for low, medium and high cases.

The model estimates and disaggregates revenue impacts over 30 years by summing the expenditure of all high-value and low-value arrivals in the destination. This was done using a simple equation to model future revenue growth. The model was applied to three countries based on data availability: Fiji (Typology 1), Vanuatu (Typology 2) and PNG (Typology 4). Key variables collected include 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. Arrival forecasts for 2022 to 2024 were taken from

the PATA online database. The PATA forecast for total visitor arrivals was used for each country's 2022 baseline, and the PATA forecasted year-on-year growth rates were used for 2023 and 2024. From 2024 to 2042, the CAGR for international arrivals of the country 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. The pre-COVID proportion of high-value markets was extracted from existing sources for each of the countries, based on percent arrivals of high-value niche markets, such as birding, diving and cultural tourism (World Bank 2020d, PNG Tourism Promotion Authority 2019, IFC 2020). The spend per arrival is sourced from the same reports, with some variances in approaches between countries due to data differences.[140]

Table 18. Model 1 Data Inputs for Fiji, Vanuatu and PNG

	2022 arrivals forecast[1]	2022 - 2023 growth rate forecast (%) [1]	2023 - 2024 growth rate forecast (%) [1]	CAGR 1999-2019[2]	Proportion of higher-value market in total arrivals (2019)[3]	Spend per lower-value arrival (US$) [3]	Spend per higher-value arrival (US$) [3]
Fiji	277,130	2.80	1.34	1.02	23%	1,206	2,048
PNG	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

[1] *PATA mPower Database Forecasts*

[2] *UNWTO Inbound Tourism Dashboard; PNG Tourism Promotion Authority.*

[3] *PNG International Visitor Survey, 2019; Vanuatu Tourism Investment Needs Assessment and Plan (2020-2030); Vanua Levu Tourism Market Demand Assessment, 2020.*

The data indicates that Fiji has the highest spread between high- and low-value arrival spend. This may be due to the lower 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 towards 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, while only 19 percent of overall arrivals are high-value markets, the share of high-value *holiday* arrivals, excluding business travelers and visits to family, is 56 percent of total holiday arrivals). 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 these tourists are also spending on some high-value products.

The diminishing growth multiplier is applied to the number of arrivals to calculate the rate at which arrivals decrease over time in the value-led case, as price increases. (Nguyen 2022) found that for every 1 percent own price increase, overall international tourist arrivals to Vietnam decreased by an average of 0.55 percent. 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 model, and the average of 0.55 percent used as the mid-level elasticity.

[140] For the three countries, spend per high value arrival is weighted average expenditure per person per trip across the high value niche markets. The spend per low value arrival is the average spend per trip for "all others", without high value arrivals (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).

Several price increase rates were used to explore the potential impact on arrivals. As mentioned, Costa Rica provides 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 to 2019, the average spend per visitor to Costa Rica increased by 13 percent. However, part of this increase may be attributable to other factors, such as an 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 model. 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 due to 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 model 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 model. 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 model. 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 by Price Elasticity Level and Price Increase Level

	Lower bound Price Increase	Mid-point Price Increase	Upper bound Price Increase
Lower Price Elasticity	-1.8%	-3.6%	-5.4%
Mid-point Price Elasticity	-2.75%	-5.5%	-8.25%
Upper Price Elasticity	-6.2%	-12.4%	-18.6%

Multiplier 2 follows the second assumption on the proportion of high and low value arrivals, to estimate the 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 overtime, with the 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 again. The Multiplier 2 brackets were used in the model to determine potential revenue changes based on the increasing high-value arrivals.

Table 20. Multiplier 2 High-value Market Proportion Change by Country

	2019 Proportion of High-value Arrivals[1]	Lower bound	Mid-range	Upper bound
Fiji	23%	30%	50%	70%
Vanuatu	52%	60%	70%	80%
PNG	19%	23%	25%	30%

[1]*Source: Fiji, Vanuatu and PNG IVS, 2019*

Multiplier 2 is country-specific due to the differing initial market compositions and the existing and potential niche market supply. In 2019, Fiji had 23 percent high-value arrivals, leaving a wide range of growth opportunity for these markets, dependent on value-led strategies and market-specific products. 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. Vanuatu currently has the highest value-led composition of markets, with 52 percent of all international arrivals high-value, due to 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), however the upper bracket is the highest of all countries, at 80 percent, due to Vanuatu's high potential as a value-led destination. Finally, PNG's initial market composition is 19 percent high-value arrivals, the lowest of the three countries. However, due to PNG's large business travel market, the leisure market only accounts for 34 percent of all international arrivals, and the high-value niche markets already make up 56 percent of these. There's 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. However, 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 the 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 model 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 lowest arrival numbers. These results alone are not a decent indication of the outcome of value-led marketing strategies, as it is possible for a lower number of arrivals to produce a higher overall revenue.

Table 21. Simulated international visitor arrivals by 2042 in Fiji, PNG and Vanuatu in the 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
PNG	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

Despite lower arrivals, shifting to higher value markets could result in higher revenue from tourism. In the model, 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 similar rate to the pre-COVID-19 growth rate, and the spend per arrival remains the same. For all three countries, the model 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 22). As expected, the upper bound proportion of high-value arrivals yields the greatest difference between the value-led and volume-led scenarios. That is, the higher

the growth in high value markets as a portion of all arrivals, the more tourism absolute revenue is earned by the country. However, all of the lower bracket proportions also saw a revenue in the value-led scenario of more than 5 percent that of the volume-led scenario. In Fiji, the mid-range and upper bracket market proportions yielded revenues more than 20 percent higher than that of the volume-led scenario.

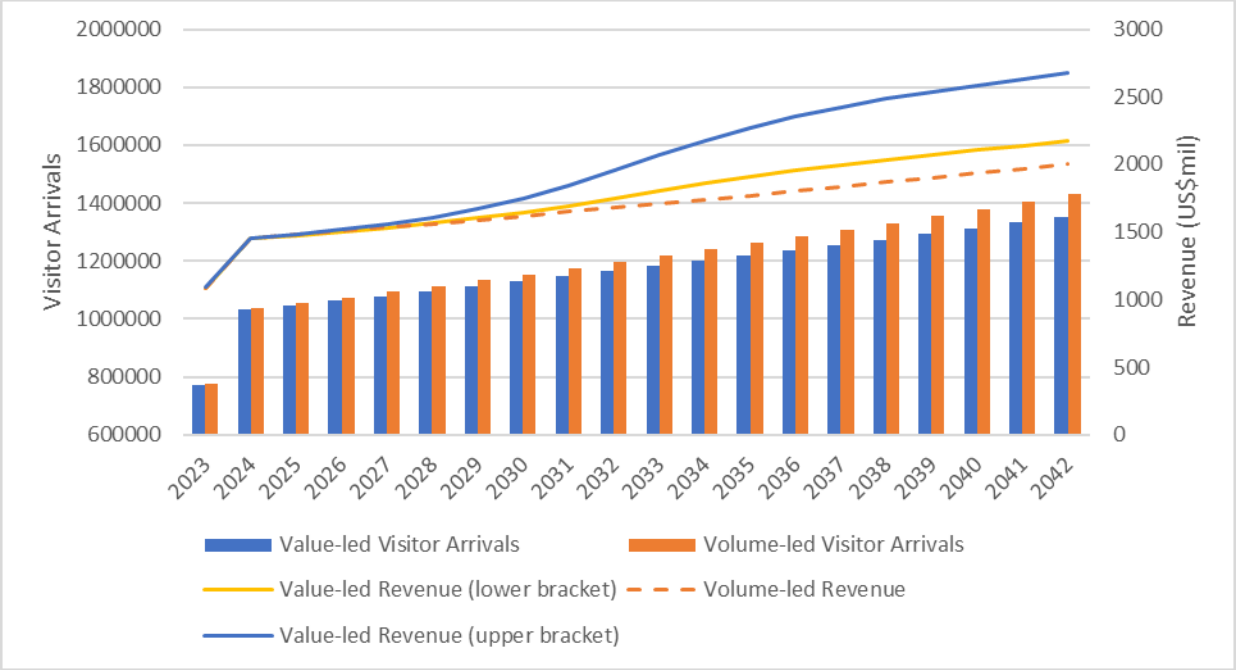
Table 22 Total Tourism Revenue in 2042 with Constant Mid-Point Price Elasticity and Price Increase

Country	**Marketing Strategy**	**Total tourism revenue per high-value arrival growth (US$ mil)**		
		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		
PNG	Value-led	$738.0	$742.0	$752.0
	Volume-led	$701.7		

Note: cells shaded yellow indicate a revenue of more than 5% higher than the price-led scenario; cells shaded green indicate a revenue of more than 20% higher than the volume-led scenario.

