

Dravuni Island, Fiji

DESTINATION INFORMATION AT A GLANCE

POPULATION:

886,200 (2020).*

CAPITAL:

Suva (Viti Levu island—3,460 kilometers (km) east of Cairns, 2,100 km north of Auckland, 5,000 km southwest of Honolulu).

OFFICIAL LANGUAGES:

iTaukei, English, and Fijian Hindi.

CLIMATE:

Warm tropical climate. December–April: humid, more likely to rain, average temperature range: 22°C–33°C. May–November: drier, average temperature range: 19°C–29°C.

CURRENCY:

Fijian Dollar (F\$).

ENTRY AND VISA REQUIREMENTS:

Permit on arrival (up to 4 months) for up to 100 visa exempted economies, including Australia; People's Republic of China; European Union; Japan; Republic of Korea; New Zealand; Taipei, China; and the United States.

GEOGRAPHY:

Archipelago of more than 330 islands (110 permanently inhabited), with a total land area of 18,300 square km across 1.29 million square km of ocean.

*Asian Development Bank. 2021. *Key Indicators for Asia and the Pacific 2021*. Manila.

Fiji

PACIFIC TOURISM SECTOR SNAPSHOT | NOVEMBER 2021

INTRODUCTION

The Republic of Fiji has the most developed tourism offering in the Pacific region, based on its palm-fringed white sand beaches, lush rainforests, coral reefs, lagoons, state-of-the-art conference facilities, and five-star resorts. Tourists can dive and snorkel world-class sites, surf a range of excellent breaks, fish for marlin or mahi-mahi, paddle in a sea kayak or outrigger canoe, or swim with manta rays.

Tourism is the main driver of economic activity and direct foreign investment in Fiji.

The sector generated around 40% of foreign exchange and an estimated 26% of gross domestic product (GDP) in 2019 (Pacific Tourism Organisation [SPTO] 2020). Prior to the coronavirus disease (COVID-19) pandemic, tourism employed over 118,000 Fijians¹—estimated at around 36.5% of Fiji's total employment (Government of Fiji, Ministry of Industry, Trade and Tourism 2019).

Fiji has a globally recognized tourism brand, a well-developed tourism sector, and is the leading connections hub for travel in the region. Although the service-driven economy has been heavily impacted by shutdowns and border closures as a result of COVID-19, it is well-placed to resume its status as a leading regional tourist market once travel restrictions are lifted. But to see continued growth, the country may need to continue easing some of its regulatory burdens, diversify, and grow new market segments.

¹ Includes indirect employment in sectors such as transport, food service, construction, retail, and agriculture. The Pacific Tourism Organisation (SPTO) (2020) estimates tourism directly employed 15,094 Fijians in 2019.

TOURISM SECTOR OVERVIEW

Note: this overview compiles key tourism information based on the most recent available data. Due to the impact of COVID-19 on the tourism sector, some of this information has likely changed.

TRANSPORT AND CONNECTIVITY

Fiji is the major airline hub for the Pacific. In 2019, more than 7,000 international flights operated in and out of the country, serviced by 11 carriers. More than 65% of flights, to 20 international destinations, were operated by Fiji Airways (Tourism Fiji, unpublished data).

Before the COVID-19 pandemic, Nadi was connected to 26 international destinations. These included regional destinations as well as services into Asia, Australia, New Zealand, and the United States. Sydney to Nadi was the most frequent international service and averaged more than 30 flights per week across four carriers.²

Nadi International Airport receives 97% of Fiji's international visitors (Fiji Airports 2018). The airport is owned and managed by Fiji Airports, which operates as a public enterprise. Fiji Airports also manages the Nausori International Airport in Suva and the 13 outer-island airports.

Fiji Airways is the South Pacific's largest airline. The airline is majority owned by the Government of Fiji; Australian airline Qantas owns a significant stake; and Air New Zealand and the governments of Kiribati, Nauru, Samoa, and Tonga each hold minor stakes. In 2020, Fiji Airways secured approval for F\$455 million (approximately \$200 million) in guarantees from the Government of Fiji for commercial loans to sustain its operations during the COVID-19 crisis (Republic of Fiji 2020), and in 2021 secured an additional \$65 million in loans from the Asian Development Bank (ADB) (2021) to help the airline maintain liquidity and return to profitability when travel resumes.