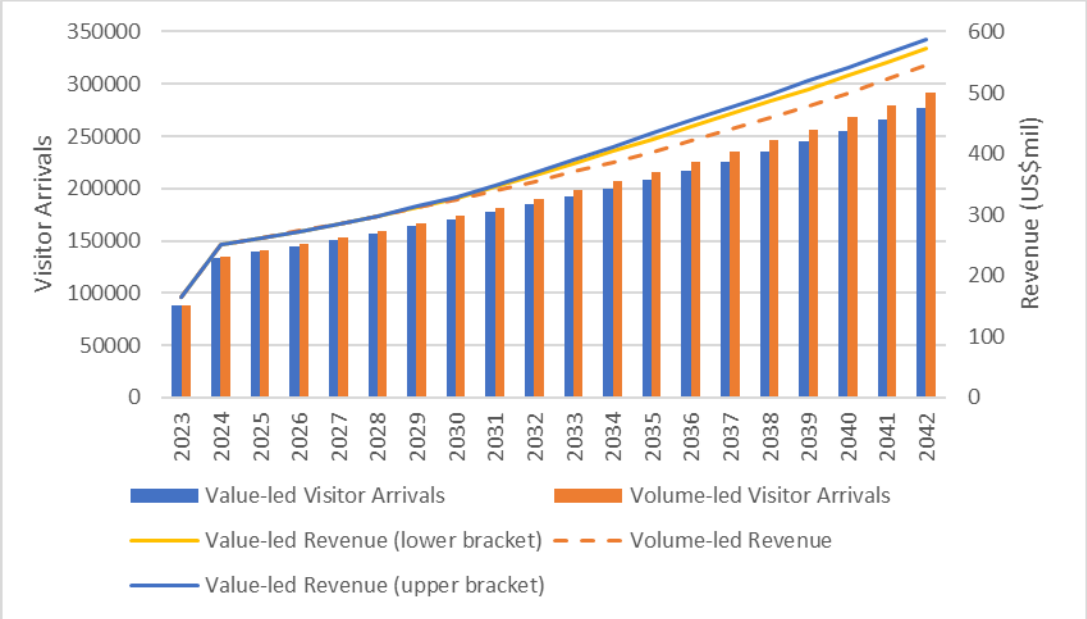
When running the full model, all countries saw lower visitor arrivals for the value-led marketing strategy, but with higher overall tourism revenue than the volume-led scenario. The revenue increase ranged from 5 percent at the lower bound for PNG and 33 percent at the upper bound for Fiji. As expected, the revenue change between the volume-led scenario, the lower bound value-led scenario, and the upper bound was largest for Fiji, as they have the most room for growth of high-value market arrivals as a portion of overall arrivals. Vanuatu and PNG saw relatively smaller differences between the scenarios; however, revenue was still highest in the value-led marketing scenarios for both countries compared to a volume-led scenario.

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



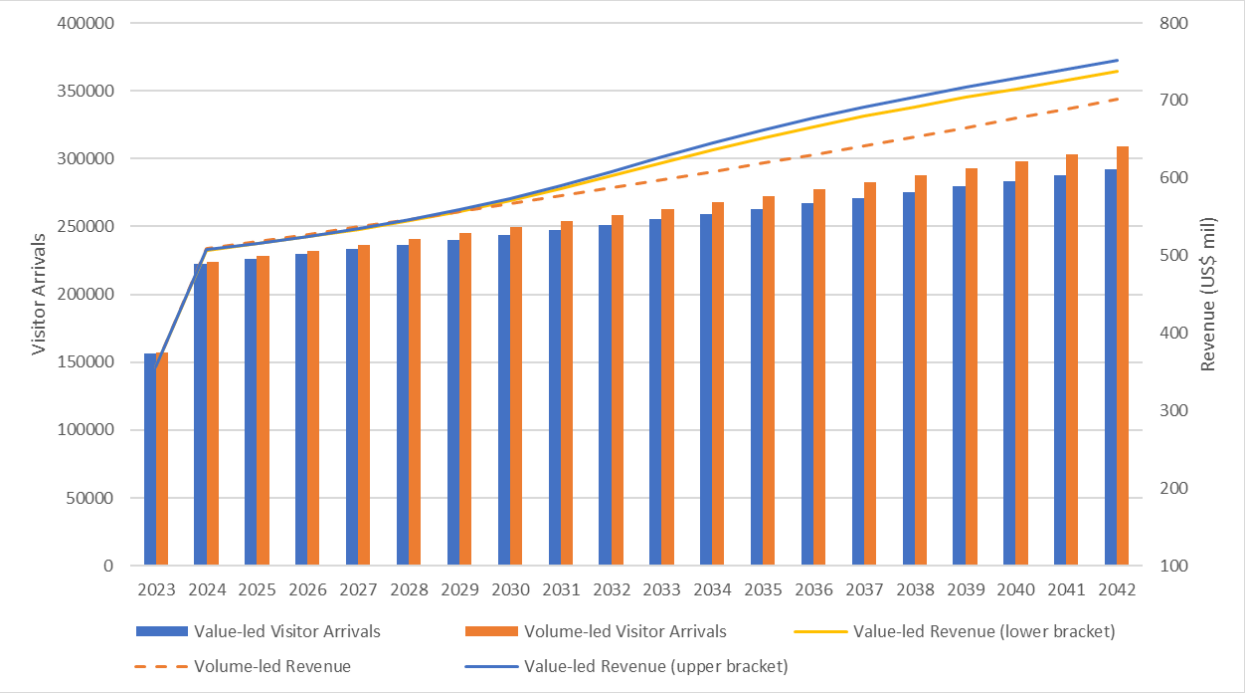
Note: chart starts at year 2023 as 2022 revenue skews the chart due to COVID-19 recovery

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



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

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



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

B. Potential Impacts of Declining Visitor Satisfaction on Expenditures

The main hypothesis used for this model is that a loss of tourism and tourism-related MSMEs in the PICs would reduce the diversity of the offering, visitor satisfaction rates and therefore visitor expenditure. In the absence of data linking visitor satisfaction and spend in the Pacific or other SIDS, the model uses results on Croatia from Jurdana and Frleta (2016), which found that a 5 percent drop in satisfaction in the 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 to 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 model (Fiji, FSM, Samoa and 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 of the PICs will be considered, that is, New Zealand for Samoa, and Australia for the remainder of the countries. A single source market is used to model expenditure impacts for simplicity's sake. Long haul markets, which comprise 30 percent of total arrivals for Fiji (2019), 19 percent of arrivals

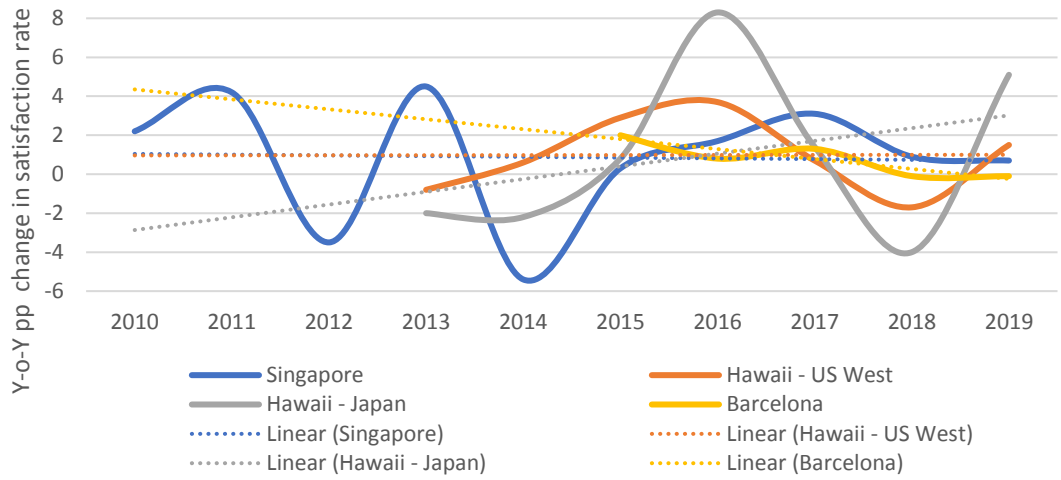
for Samoa (2019), and 35 percent of arrivals for Solomon Islands (2018) will be excluded. For FSM, the only data available through the international visitor survey is for Yap, a main tourism destination. While the Yap tourism market mainly consisted of long-haul arrivals (81 percent), it is included to increase the number of PICs and typology categories covered in this model.

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 is comprised mainly of MSMEs with upwards of 80 percent of global tourism firms falling into this category. Within the tourism industry, the vast majority of tourism excursions, cultural attractions and activities, and entertainment options are operated by small businesses (e.g. hiking operators, river rafting, cultural performances and dance groups, nightclubs, playhouses, etc.). At the regional level, UNESCAP found that MSMEs in Asia-Pacific comprise 98 percent of all enterprises (UNESCAP, 2022). An analysis of the Fiji COVID-19 Business Survey focused on MSMEs found that 87 percent of overall business respondents were MSMEs and 73 percent of all tourism respondents were MSMEs (IFC 2020). Within the tourism industry respondents, facilities, services and attractions providers were mainly MSMEs versus large businesses. In Samoa, data from business licenses demonstrates that 94 percent of tourism businesses are MSMEs. For Solomon Islands and FSM, expert review of tourism businesses inventories also revealed that the large majority of tourism businesses, especially in the facilities, services and attraction categories, are MSMEs.

The analysis considers upper and lower limits of variation in visitor satisfaction, based on destination case studies. Overall, visitor satisfaction can vary significantly from year to year, but averages out to more gradual changes over time. Three specific destinations are used as examples to explore the upper and lower limits of visitor satisfaction rate change. Barcelona is used as a low case benchmark that demonstrates fairly gradual changes in visitor satisfaction rates 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 then a 1 percentage point decrease in visitor satisfaction between 2017 and 2020 (-0.33 percentage points per year), likely due to the challenges of over-tourism pre-pandemic. As a medium change case, between 2012 and 2019, visitor satisfaction with Hawaii from US 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 has faced volatile changes in satisfaction rates from year to year until 2014 but then has stabilized. While there were two drastic reductions in satisfaction over one-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 in a very short period, visitor satisfaction rates grew overall 8.7 percentage points between 2009 and 2019, from 67.1 percent to 75.8 percent satisfied or 0.87 percentage points per year.[141] Finally, on the upper end, visitors to Hawaii from the Japanese market had a satisfaction growth of 7.4 percentage points between 2012 and 2019 (1.057 percentage points per year) but decreased 3.4 percentage in 4 years (2012 to 2015) within that period (-1.133 percentage points per year).

[141] 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. Alternatively news reports indicate that visitor satisfaction decline due to poor tourism services and changing customer expectations as the market shifted to high value markets.

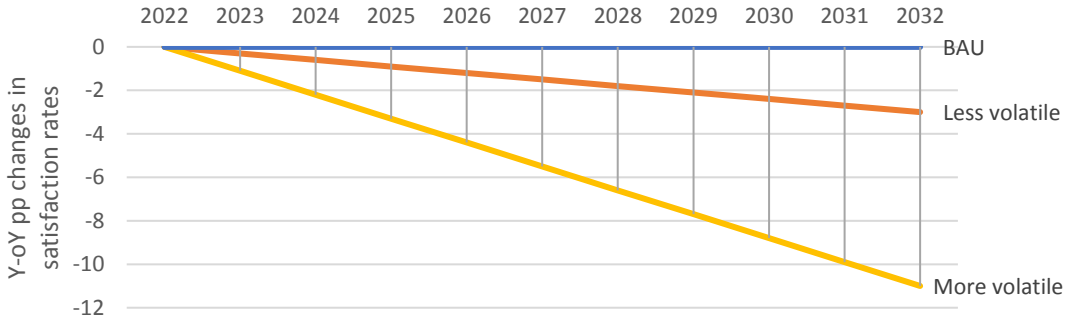
Figure 24. Evolution of visitor satisfaction for different reference destinations, 2010-2019



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

Based on these examples, lower and upper limits of variations in visitor satisfaction have been conservatively set over a period of 10 years starting in 2022. 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 visitors satisfaction in Hawaii have been used for the most volatile, pessimistic scenario, at 1.1 percentage points drop per year. That is, the modelling 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 BAU option has also been considered, which reflects no change in satisfaction rates over the same time period.

Figure 25. Assumption of year-on-year changes in satisfaction rates for 3 different scenarios



Source: own elaboration based on satisfaction rates data from Barcelona and Hawaii

After modeling projections for drops in satisfaction, real data on current satisfaction and spending from the four PICs studied was gathered and applied to the model. First, visitor satisfaction rates and average visitor local expenditure per trip for the main short haul source markets were gathered from the

2019 IVS of Fiji, Samoa, FSM and Solomon Islands (Table 23).[142] The model used only local spend to mirror the study on Croatia. In 2019, local spend represented 35 percent of total spending in Fiji, 49 percent in Samoa, 5 percent in Yap/FSM (period 2015-2018) and 39 percent in the Solomon Islands. Due to 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, actual arrivals in 2019 (and 2020 in the case of Fiji) from the main short haul source market were 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 1999-2019 onward to 2032, along with a couple of other premises, to mirror the growth assumptions from the high-value and high-volume tourism growth model (Table 24).[143]

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[144]	41%	4.5[145]	429.41[146]
Samoa	New Zealand	77,094	44%	4.36[147]	458.99[148]
FSM	Australia	720[149]	4%	4.4[150]	791[151]
Solomon Islands	Australia	11,010	38%	3.9	447

Sources: 2019 IVS of Fiji, Samoa and Solomon Islands; 2015-2018 IVS of Yap; and immigration data from respective countries official sources.

Table 24. Arrivals forecast from main short haul source market to Fiji, Samoa, FSM and Solomon Islands

Country (Source Market)	Fiji (Australia)	Samoa (New Zealand)	FSM (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

[142] In the case of FSM, spending and visitor satisfaction has been gathered from the Yap Visitor Survey presentation, which covers the period of 2015-2018 and does not differentiate between market sources.
[143] For Australian visitors to FSM, it is assumed 4 percent arrivals from the country as specified in the Yap 2015-2018 VSAT. It is also assumed that in 2022 arrivals to FSM and Solomon Islands half the ones of 2019, and in 2023 they return to normal levels.
[144] 58,062 Australian arrivals to Fiji in 2020.
[145] Visitor satisfaction for Australia has been transformed into a 1-5 scale to be in line with the Croatian studies and the IVS of the rest of the countries analyzed in this scenario.
[146] Individual local spend has been calculated subtracting pre-paid spend from total spend and dividing by the total number of visitors. An exchange rate of 1 FJI = 0.46 USD has been assumed.
[147] The Samoa 2019 IVS does not differentiate satisfaction for source markets.
[148] Data has been taken from spending per day and multiplied by the average length of stay. An exchange rate of 1 SAT = 0.37 USD has been assumed.
[149] Estimation based on the Yap 2015-2018 VSAT.
[150] The Yap 2015-2018 IVS does not differentiate satisfaction nor spending for source markets.
[151] Data has been taken from spending per day and multiplied by the average length of stay.

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

The model found that a gradual decline in visitor satisfaction could result in sizeable losses in tourism expenditure over time. Specifically, with an annual decrease of 1.1 percentage point in visitor satisfaction (worst case scenario), Fiji could lose US$10.5 million, Samoa US$2.4 million, Solomon Islands US$0.3 million and FSM US$0.03 million worth of local spending over 10 years from the main short haul source market, when compared to the BAU case (equivalent to 0.5 percent total potential income in the BAU case). In the more conservative scenario in which satisfaction only declines by 0.3 percentage points per year, Fiji would lose US$2.9 million, Samoa US$0.7 million, Solomon Islands US$0.08 million and FSM US$0.01 million worth of local spending over 10 years, when compared to the business-as-usual case, without considering inflation (equivalent to 0.14 percent total potential income in the BAU case). These are large numbers considering that they only reflect in-country spending in the 4 countries studied, which in 2019 represented 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.

Figure 26. Annual loss of local visitor spending from main short haul source market compared to BAU for Fiji, 2023-2032

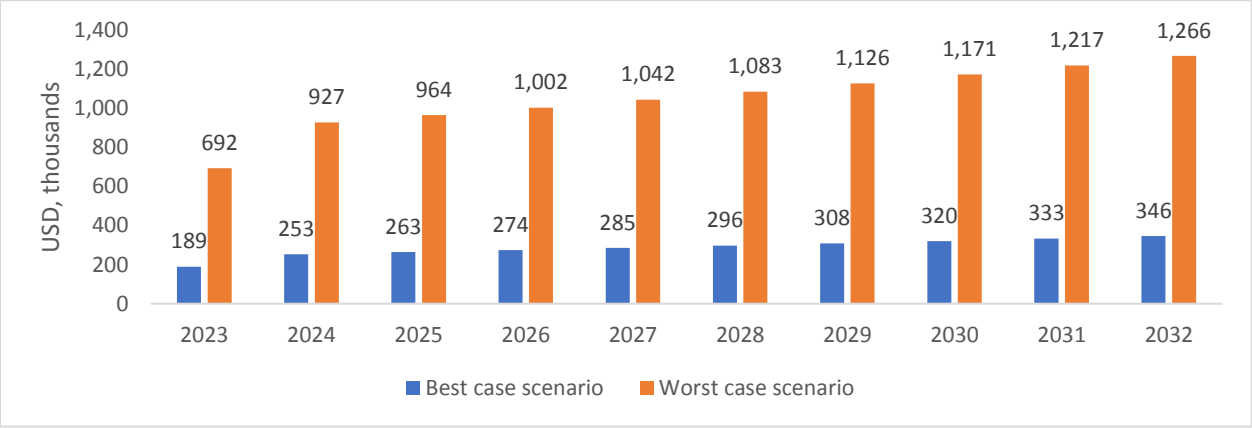


Figure 27. Changes in loss of local visitor spending from main short haul source market compared to BAU for Samoa, 2023-2032

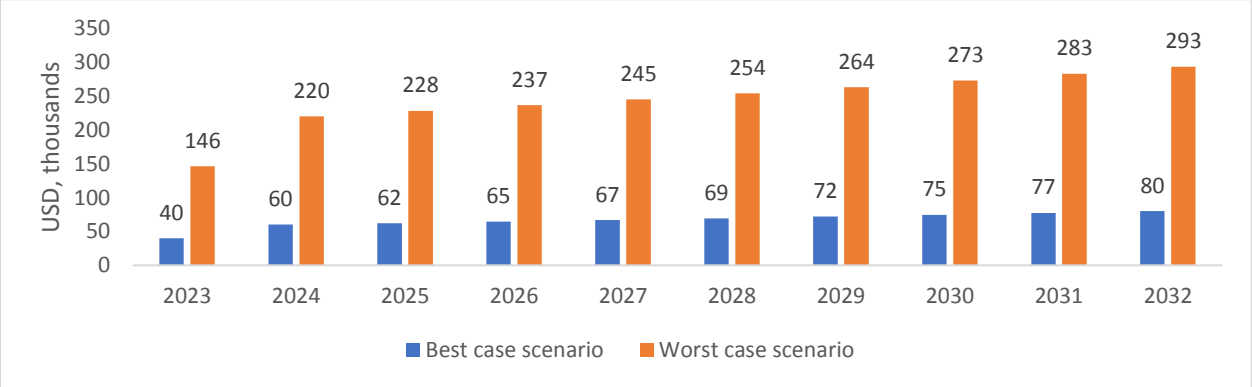


Figure 28. Changes in loss of local visitor spending from main short haul source market compared to BAU for FSM, 2023-2032