Large cruise ships call at five main Fijian ports: Suva, Port Denarau (Nadi), Lautoka, Savusavu, and Dravuni Island. Suva receives the highest number of calls, at 40% of the total. An International Finance Corporation (IFC) (2019) report found average daily spend to be highest in Lautoka at F\$118 and lowest in Dravuni Island at F\$3. Passenger spend is positively correlated with time spent in port, availability of pre-booked tours, and the variety of retail infrastructure and shopping opportunities.

Domestic air services in Fiji are operated by Fiji Airways and Northern Air. In 2019, there were more than 14,000 domestic flights in Fiji, almost twice the number of international services. Flights from Suva to Nadi were the most frequent, comprising 34% of all domestic services (Tourism Fiji, unpublished data).

Transport to many of Fiji's outer islands is by boat. For many Fijians, passenger ferries or cargo boats provide the most cost-effective form of inter-island transport, although sea travel can be impacted by poor weather and tidal conditions. Fiji

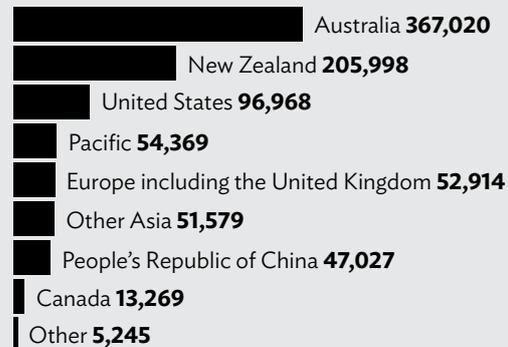
Box 1: Fiji Key Visitor Statistics (Air Arrivals)

Air Arrivals (2019)

894,389 visitors.

Source: Pacific Tourism Organisation.

Air Arrivals by Source Country (2019)



Source: Pacific Tourism Organisation.

Purpose of Visit (2019)



Source: Government of Fiji, Ministry of Industry, Trade, and Tourism. 2020. *Fiji International Visitor Survey, 2019 Report for January–December 2019*. Suva.

Tourism Receipts (2019)

\$1.396 billion.

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

Visitor Spend (2019)

F\$3,379 per person.

Source: Government of Fiji, Ministry of Industry, Trade, and Tourism. 2020. *Fiji International Visitor Survey, 2019 Report for January–December 2019*. Suva.

Source: Pacific Private Sector Development Initiative

has wharves on 40 smaller islands, but some have only basic facilities. Tourist destinations, such as the Mamanuca Islands, are serviced by fast, air-conditioned passenger catamarans.

Visitors to Nadi and Suva have a range of transport options, including rental cars, taxis, and private shuttle services. Public buses run frequently from Nadi to Suva via the Coral Coast and

2 Calculation based on 1,577 flights between Sydney and Nadi in 2019. The route was serviced by Fiji Airways, Jetstar, Qantas, and Virgin Australia.

Box 2: Fiji Key Visitor Statistics (Sea Arrivals)

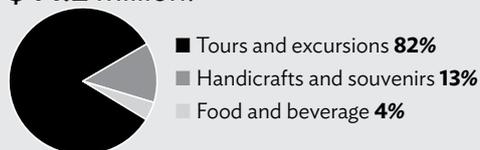
Cruise Arrivals (2019)

74,537 passengers on **109** cruise calls.

Source: Tourism Fiji.

Cruise Spend (2018)

\$44.2 million.



Source: International Finance Corporation. 2019. *Assessment of the Economic Impact of Cruise Tourism in Fiji*. Suva.

Yacht Arrivals (2019)

727 yacht arrivals, carrying **4,762** guests and **1,935** crew.

Source: Fiji Revenue and Customs Service. 2020. *2019 Fiji Yachting Survey*. Suva.

Yacht Spend (2019)

Yacht visitors spent an estimated **F\$34.6 million** in Fiji in 2019, equating to an average spend of **F\$5,166 per person**.