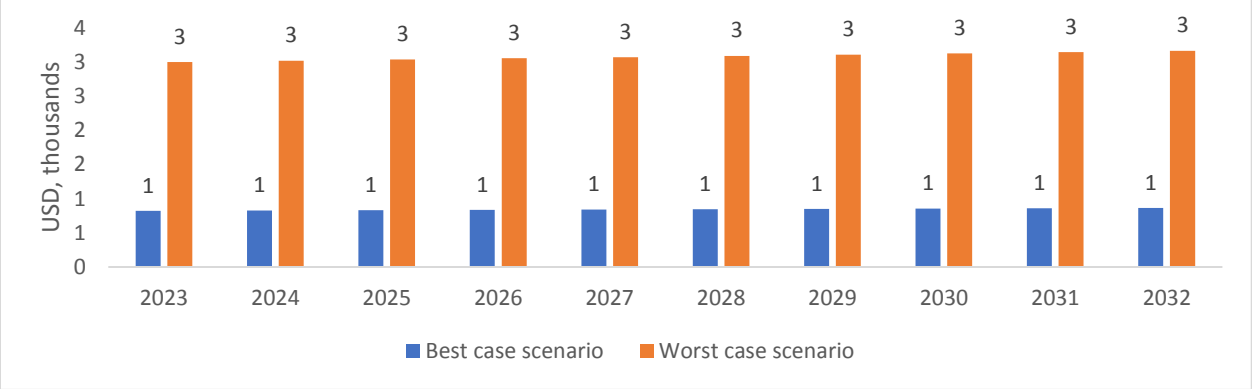
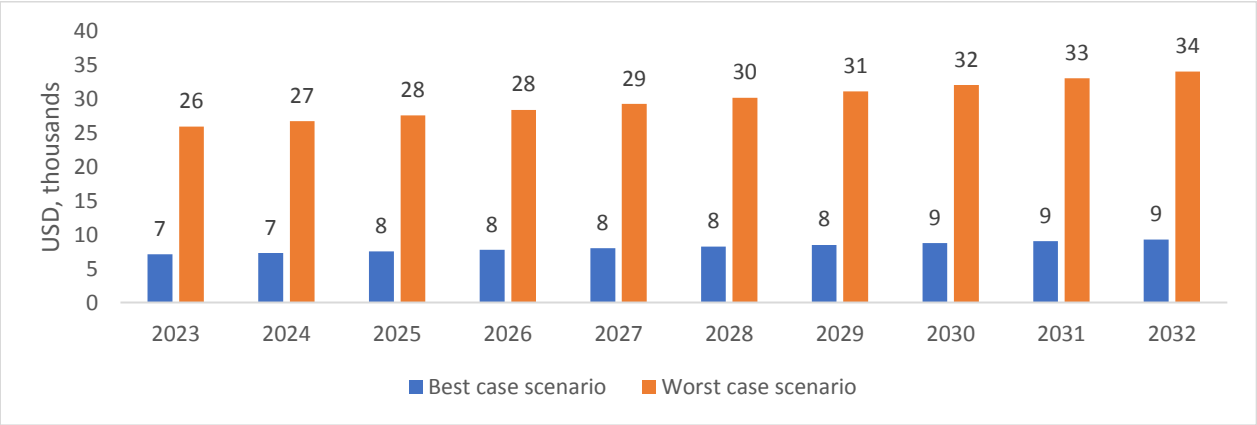


Figure 29. Changes in loss of local visitor spending from main short haul source market compared to BAU for Solomon Islands, 2023-2032



These estimates of potential losses in tourism revenue due to declining satisfaction are conservative. This model is based on the results of an empirical study that relates satisfaction with the diversity of tourism facilities and spending at a moment of time. Other factors that could have an impact

on tourism revenues are, for instance, a loss of visitors over time due to a lack of tourist facilities, excursion offerings, and cultural diversity options at the destination, creating at the same time negative reviews and generating poor word of mouth marketing for the countries. The decrease in the diversity of facilities at the destination might also have an impact on the length of stay, which would further limit overall expenditure, and the flow of 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.

C. Benefits of Resource Efficiency in Tourism Businesses

This model is based on a cost-benefit analysis using EDGE, IFC's tool and green building certification system,[152] to assess the potential returns of investments in more resource efficient tourism operations in the PICs. Specifically, it focuses on the case of hotels in three countries based on data availability and tourism dependency.[153] Fiji, Samoa and Vanuatu were the countries selected to represent destinations with high tourism contribution to GDP and medium to large market sizes, corresponding to Typologies 1 (Fiji) and 2 (Samoa, Vanuatu) of this study. In Fiji, the city of reference chosen was Nadi as 38 percent of accommodation are located there or nearby (Tourism Fiji 2017). In the case of Samoa and Vanuatu, the capitals (Adia and Port-Vila) are the only options available in the tool, and Port-Vila was chosen to be the reference for a Typology 2 country, since Vanuatu has more accommodation establishments than Samoa.

In order to capture the benefits of implementing resource efficiency measures in hotels, the default values that EDGE provides, when applicable, can be altered to best represent local circumstances. In this study, some inputs were modified and some others were untouched. Modified variables included construction year, hotel rooms, internal and roof areas, construction costs or floors. These were gathered and inserted according to regional or national averages and can be consulted in Table 25. Untouched parameters include the air conditioning system or operational details, since they seem to be in line with real market observations, among many other specificities that can be consulted in the 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 different hotel locations and categories

Typology 1 (Fiji)

[152] EDGE is a free design tool comprised of a web-based software application, a universal standard, and a certification system that focuses on making residential and commercial buildings more resource-efficient. Based on a building's parameters and local conditions, EDGE provides hypothetical costs, savings, and payback periods for green building measures through region-specific and use-based analysis. For a project to obtain EDGE certification, it must achieve a minimum standard of 20 percent reduction in the use of energy, water, and other materials when compared to local benchmarks. For more information, see: https://edgebuildings.com.

[153] The EDGE App has 12 available project infrastructure types: homes, apartments, serviced apartments, hotels, resorts, retail, industrial, offices, hospitals, education, and mixed use. Hotels are further split into 5 categories, from 1 to 5 stars.

Hotel category	Floors above grade	Roof area (m^2)	Gross internal area (m^2)	Construction costs (USD/m^2)	Pool	Number of rooms
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*
Typology 2 (Vanuatu, Samoa)						
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*
Assumptions for all hotel categories and countries: - Construction year: 2002 - Floors below grade: 0 - 20 percent of electricity generation comes from diesel - Cost of electricity = 0.32 USD/kWh						

Sources: own elaboration based on interviews with experts and data from the Department of Tourism and the Vanuatu Tourism Office, the Asian Development Bank, and The World Bank.

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

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

Table 26. Categories of rooms and assumption 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

Sources: own elaboration based on data from the Government of Fiji, the Government of Samoa the Department of Tourism and the Vanuatu Tourism Office

Results suggests that the investments in resource efficiency considered for hotels in the PICs would be paid back quickly. Table 27 shows the amount that hotels would need to invest to implement the considered energy, water and material efficiency measures needed to reach 20 percent efficiency gains, as well as the payback periods. As expected, the investment size increases with the hotel category, due to building dimensions and associated costs. In particular, the elevated cost of investment for 4- and 5-star hotels is explained by the considered adoption of renewable energies for electricity generation, which in turn bring much higher annual CO_2 savings. While 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 faster than that.

Table 27. Selected Key Performance Indicators (KPIs) for investments in resource efficiency

Typology category 1 (Fiji)					
Hotel category	**Incremental cost (US$)[154]**	**Payback in years[155]**	**Operational savings (tCO_2/year)**	**CO_2 savings (% total)**	**Utility savings (USD/year)**
1-star	2,601	0.1	47.0	20.61%	45,735
2-star	4,945	0.1	66.7	21.20%	65,206
3-star	3,500	0.0	82.8	20.50%	80,063
4-star	201,566	1.1	115.1	25.01%	181,188
5-star (small)	221,397	1.1	124.6	24.84%	197,352
5-star (large)		1.2	123.3	24.85%	209,261
Typology category 2 (Samoa, Vanuatu)					
	Incremental cost (US$)	**Payback in years**	**Operational savings (tCO_2/year)**	**CO_2 savings (% total)**	**Utility savings (USD/year)**
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

Results were extrapolated at a national level based on World Bank estimations on available room supply. For Fiji, the individual KPIs of Typology 1 were used, whereas Samoa's and Vanuatu's calculations were based on Typology 2 KPIs. Overall, the investment needed for Fiji is much higher due to a larger market supply of hotels, especially those categorized as 1- to 3-star. On the other hand, Samoa needs a higher investment than Vanuatu because of its elevated offer of 'Deluxe' rooms, which were classified as being part of 4-star hotels.

[154] Incremental Cost: Additional cost of implementing the selected efficiency measures compared to the baseline.
[155] Payback in Years: Number of years to repay the incremental cost compared to the cost savings of utilities. The method used is simple payback based on the capital cost of the measure.

Table 28. National investment needs and results in resource efficiency measures for Fiji, Samoa and Vanuatu

Country	Investment needed (US$ million)	Payback in years	Emissions saved (tCO2/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

D. Benefits of Resilient Tourism Infrastructure

The cost benefit analysis outlined below constructs a simplified model that analyzes the cost of investing today in the retrofitting of tourism-related infrastructure and design upgrades to new buildings compared against the future tourism economic benefits that would be lost from damage and revenue reductions in forecasted future natural disasters from 2022 to 2052 (30 years' time frame).

Investment needs in the tourism industry were taken from a World Bank study on climate change and DRM prepared for the Pacific Possible report (World Bank 2016). First, a present investment in the light retrofitting of tourism-related buildings was calculated based on the assessment of investment needs for the housing sector, amount that was adjusted to reflect the relative proportion of TCs impact on the tourism industry in past PDNAs,[156] and corrected for inflation. Second, a present investment in the evaluation of design upgrades reflects the modifications required to the design standards which are incorporated in building codes that apply to new buildings, and was collected from the same study. It covers the progressive adjustment in design standards required to take account of changes in temperatures, precipitation and humidity which affect the life and habitability of buildings, but it does not cover regulatory change, enforcement costs or maintenance of infrastructure. In this latter case, the amount was also adjusted to reflect the proportionate impact in the tourism sector and inflation until today.

The model provides a framework for performing sensitivity analyses to address the large number of considerations and variables that could affect the return on investments in resilient tourism infrastructure. A perfect model would include an exact estimation of natural disasters occurrences and impact, detailed and exhaustive information on countries' current tourism-related supply and resilience levels, and precise costs for investing in asset retrofitting. The future of tropical cyclones remains uncertain (Australian Bureau of Meteorology and CSIRO, 2014) and, even though some of the countries have information on current tourism supply, there is no assessment on national resilience levels for the tourism industry. Apart from the large pool of variables, a model should consider investments over time and annual savings. The World Bank's model below aims 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 so therefore is not translatable to other countries given the idiosyncrasy of each Pacific Island. The goal is to initiate a discussion about the need for additional

[156] Adjustment factors for the tourism sector vis à vis the housing sector are 0.10 for Fiji, 0.72 for Samoa, 0.24 for Tonga and 0.63 for Vanuatu.

information on the resilience levels of tourism supply in the Pacific and provide a framework for future research.

The model is built on some main assumptions and gives flexibility to country-specific variables when the best data is not available. First, the model assumes that all natural disasters will consist of tropical cyclone impacts with the same violence as real past ones, since TCs have traditionally been the most serious climate hazard for PICs in terms of total damage and loss (World Bank, 2016). It does not account for the impacts of climate change on intensity, duration, or frequency. Second, average building supply materials in the market will improve their resilience every year but are not able to avoid the entirety of impacts from TCs without applying specific resilience standards and techniques. To account for this, the model includes an impact diminisher of 0.9 that reduces the savings over time, that is, for every TC event expected savings are going to decrease a 10 percent with respect to the previous event. This impact diminisher has not been applied to new building supply, as it is constantly growing with new available materials. Third, the model assumes that the economy goes back to normal after 2024, so the effects of COVID-19 in international arrivals or market supply growth are not contemplated. Fourth, the model does not consider the impact on human life even though past natural disasters have significant impacts on displacing communities, injuring people, and causing fatalities that impact both society and the economy. These effects are not usually taken into account in econometric models but are often a key motivating factor for government and international intervention in resilience. Apart from this, the investment in tourism infrastructure that is resilient to the impacts of tropical cyclone would likely increase the protection from earthquakes, tsunamis and other natural disaster and their associated savings. In this regard, the model is conservative as for the benefits it will imply for the nations.

The best representation of the cost-benefit model for this analysis is a Net Present Value (NPV) approach, in which the sum of the discounted cashflows from TCs impact savings and the incremental revenue benefits deriving from the growth in the tourism industry would exceed the investment in the retrofitting of existing tourism-related structures as well as in design upgrade implementation for new buildings. In the equation, savings from TC impacts reflect both damages to assets and losses in revenues. Damages are direct physical impact on the tourism assets (accommodation providers, restaurants, tour operators, travel agencies and/or cultural heritage sites), and loss in revenues include the loss for the industry based on cancellations, an expected fall in international visitor numbers in the immediate aftermath of the disaster,[157] and/or extended closure of some restaurants and accommodation businesses. It also reflects higher operational costs incurred by the private sector due to the disaster, such as higher energy costs. On the other hand, the incremental impact savings are the additional savings in future tourism damages and losses deriving from a higher 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 model is applied to four countries from which comparable information on the impacts of past tropical cyclones is available. The countries and sources of impacts from tropical cyclones include Fiji and Category 5 TC Winston 2016, Samoa and Category 3 TC Evan 2012, Tonga and Category 5 TC Gita 2018, and Vanuatu and Category 4 TC Pam 2015. In all four cases, post-disaster needs (PDNA) or rapid

[157] Some studies in the academic literature that look at the impact of natural disasters in international visitor arrivals. For instance, J. Rosselló et al. (2020) find that, for storms, there is a decrease in arrivals by 0.003% for every million US$ cost of the disaster.

assessments produced in collaboration with the World Bank were used for data on the impacts of the cyclones. All of them make an estimation of the impact of the cyclones in the tourism sector and account for damages and losses, which have been adjusted for inflation. Therefore, since future savings data was gathered from the past and taken up to today, no discount rate appears in the equation, since they are already in present value. Finally, the number of expected tropical cyclones in the coming 30 years was pulled from the Pacific Possible study on climate change and disaster risk management, which gives information on the number of Category 4 and 5 TCs that occurred between 1981 and 2016, as well as from the EM-DAT database. Specifically, it was assumed 7 Category 4 or 5 TCs impact for Fiji, 6 for Samoa and Tonga, and 12 for Vanuatu. The assessment was done under historical climate conditions parameters and assuming independent successive events with no compounding effects.

Just a percentage of these damages and losses were accounted as future savings, since retrofitting options for existing buildings can decrease expected annual losses by 35-50 percent (World Bank, 2016)**.** Specifically, the Pacific Possible study finds that, for residential buildings, light retrofitting options decrease expected annual damages approximately by 37 percent in Fiji, 32 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 for the countries. Apart from this, the damages and losses deriving from TC Evan (the only Category 3 studied cyclone) were multiplied by 2.73 to better adjust them to the potential impacts of a TC of Category 4(NOAA, n.d.).

$$NPV_{2022-2052} =$$
$$- investment\ today\ retrofitting$$
$$- investment\ today\ evaluation\ design\ upgrades$$
$$+ \sum_{t=\frac{2052-2022}{TC^{\bar{e}}}\times n}^{n} savings\ from\ TCs\ impact\ today_t \times impact\ diminisher^n$$
$$+ \sum_{t=\frac{2052-2022}{TC^{\bar{e}}}\times n}^{n} incremental\ impact\ savings$$

Where

n = number of forecasted TC from today to 2052

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

$$incremental\ impact\ savings = savings\ from\ TCs\ impact\ today_t\ [(1 + industry\ growth\ rate)^t - 1]$$

Investing in resilient tourism infrastructure in anticipation of natural disasters was found to have a positive NPV for all four countries analyzed. Relative to their GDP and tourism revenues pre-pandemic, the present value of the operation for Tonga is the highest among the four countries, followed by Vanuatu, Samoa and Fiji. While the return on investment for Fiji is minimal 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 the expected reduction in the loss from other natural hazards, the impact on people, or the positive effects for other sectors. In the case of 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 TCs, such as Vanua Levu and other outer islands. Even in the case of Vanuatu, damages of the 2015 TC impact may be underestimated due to a lack of data from hotels.

Table 29. Potential Return of Investment in Resilient Tourism Buildings

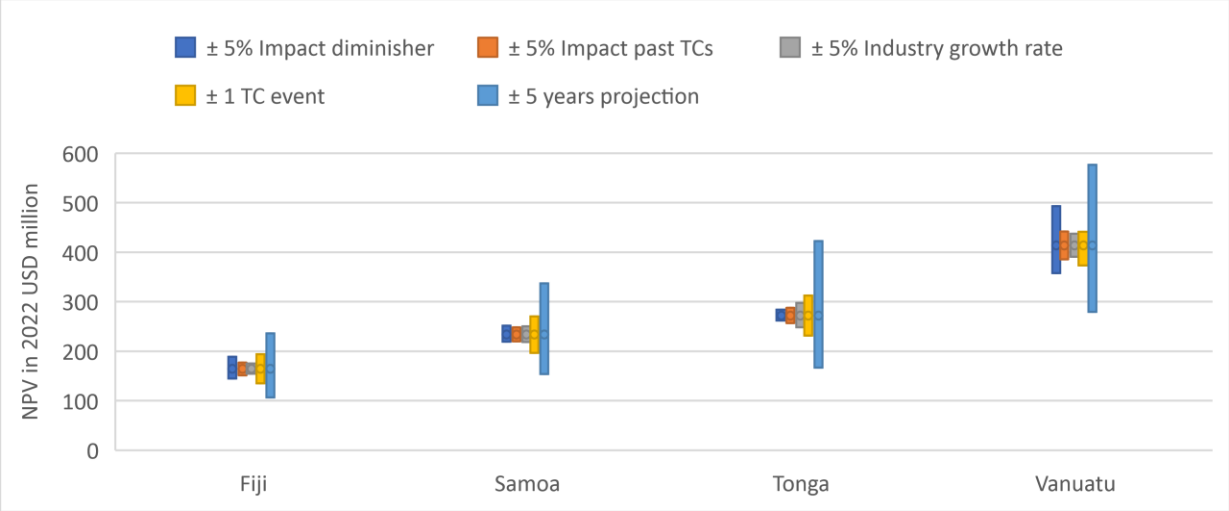
Country	NPV	~~Cost-Benefit~~Benefit-Cost ratio	GDP 2019	Tourism receipts 2019
Fiji	164.65	2.75	5,496.0	1,345.0
Samoa	234.07	5.65	852.3	206.0
Tonga	272.29	7.51	512.4	57.1
Vanuatu	413.63	3.81	930.3	295.0