Source: Fiji Revenue and Customs Service. 2020. *2019 Fiji Yachting Survey*. Suva.

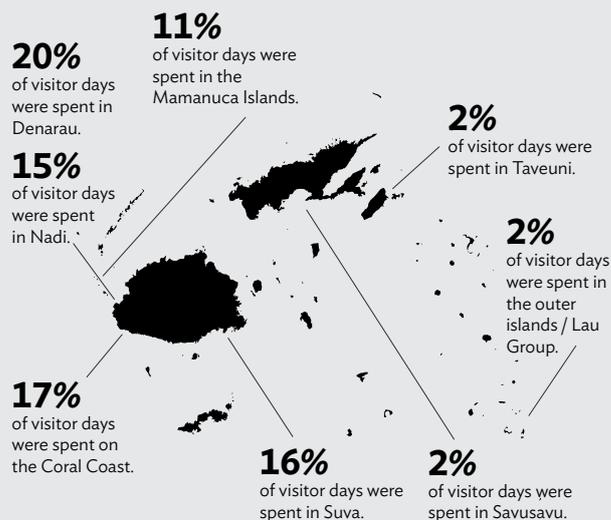
Source: Pacific Private Sector Development Initiative

the tourist areas in Viti Levu and Vanua Levu are accessible by sealed road. The interior of Fiji's main islands has seen limited tourism expansion to date, but investment in sustainable infrastructure would open up opportunities for ecotourism and adventure tourism.

ACCOMMODATION

In 2019, Fiji had an estimated 423 licensed accommodation providers, with a total of nearly 13,000 rooms (SPTO 2020). Accommodation varies from higher-end and luxury properties, including a number of internationally branded hotels, to smaller-scale local enterprises catering to backpackers, cultural tourists, and ecotourists. By the latest estimate, almost a third of Fiji's accommodation properties were considered five-star (priced at more than F\$500 per night), 28% were four-star equivalent, 25% three-star equivalent, and just 17% were considered budget accommodation (priced under F\$100 per night) (Government of Fiji, Ministry of Industry, Trade, and Tourism 2019).

Box 3: Fiji Visitor Destinations



Source: Government of Fiji, Ministry of Industry, Trade, and Tourism. 2020. *Fiji International Visitor Survey, 2019 Report for January – December 2019*. Suva.

The majority (nearly 80%) of accommodation is on Viti Levu, Fiji's main island. A further 11% of accommodation is found on the neighboring Yasawa and Mamanuca islands. Annual occupancy is strongest in the tourist hubs of Nadi and the Coral Coast, exceeding 60% per year. By comparison, outer islands and niche destinations averaged only 23% occupancy in 2019. Occupancy rates are seasonal, peaking during the July–September quarter (62% in 2019) and at their lowest during January–March (47% in 2019) (Tourism Fiji, unpublished data).

The Fiji National Provident Fund (FNPF) is significantly invested in tourism accommodation. The FNPF owns at least seven hotels in Fiji across Nadi/Denarau, the Coral Coast, and Suva, as well as the Denarau Golf Course and Natadola Bay Championship Golf Course (FNPF 2020). The investment is estimated at F\$721.5m or 10% of the FNPF's total portfolio (Deo 2020). While FNPF's investment has supported Fiji's tourism industry, the high exposure leaves it vulnerable in times of significant tourism downturn, such as the COVID-19 pandemic.

ORGANIZED TOURS

Fiji has a wide range of tour options, covering land, air, and sea. Tours include island and snorkeling day trips, city tours, scenic flights, day hikes, cultural experiences, and longer dive expeditions. The range of tour operators includes small family enterprises to large organisations that employ more than 200 staff and offer multi-destination itineraries.

Package holidays to Fiji are commonly sold by international tour operators. Trips tend to be at least one week in duration, with some companies offering packages that include other Pacific Islands. Many European and North American operators combine a trip to Fiji with travel to Australia and/or New

Box 4: Fiji Visitor Arrival Trends

Air Arrivals (2010-2020)



Source: Pacific Tourism Organisation.

Before the coronavirus pandemic closed international borders, Fiji's air arrivals had been steadily increasing and had grown 40% from 2010 to 2019. While the Australian market had grown consistently (up 15% since 2010), the sharpest increases in visitor numbers were from the People's Republic of China (PRC) and New Zealand, with growth of 159% and 110% respectively from 2010 to 2019. Visitor arrivals in Fiji are seasonal, being higher from June to September with a defined peak in July. This reflects the drier months in Fiji and winter in the major source markets of Australia and New Zealand. The small but growing number of visitors from the PRC compliments this pattern, with visitation highest in February, likely due to Chinese New Year.

Cruise arrivals grew from 2014 to 2018 but experienced a sharp decline in 2019. Arrivals in 2019 fell 60% from the 2018 high, and were below 100,000 for the first time in five years (Tourism Fiji, unpublished data). The drop has been attributed to multiple factors, including port bookings, which usually need to be secured 2 to 3 years in advance, and the scheduling of cruise ships from the PRC, which change destinations annually. Cruise vessels from the PRC were scheduled to be repositioned to the Pacific in 2020 (Fiji Sun 2019).

References:

Fiji Sun. 2019. "Kenua Expects Drop in Cruise Arrivals." 16 January 2019.

Source: Pacific Private Sector Development Initiative.

Zealand. In 2019, nearly half (45%) of all travelers to Fiji were on a pre-paid packaged trip, with a further 3% traveling as part of an organized group (Government of Fiji, Ministry of Industry, Trade and Tourism 2020).

VISITOR SATISFACTION

Visitors to Fiji report high satisfaction. Nine out of 10 visitors rated their trip as "very satisfactory" in a recent survey. The most positive aspects included Fijian hospitality and the quality of

Box 5: Fiji Key Attractions

- **Palm-fringed white sand beaches**—coral reefs, and lagoons for world-class snorkeling, diving, fishing, and surfing.
- **A wide variety of accommodation**—from budget to five-star, including many large all-inclusive resorts.
- **An extensive range of restaurants**—offering a variety of international cuisines.
- **More than a dozen golf courses**—including three championship courses on Viti Levu.
- **Well-maintained national parks**—featuring lush rainforests, panoramic views, hiking trails, waterfalls, natural swimming pools, and bird watching.

Source: Pacific Private Sector Development Initiative.



accommodation. Satisfaction is reflected in visitor loyalty: 42% of visitors in 2019 had been to Fiji previously and 68% said they hoped to visit again in the next 5 years (Government of Fiji, Ministry of Industry, Trade and Tourism 2020).

EMPLOYMENT AND TRAINING

Tertiary education in tourism is widely available in Fiji. The University of the South Pacific offers tourism and hospitality courses at undergraduate, graduate diploma, and masters levels. Management courses are also offered at Fiji National University up to postgraduate level. Vocational tourism courses including cookery, food and beverage, housekeeping, and front of office, are taught from Certificate III to diploma level through four main providers: the University of the South Pacific TAFE, Fiji National University, the ServicePro International Hospitality and Tourism Institute, and the Australia Pacific Training Coalition.

TOURISM GOVERNANCE, PLANNING, AND POLICY

The Ministry of Commerce, Trade, Tourism, and Transport is the lead government agency for tourism policy and planning. The ministry's tourism unit has 13 full time staff, with 10 based in Suva and three at Nadi International Airport. The core functions of the tourism unit include policy and regulation, research, industry development and investment, and community engagement.

The ministry's current tourism strategy is Fijian Tourism 2021 (FJ2021). According to the strategy, Fiji is moving into a “more complex phase of its development”, which “will require greater coordination amongst stakeholders to ensure the potential of the sector is optimized” (Government of Fiji, Ministry of Industry, Trade and Tourism 2019). Twenty-eight sub-strategies are outlined, under nine thematic areas. These focus on increasing visitor expenditure to maximize yield, creating a supportive enabling environment, and ensuring sustainability of the tourism industry.