Note: Monetary data in 2022 US$ million

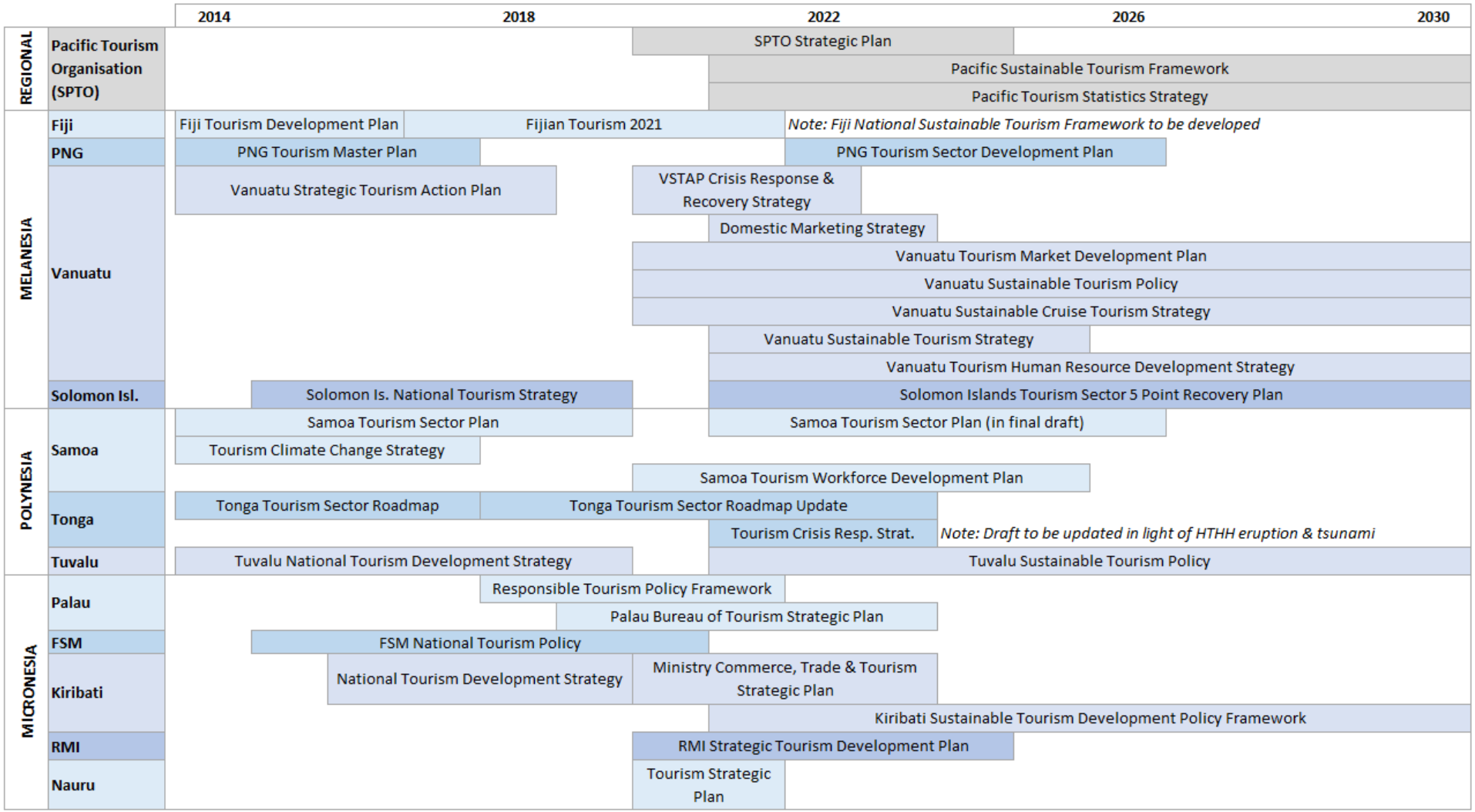
Long term benefits from investments varied among countries based on the number of forecasted TCs, estimated impacts on tourism sector with respect to other sectors, and expected growth in accommodation supply. For instance, Vanuatu has the highest present value as historically it has been struck by a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

While the results are only estimates based on the limited available data, the model can be helpful for understanding the variables that have the highest impact on the final outcome. Limitations of the data and modelling 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 the Pacific region to the vulnerability and hazard exposure of their assets and to pave the way for further analysis and policy consideration. Sensitivity analysis help to understand the parameters that might have a higher positive or negative impact on the investment justification process. The figure below shows the sensitivity of the countries' NPV to relevant parameters in the model equation, which influence the results differently for the four destinations being analyzed.

Figure 30. Results of the sensitivity analysis on the Resilient Tourism Buildings model



Annex 3: Overview of Recent Tourism Development Strategies in the PICs



Annex 4. 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 to growing value from the tourism sector in the PICs. 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 MSME development.

Several policy implementation tools developed and published by the World Bank Group and other institutions can be leveraged by country governments and tourism industries 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

UNWTO:

- 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 (PATA)

- Crisis Resource Center
- Associated Tourism Destination Resilience (TDR) course

Pacific Tourism Organization (SPTO)

- Sustainable Tourism Policy Framework
- SME Recovery Toolkit

References

A Brother Abroad. (2022). *Global Digital Nomad Study.* Retrieved from https://abrotherabroad.com/digital-nomad-statistics

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

ADB. (2013). *The economics of climate change in the Pacific.* Manila: Asian Development Bank.

ADB. (2017). *Cook Islands: Renewable Energy Sector Project.* Project Administration Manual.

ADB. (2018). *Women and Business in the Pacific.* Manilla: Asian Development Bank.

ADB. (2021). *Looking Forward: Evaluating the Challenges for Pacific Tourism After COVID-19.* Manilla: Asian Development Bank.

ADB. (2021). *Pacific Energy Update 2020.* Retrieved from https://www.adb.org/sites/default/files/institutional-document/671701/pacific-energy-update-2020.pdf

ADB. (2022). *COVID-19 and the Future of Tourism in Asia and the Pacific.* Manila: Asian Development Bank.

Adroit Market Research. (2022). *Luxury Travel Market Size.* Retrieved from 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#:~:text=The%20size%20of%20the%20glob

Alegre, J., Cladera, M., & Sard, M. (2011). Analysing the influence of tourist motivations on tourist expenditure at a sun-and-sand destination. *Tourism Economics, 17*(4), 813-832.

Amadeus. (2021). *Rebuild Travel Survey* . Retrieved from https://amadeus.com/en/insights/themes/rebuild-travel

Aslan, S. a. (2019). The effects of small and medium-sized tourism enterprises on destinations. In D. G. Nunkoo, *The Routledge Handbook of Tourism Impacts.* Routledge.

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

ATTA. (2022). *Adventure Travel Industry Snapshot.*

AusAid. (2008a). *Making Land Work: Volume One - Reconciling customary land and development.* Canberra: Australian Agency for International Development .

AusAid. (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 CSIRO. (2014). *Climate Variability, Extremes and Change in the Western Tropical Pacific: New Science and Updated Country Reports.* Melbourne, Australia:

Pacific-Australia Climate Change Science and Adaptation Planning Program Technical Report, Australian Bureau of Meteorology and Commonwealth Scientific and Industrial Research Organisation.

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

Baleinakorodawa, P., & Vaai , U. (2021, July 27). Fiji COVID Poverty Crisis. *Toda Peace Institute*. Retrieved from https://toda.org/global-outlook/fiji-covid-poverty-crisis.html

Baratti, L. (2021, May 30). *Travel Pulse*. Retrieved June 24, 2022, from https://www.travelpulse.com/news/destinations/thailand-proposes-1-per-night-deal-to-entice-tourists-back-to-phuket.html

Bermuda Tourism Authority . (2019). *National Tourism Plan 2019-2025.*

Bermuda Tourism Authority. (2012). *National Tourism Master Plan.*

Blake, A. a. (2003). The Economic Rationale for Government Intervention in Tourism.

Booking.com. (2021). *Sustainable Travel Report 2021.* Retrieved from 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. (2017, April 9). *Skills anticipation in Portugal.* Retrieved from European Center for the Development of Vocational Training: 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. (2019). *2018 Australia Ocean Source Market Report.*

CLIA. (2022). *2022 State of the Cruise Industry Outlook.*

Collier, B., & Ragin, M. (2022, August 16). *As Climate Risk Grows, So Will Costs for Small Businesses.* Retrieved from Harvard Business Review: https://hbr.org/2022/08/as-climate-risk-grows-so-will-costs-for-small-businesses

Colthorpe, A. (2022, October 25). *Tonga's first large-scale battery systems take country closer to achieving NDC climate targets*. Retrieved 11 1, 2022, from 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.*

Costa Rica Tourism Board. (2022). *CST Tourism Sustainability*. Retrieved September 2022, 4, from https://www.ict.go.cr/en/sustainability/cst.html

Crick, F., Eskander, S. M., Fankhauser, S., & Diop, M. (2018). How do African SMEs respond to climate risks? Evidence from Kenya and Senegal. *World Development, 108*, 157-168.

Cummins, N. (2020, August 21). The Challenges Facing South Pacific Aviation.

Das, S., & Kotikula, A. (2019). *Gender-based employment segregation: understanding causes and policy interventions. .* Washingotn, DC: World Bank.

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

Destination Think. (2020, May 27). *Reimagine What Tourism and Travel Can Become.* Retrieved from Destination Think: https://destinationthink.com/blog/reimagine-what-tourism-travel-can-become/

Digital Visitor. (n.d.). *Destination Marketing: Belize*. Retrieved from https://digitalvisitor.com/case-studies/belize/

Dwyer, L. a. (1992). "The case for tourism promotion: An economic analysis". *The Tourist Review, 47*(3), 16-26.

EM-DAT. (2022). *The International Disaster Database*. (C. f. CRE, Producer) Retrieved 2022, from https://www.emdat.be/database

EMSI. (2020, February 27). *Understanding Shift Share*. Retrieved from https://www.economicmodeling.com/2020/02/27/understanding-shift-share-2/

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

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

FAO. (2011). *Fiji Domestic Market Study: Opportunities and challenges for vegetable import substitution.* Rome: Food and Agriculture Organization.

Fiji Bureau of Statistics. (n.d.).

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.* Fiji Women's Rights Movement.

Fortune Business Insights. (2021). *Luxury Hotel Market Size, Share & COVID-19 Impact Analysis.*

Global Green Growth Institute. (2019). *Market Assessment for Solar Power for Off-Grid Hotels in Fiji .*

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.*

GlobalPetrolPrices.com. (2021). *Electricity Prices*. Retrieved from https://www.globalpetrolprices.com/electricity_prices/#hl160

Globetrender. (2021, September 23). *Bali Considers Banning Backpackers when it Reopens*. Retrieved from https://globetrender.com/2021/09/23/bali-considers-banning-backpackers-reopens-tourism/

Gösling, S., & Higham, J. (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. (2020). *International Visitors Survey Fiji 2019.* Ministry of Industry, Trade and Transport.

Government of Fiji. (2021, March 5). *Minister Faiyaz Koya's Speech at Opening of the Tourism Talanoa Session .* Retrieved from https://www.fiji.gov.fj/Media-Centre/Speeches/English/MINISTER-FAIYAZ-KOYA-AT-OPENING-OF-THE-TOURISM-TAL

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

Guo, Y., Jiang, J., & Li, S. (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.

Harvard Kennedy School of Government . (2019). *Atlas of Economic Complexity* . Retrieved July 12, 2022, from https://atlas.cid.harvard.edu/

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.

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

IFC. (2018). *From the Farm to the Tourist's Table - A Study of Fresh Produce Demand from Fiji's Hotels and Resorts.* Washington, DC: International Finance Corporation.

IFC. (2018). *Papua New Guinea Tourism Demand Assessment Part I: Investing in the Growth Potential of Niche Tourism of Papua New Guinea .* IFC.

IFC. (2019). *Assessment of the Economic Impact of Cruise Tourism in Fiji.*

IFC. (2019). *Destination Research Hawaii: Highlights and Learnings from 100 Years of Tourism Development.* Washington, DC: International Finance Corporation.

IFC. (2019). *Papua New Guinea: Tourism Demand Assessment Part II - Case Studies for Niche Market Success.* Washington, DC: International Finance Corporation.

IFC. (2019). *Shaping the Future of Adventure and Cultural Travel: Profiles and behaviors of adventure and cultural travelers from the United States and Australia.* Retrieved from 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

IFC. (2019). *Vanuatu Tourism Investment Needs Assessment 2020-2030.*

IFC. (2020). *Fiji COVID-19 Business Survey: Tourism Focus.* Washington, DC: IFC and Fiji Ministry of Commerce, Trade, Tourism and Transport.

IFC. (2020). *Vanua Levu Tourism Market Demand Assessment.* Suva: International Finance Corporation .

IFC. (2021). *Fiji TC Yasa Business Survey.* Washington, DC: International Finance Corporation.

IFC and UNWTO. (n.d.). *Government Incentives for Green Hotels: UNWTO and IFC Webinar Series.* Retrieved from https://webunwto.s3.eu-west-1.amazonaws.com/s3fs-public/2020-06/Government-Incentives-for-Green-Hotels-unwto.pdf

ILO. (2020a). *COVID-19 and employment in the tourism sector: Impact and response in Asia and the Pacific.* Retrieved from https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/briefingnote/wcms_742664.pdf

ILO. (2020b). *Pacific Labour Market Review.* Suva: International Labour Organization.

IMF. (2021). Managing Fiscal Risks from National Airlines. *IMF Working Paper*.

IMF. (2021). *Tourism in the Post-Pandemic World: Economic Challenges and Opportunities for Asia-Pacific and the Western Hemisphere.* Washington, DC: International Monetary Fund.

IMF. (2022). *International Financial Statistics*. Retrieved October 2022, from https://data.imf.org/?sk=4c514d48-b6ba-49ed-8ab9-52b0c1a0179b

IMF. (n.d.). *Policy Responses to COVID-19: Policy Tracker*. Retrieved April 2022, from https://www.imf.org/en/Topics/imf-and-covid19/Policy-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.* Retrieved from https://prdrse4all.spc.int/system/files/energy_efficiency_guidelines_for_hotels_in_the_

IRENA. (2014). *Renewable Energy Opportunities for Island Tourism.* IRENA.

Jiang, M., DeLacy, T., Mkiramweni, N., & Harrison, D. (2011). Some evidence for tourism alleviating poverty. *Annals of Tourism Research, 38*(3), 1181-1184.

Jurdana, D. S., & Frleta, D. S. (2016). Satisfaction as a determinant of tourist expenditure. *Current Issues in Tourism, 20*(7), 691-704.

Khokhobaia, M. (2019). he 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 .

Kovena. (2022). *Pacific Islands Hotel Insights 2022 Report.*

Krishnamurthi, S. (2020, July 31). *Could eco-tourism mark the post-Covid future for the Blue Pacific?* Retrieved July 19, 2021, from Earth Journalism Network: https://earthjournalism.net/stories/could-eco-tourism-mark-the-post-covid-future-for-the-blue-pacific

Laframboise, N., Mwase, N., Park, J., & Zhou, Y. (2014). *Revisiting Tourism Flows to the Caribbean: What is Driving Arrivals?* Washington, DC: International Monteary Fund.

Liang, X. &. (2021). Measuring McCities: Landscapes of chain and independent restaurants in the United States. *Planning B: Urban Analytics and City Science*.

Mahon, R., Becken, S., & Rennie, H. (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. Retrieved from http://www.caribbeanhotelandtourism.com/wp-content/2016/10/Consumer-Insights-by-MasterCard-Advisors.pdf

MBIE and Department of Conservation. (2019). *New Zealand-Aotearoa Government Tourism Strategy: Enrich New Zealand-Aotearoa through sustainable tourism growth .* New Zealand Government.

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

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

Movono, A. (2022, August 10). *Pacific aviation is struggling to take off after the pandemic – how can the 'blue continent' stay connected?* Retrieved from 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., & Scheyvens, R. (2020, November 25). *Pacific tourism is desperate for a vaccine and travel freedoms, but the industry must learn from this crisis.* Retrieved August 12, 2021, from 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, May 21). *The Caribbean Conundrum: United by Tourists, Divided by Covid.* Retrieved from New York Times: https://www.nytimes.com/2021/05/25/travel/caribbean-vacation-coronavirus.html

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

New Zealand Tourism Research Institute. (2020). *Solomon Islands International Visitor Survey, January to December 2019.*

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. (n.d.). *National Weather Service*. Retrieved 9 20, 2022, from https://www.weather.gov/jetstream/tc_potential

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

OAG. (2022). Traffic Analyzer.

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

Opçao Turismo. (2020, October 15). *Turismo de Portugal launches Digital Academy.* Retrieved from Opçao Turismo: https://opcaoturismo.pt/wp/en/turismo-de-portugal-lanca-academia-digital/

Palau Visitors Authority . (2021). *Palau Tourism Industry Report .*

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

PATA. (2022). *PATA Asia Pacific Forecasts 2022-2024: Executive Summary.*

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

PNG Tourism Promotion Authority. (2019). *International Visitor Survey.*

PNG Tourism Promotion Authority. (2020). *COVID-19 Crisis: Toruism Industry Business Impact Survey.*

PNG Tourism Promotion Authority. (2022). *PNG Tourism Sector Develoment Plan 2022-2026.* Retrieved from PNG Tourism Promotion Authority (2022). Tourism Sector Development Plan 2022-2026. https://www.papuanewguinea.travel/papua-new-guinea-tsdp#:~:text=Papua%20New%20Guinea%20Tourism%20Sector%20Development%20Plan%202022%20%2D%202026,-Wok%20Bung%20Wantaim&text=

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. (n.d.). *Puerto Rico Tourism Company*. Retrieved from https://prtourism.com/about-us/

PSDI. (2021). *Looking Forward: Evaluating the Challenges for Pacific Tourism After COVID-19.* Pacific Private Sector Development Initiative.

PSDI. (2021). *Pacific Tourism Sector Snapshots.* Pacific Private Sector Development Initiative.

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

PSDI. (2022). *Tonga Tourism Crises Impacts Assessment, Pacific PSDI.* Pacific Private Sector Development Initiative.

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

Qualmark. (n.d.). Retrieved from https://www.qualmark.co.nz/en/learn-about-us/

Rasoolimanesh, S., Seyfi, S., Rastegar, R., & Hall, C. M. (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.*

Reuters. (2022, July 4). *'Sell premium' - Thailand discourages discounts, wants high value tourists* . Retrieved from https://www.reuters.com/world/asia-pacific/sell-premium-thailand-discourages-discounts-wants-high-value-tourists-2022-07-04/

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%20Sta

Safran, P. (2015). *Understanding Land Issues and Their Impact on Tourism Development.* Manilla: Asian Development Bank.

Samoa Chamber of Commerce & Industry . (2020b). *Rapid Assessment of the COVID-19 Impact on Businesses, Employment and Households in Samoa .*

Samoa Chamber of Commerce & Industry. (2020a). *Business Confidence Survey 2020.*

Scheyvens, R., & Russell, M. (2009). *Tourism and Poverty Reduction in the South Pacific.* Report for the New Zealand Ministry of Foreign Affairs and Trade (MFAT), Massey University. Retrieved August

12, 2021, from https://www.mfat.govt.nz/assets/Uploads/Tourism-and-poverty-reduction-in-the-South-Pacific.pdf

Scheyvens, R., & Russell, M. (2011). Tourism, Land Tenure and Poverty Alleviation in Fiji. *Tourism Geographies, 14*(1), 1-25.

Scheyvens, R., & Russell, M. (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., & Weisskopf, N. (2014). *Ready for Takeoff? The Potential for Low-Cost Carriers in Developing Countries .* Washington, DC: The World Bank.

Siegel, B. (2021). *What Happens When you Stop Marketing? The Rise and Fall of Colorado Tourism.* Longwoods International.

Smeral, E. (2006). "Aspects to justify public tourism promotion: An economic perspective". *Tourism Review, 61*(3), 6-14.