The vision at the heart of FJ2021 is to grow tourism into a F\$2.2 billion industry by 2021. This was to be achieved through increasing annual visitor arrivals to 930,000 by 2021. The government also aimed to ensure the benefits of increased tourism were felt across the country. Using the 2018-to-2019 growth rate of 2.8% as a predictor, Fiji was on track to exceed 940,000 arrivals by 2021, although the target will not be met due to the COVID-19 pandemic. In 2019, visitor expenditure was estimated at F\$3.03 billion (Government of Fiji, Ministry of Industry, Trade and Tourism 2020).³

TOURISM MARKETING

Tourism Fiji is responsible for marketing Fiji as a tourism destination. It is mandated under the Tourism Fiji Act 2004 to

operate as an independent corporation. Tourism Fiji is led by a chief executive officer who reports to a board of directors and, prior to the COVID-19 pandemic, had more than 60 staff in Fiji and across six international offices. Although semi-autonomous, Tourism Fiji is fully government funded through an annual budget allocation.

Fiji is marketed with the well-known brand “Fiji—Where Happiness Finds You.” The brand is based on market research indicating that while Fiji is well known for its natural beauty, relaxation, and friendliness, visitors are often unaware of the range of activities available. The strategy aims to redefine Fiji as more than a tropical holiday paradise, and as a destination offering cultural and environmental experiences, and distinctive hospitality (known as Bula Spirit). Fiji's marketing is largely digital.

Fiji's marketing strategy is being reassessed in response to COVID-19 to ensure target markets and campaign messaging are relevant. During the pandemic, the government has introduced a “Blue Lanes” initiative, which allows yachts and pleasure craft to dock at Denarau Marina and quarantine at sea for 14 days. High-spending groups able to charter flights to Fiji are also being targeted through the “Luxury Vacation in Paradise” initiative, which entices tourists to wait out the pandemic on one of Fiji's private islands.

³ Note: This figure is not comparable to previous years because of a change in the variety of methods used to calculate visitor spend and value of tourism as an industry.

Cruise ship, Dravuni Island, Fiji





PRIVATE SECTOR ORGANIZATION

The private sector drives Fiji's tourism industry. Private sector operators in Fiji are diverse and highly active. Advocacy is primarily led by the Fiji Hotel and Tourism Association (FHTA), whose membership base now covers all tourism-related businesses, and accounts for more than 80% of total room inventory in Fiji (FHTA, unpublished data). The Society of Fiji Travel Associates also represents tour operators and rental car agencies, while the Fiji Independent Travel and Backpackers Association represents budget and adventure-oriented operators.

Fiji has multiple regional tourism and destination marketing organizations. These have varied membership numbers and levels of activity.⁴ The Duavata Sustainable Tourism Collective of small- and medium- sized enterprises represents community-based operators, and advocates for greater sustainability in the sector.

TOURISM SECTOR CHALLENGES AND OPPORTUNITIES

ENVIRONMENT AND INFRASTRUCTURE

Sustainable tourism development is a priority for the Government of Fiji. The 2014 Green Growth Framework for Fiji outlines the country's commitment to sustainable development. It states that "maintaining the quality of the environment, both natural and manmade, is essential for the [tourism] industry," and identifies four main sustainable tourism-related challenges in Fiji: sustainable use of water; conservation of biodiversity; energy efficiency; and waste management (Government of Fiji, Ministry of Strategic Planning, National Development and Statistics 2014).

Tourism-induced environmental impacts could threaten the sustainability of Fiji's tourism industry. Forests and wetlands, particularly along the coast, have been cleared to build tourist infrastructure, such as hotels and marinas. This has resulted in loss of habitat for marine life and mangroves, and exacerbated climate-induced impacts and coastal erosion (Government of Fiji, Ministry of Strategic Planning, National Development and Statistics 2014). The construction of Fiji's Denarau Island resort, for example, included the clearing of 130 hectares of mangrove forest to create a golf course and artificial marina (Singh et al 2020). Waste collection and disposal in the Greater Suva area is more advanced than other parts of the country and many Pacific Islands, but illegal dumping and burning persist (ADB 2014). In tourist-heavy areas, large volumes of solid waste generated by hotels and other tourist facilities go to landfill. Environmental degradation, if left unmitigated, could damage the pristine image on which Fiji's tourism industry relies and affect livability.

Fiji has a reliable water supply, but water shortages can occur in tourism-intensive areas. Ninety eight percent of the population has access to safely managed drinking water and 96% has safe sanitation (ADB 2020). However, in the tourist areas of Viti Levu, overuse of water by hotels for swimming pools, golf courses, and tourists' personal usage can lead to shortages (Government of Fiji, Ministry of Strategic Planning, National Development and Statistics 2014). On the outer islands, reliable water supply and sewerage also present a challenge for the tourist industry, and significant investment is required to provide adequate services and avoid groundwater contamination (Government of Fiji, Ministry of Industry, Trade, and Tourism 2019).

The tourism industry is energy-intensive. Fiji's electricity grid has sufficient capacity to cater for current demand, but the desire to expand renewable energy usage and energy efficiency measures is growing (Government of Fiji, Ministry of Strategic

⁴ The Government of Australia-funded Market Development Facility has supported multiple regional destination marketing organizations, including Tourism Suncoast, the Savusavu Tourism Association, and Tourism Kadavu.

Planning, National Development and Statistics 2014). Some of Fiji's larger hotels are now using renewable energy sources such as solar hot water, as well as energy-efficient measures such as sensor lighting and room keys that control electricity supply (Government of Fiji, Ministry of Strategic Planning, National Development and Statistics 2014). These innovations are more challenging for medium and smaller tourism operations, which have limited financial and human resources (Government of Fiji, Ministry of Industry, Trade, and Tourism 2019).

VISITOR DEMAND AND DESTINATION EXPANSION

Domestic air services to many of Fiji's outer island communities are potentially unsustainable (ADB 2015).

Low passenger numbers have led to expensive airfares—particularly given the short distances—and a lack of services to many niche destinations.

Fiji's tourism market—predominantly budget-conscious family travelers—limits profitability. Nearly half of all visitors in 2019 booked pre-paid accommodation packages (Government of Fiji, Ministry of Industry, Trade, and Tourism 2020). This can result in economic leakage (i.e., how much of the tourism dollar leaves the country) through wholesaler commission structures and online booking agents, many of which are foreign-owned. Also, as these pre-booked packages are often all-inclusive, visitors have little incentive to leave the hotel and engage in outside activities, reducing the potential for smaller, locally owned operators to benefit.

Fiji's cruise industry faces growth constraints, primarily due to the distance of Fiji's ports from Australia.

The average Australian cruise passenger traveled for 9.1 days in 2017, whereas cruises to Fiji from Australia require a 12-plus day itinerary. A report by the IFC also noted areas of unmet spend. For instance, one-quarter of passengers reported they did not

spend in Fiji, and nearly 50% said they were willing to spend more (IFC 2019).

Yacht visitors are a valuable market with growth potential.

Yacht visitors spent an estimated F\$34.6 million in Fiji in 2019, equating to an average spend of F\$5,166 per person per visit. Spend includes fuel, maintenance, dockage, food, restaurants, and culture. Yacht visitors tend to travel beyond the tourist centers of Denarau and Nadi. A 2019 study found 82% of yacht arrivals visited the Yasawa Islands, 63% Savusavu, and 39% and 34% respectively visited the Northern and Southern Lau Islands, which otherwise receive only a small number of tourists (Fiji Revenue and Customs Service 2020). The same 2019 study found yacht visitors tend to stay far longer than air arrivals: 68 days for superyachts and 163 days for yachts under 80 feet. Most visiting yachts come from New Zealand (27%), Europe (19%), the United States (18%), and Australia (15%) (Fiji Revenue and Customs Service 2020).