SPREP. (2020, June 12). *Webinar Series To Encourage Sustainability As World Emerges From COVID-19.* Retrieved July 19, 2021, from Secretariat of the Pacific Regional Environment Programme: https://www.sprep.org/news/webinar-series-to-encourage-sustainability-as-world-emerges-from-covid-19

SPTO. (2015). *Niche Market Study: Romance.*

SPTO. (2017). *How Sustainable is Pacific Tourism?* Retrieved July 19, 2021, from https://webunwto.s3-eu-west-1.amazonaws.com/imported_images/47190/mr._christopher_cocker_final_presentation_-_national_forum_on_sustainable_tourism_for_development_png.pdf

SPTO. (2020). *2019 Annual Review of Visitor Arrivals Report .* Suva: Pacific Tourism Organisation.

SPTO. (2021). *2020 Annual Visitor Arrivals Snapshot.* Suva: Pacific Tourism Organisation .

SPTO. (2021). *Pacific Sustainable Tourism Policy Framework.* Suva: Pacific Tourism Organisation.

Sumb, A. (2017). New Zealand travellers' perceptions of safety and security in Papua New Guinea. *Contemporary PNG Studies, 27*, 42-50.

SuperGuide. (2022, February 9). *SuperGuide*. Retrieved November 29, 2022, from https://www.superguide.com.au/retirement-planning/retiring-overseas-implications-super-tax

Sustainable Hospitality Alliance and IFC. (2020). *Business Case for Sustainable Hotels.* Retrieved from https://sustainablehospitalityalliance.org/resource/business-case-for-sustainable-hotels/

Tahana, J. (2020, May 7). A surge in poverty as tourism jobs in Samoa disappear. *Radio New Zealand*. Retrieved from 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 Divident of Resilience: Realising development goals through the multiple benefits of disaster risk management.* London: Global Facility for Disaster Reduction and Recovery (GFDRR) at the World Bank and Overseas Development Institute (ODI).

Tarlow, P. (2014). *Tourism Security: Strategies for Effectively Managing Travel Risk and Safety.* Butterworth-Heinemann.

Taylor, M. (2020, June 12). *Navigating through Covid19- our Blue Pacific Ocean journey.* Retrieved July 19, 2021, from Office of the Pacific Ocean Commissioner: https://opocbluepacific.net/navigating-through-covid19-our-blue-pacific-ocean-journey/

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

The Caribbean conundrum: United by tourists, divided by COVID. (2021, May 25). Retrieved from New York Times: https://www.nytimes.com/2021/05/25/travel/caribbean-vacation-coronavirus.html

The Weekly Journal. (2022, August 24). *Puerto Rico Tourism Industry Continues to Break Records.* Retrieved from The Weekly Journal: 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*. Retrieved from http://thewisedreams.com/

Tourism Fiji . (2017). *2017 Room Inventory Report* . Suva: Tourism Fiji.

Tourism New Zealand. (n.d.). Retrieved from https://www.tourismnewzealand.com/about-us/

TravelAge West. (n.d.). *Puerto Rico Is a Tourism Case Study in Overcoming Setbacks.* Retrieved from TravelAge West: https://www.travelagewest.com/Travel/USA-Canada/Puerto-Rico-Is-a-Tourism-Case-Study-in-Overcoming-Setbacks

TraveloBiz. (2022, April 12). *Planning to Travel Indonesia? Hotels in Bali Offering up to 50% Discount for International Tourists* . Retrieved from https://travelobiz.com/planning-to-travel-indonesia-hotels-in-bali-offering-up-to-50-percent-discounts-for-international-tourists/

TRIP Consultants. (2013). *Tonga Tourism Sector Roadmap 2014-2018.*

Tripadvisor. (2022). *Beyond COVID-19: The road to recovery for the travel industry*. Retrieved from https://www.tripadvisor.com/Covid19WhitepaperMay2020#group-accommodations-NG7F0K8gGe

U.S. Travel Association. (2017). *What's at Stake When Destination Marketing Stops: The Power of Travel Promotion.* U.S. Travel Association.

UNCDF. (2021). *The Opportunity for Digital and E-commerce Payments in the Pacific Region.* UN Capital Development Fund.

UNDP. (2020, October 26). *How can small islands reimagine tourism for a green recovery.* Retrieved July 19, 2021, from United Nations Development Programme: https://www.undp.org/blogs/how-can-small-islands-reimagine-tourism-green-recovery

UNESCAP. (2020). *Tourism as a driver of sustainable development in Asia-Pacific Small island developing States.* Bangkok: United Nations Economic and Social Commission for Asia and the Pacific.

UNESCAP. (2022). *Policy Guidebook for MSME Development in Asia and the Pacific. 2nd Edition.* Bangkok: United Nations publications.

United Nations University. (2016). *World Risk Report.* Bonn: Bündnis Entwicklung Hilft and United Nations University. Retrieved from https://collections.unu.edu/

United States Government Accountability Office. (2018). *Workplace Retirement Acounts.* Report to the Ranking Member, Committee on Finance United States Senate.

UNWTO. (2007). *A Practical Guide to Tourism Destination Management.*

UNWTO. (2020a). *One Planet Vision for a Responsible Recovery of the Tourism Sector.* United Nations World Tourism Organization.

UNWTO. (2020b). *Tourism in SIDS: the challenge of sustaining livelihoods in times of COVID-19.* Madrid: United Nations World Tourism Organization.

UNWTO. (2021). *Compedium of Tourism Statistics, Data 2015-2019, 2021 Edition.* Madrid: UNWTO.

UNWTO. (2021). *Sécurité et sûreté dans le secteur du tourisme Volume 1 : Des liens étroits entre tourisme, sécurité, sûreté et développement.* Madrid: World Tourism Organization.

UNWTO. (2022, August 1). *International Tourism Consolidates Strong Recovery Amidst Growing Challenges.* Retrieved September 5, 2022, from UN World Tourism Organization: https://www.unwto.org/news/international-tourism-consolidates-strong-recovery-admidst-growing-challenges

UNWTO. (2022). *Tourism Data Dashboard.*

UNWTO. (2022, January 18). Tourism Grows 4% in 2021 but Remains far Below Pre-pandemic Levels. *UNWTO*. Retrieved from https://www.unwto.org/news/tourism-grows-4-in-2021-but-remains-far-below-pre-pandemic-levels

UNWTO and STR. (2022). *Tourism Recovery Tracker*. Retrieved 10 11, 2022, from https://www.unwto.org/tourism-data/unwto-tourism-recovery-tracker

UNWTO. (n.d.). *Tourism Statistics Database*. Retrieved from https://www.unwto.org/tourism-statistics/tourism-statistics-database

Vanuatu Chamber of Commerce & Industry. (2020). *Vanuatu Private Sector Economic Update.*

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, July). Preparing for the return of travel in a post-COVID world. *Visa Navigate*. 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.* Retrieved from 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, August 8). *Social Security Matters*. Retrieved November 29, 2022, from 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: The World Bank.

World Bank. (2016). *Pacific Possible. Climate and Disaster Resilience.* Sydney: World Bank.

World Bank. (2017a). *Pacific Possible: Long term Economic Opportunities and Challenges for Pacific Island Countries.* Washington, DC: The World Bank Group.

World Bank. (2017b). *Republic of Fiji - Sytematic Country Diagnostic.* Washington, DC: The World Bank Group.

World Bank. (2018). *PNG Urban Youth Employment Project Impact Evaluation.* Washington, DC: World Bank.

World Bank. (2018). *PNG Urban Youth Employment Project Impact Evaluation.*

World Bank. (2019). *Beyond Arrivals : Emerging Opportunities for Georgian Firms in Tourism Value Chains.* Washington, D.C.: The World Bank. Retrieved from https://openknowledge.worldbank.org/handle/10986/33029

World Bank. (2019, November 4). *Pacific Islands: Harnessing the transformative power of digital connectivity.* Retrieved from World Bank: https://www.worldbank.org/en/news/feature/2019/11/04/pacific-islands-harnessing-the-transformative-power-of-digital-connectivity

World Bank. (2020). *Resilient Tourism: Competitiveness in the Face of Disasters.* Washington, D.C.: World Bank.

World Bank. (2020a). *Rebuilding Tourism Competitiveness.* Washington, DC: The World Bank Group.

World Bank. (2020b). *Pacific Island Countries in the Era of COVID-19: Macroeconomic Impacts and Jobs Prospects.* Washington, DC: The World Bank Group.

World Bank. (2020c). *From Containment to Recovery: Economic Update for East Asia and the Pacific.* Washington, DC: The World Bank Group.

World Bank. (2020d). *Vanuatu Tourism Investment Needs Assessment and Plan (2020-2030).* Washington, DC: The World Bank.

World Bank. (2021). *Fiji Household Income and Expenditure Survey 2019-2020.* World Bank.

World Bank. (2021). *How could the Pacific Restore International Travel?* Washington, DC: The World Bank Group.

World Bank. (2022). *Case Study Analysis on Digital Adoption in Tourism.* Washington, D.C.: Unpublished Report.

World Bank. (2022). *Fiji Climate Vulnerability Assessment: Making Fiji Climate Resilient.* Washington, DC: World Bank.

World Bank. (2022a). *Expecting the Unexpected: Tools and Policy Considerations to support the Recovery and Resilience of the Tourism Sector.* Washington, D.C.: World Bank Group.

World Bank. (2022b). *Shifting Tourism Demand Risk, Health and Sustainability in the Age of COVID 19.* Washington, D.C.: World Bank Group.

World Bank and IFC. (2020). *Tourism Recovery in the Pacific: Building Resilience After COVID-19.* Washington, DC: World Bank Group.

World Bank. (n.d.). *Mapping of Digital Along the Tourism Value Chain.* Unpublished mimeo.

WTTC. (2022). *Economic Impact Assessment Reports for Fiji, Kiribati, PNG, Solomon Islands, Tonga and Vanuatu.*