Tourism Fiji has identified domestic tourism as an area for expansion. Domestic tourist expenditure was formally measured in Fiji's 2013 Tourism Satellite Account. In that year, domestic visitor expenditure accounted for 26% of total tourism expenditure and contributed F\$0.66 billion to the economy. In 2019, 20% of Fiji's total room nights were filled by domestic visitors (Tourism Fiji, unpublished data). More recently, a 2021 study mapped domestic tourism segments to help operators promote to local travelers during the COVID-19 pandemic. The study found local tourists typically travel with their families and stick to Viti Levu's top tourist destinations such as Denarau and Nadi. It also found domestic tourists seek unique experiences outside traditional resorts. Travel to niche destinations and regional spend could be increased through promotion of destination packages inclusive of air and/or sea travel, local transfers, and events (Market Development Facility 2021).

Resort, Nananu-i-Ra island, Fiji



Box 6: Impact of COVID-19 on Fiji's Tourism Sector

Fiji recorded its first case of coronavirus disease (COVID-19) on 19 March 2020. Borders were immediately closed except to citizens and residents returning home. In early June 2020, Fiji announced it was free of COVID-19 (Asian Development Bank [ADB] 2020a). Fiji recorded no community transmission of the virus until 18 April 2021, when a quarantine breach set off a second wave involving the highly transmissible Delta coronavirus variant (ADB 2021a). In late July 2021 the World Health Organization reported the rate of spread of infection in Fiji to be one of the highest in the world (Ruggiero 2021).

Fiji's tourism-dependent economy has been severely impacted by border closures. Gross domestic product fell by 15.7% in the 2020 fiscal year (FY)¹ (ADB 2021b). A further fall of 5% has been projected for FY2021, followed by a growth of 8.8% in FY2022 (ADB 2021b). Visitor arrivals (air and cruise) for 2020 totaled 161,883, just 17% of the 968,926 arrivals in 2019 (Pacific Tourism Organisation 2021). By mid-May 2020, 50% of tourism businesses were hibernating or fully closed and another 35% were active with a reduced workforce. Twenty-nine percent of tourism businesses expected to be bankrupted, and 60% anticipated either closing or moving away from the tourism sector if the situation continued until November 2020 (International Finance Corporation 2020). By early July 2020, 115,000 Fijians had either lost their jobs or were working reduced hours (ADB 2020a). In August, the figure was 131,000, or 37% of the workforce (Government of Australia 2020). Tourism jobs were disproportionately affected. The Fiji Hotel and Tourism Association reported more than 80% unemployment in the tourism sector in October 2020 (Fiji Hotels and Tourism Association n.d.).

Business sentiment had been improving before the outbreak of COVID-19 in April 2021. In a biannual survey undertaken by the Reserve Bank of Fiji in December 2020, only 7% of businesses surveyed expected conditions to deteriorate in the following 6 months, while 35% expected conditions to improve in the year ahead. Both responses were more optimistic than had been reported in the June 2020 survey (ADB 2021a). Fiji hoped to join a potential travel bubble between Australia and New Zealand. In July 2021, 92% of businesses reported a decline in revenue due to COVID-19 (Pacific Trade Invest 2021).

On 26 March 2020, the Government of Fiji announced a COVID-19 response budget. It allocated an immediate \$460 million to contain the virus and support households and businesses (ADB 2020a). A survey conducted in May 2020, however, found that 44% of tourism businesses were either unaware of the support measures or did not know how to

apply (International Finance Corporation 2020). A further F\$2 billion stimulus package was announced in the 2020–2021 budget (Pacific Region Infrastructure Facility 2020) including initiatives aimed at the tourism sector. These included removal of the Service Turnover Tax on “prescribed services”, and a halving of the Environment and Climate Adaptation Levy (KPMG 2020), the departure tax, and excise taxes on alcohol at hotels, bars, and restaurants (Government of Fiji, Ministry of Economy 2020). The Environment and Climate Adaptation Levy turnover threshold was also increased from F\$1.25 million to F\$3.00 million (KPMG 2020). The 2021–2022 budget had a strong focus on social protection. F\$200million was allocated for unemployment support for workers from both the formal and informal sectors—restricted to vaccinated workers—and existing water and electricity subsidy quotas were increased (Government of Fiji, Ministry of Economy 2021). Financing the budget measures depends on the sale of government assets, receipts of foreign aid, and the resumption of tourism in the first half of 2022 (Gounder 2021).

Reopening to tourists is essential for Fiji's economic recovery.

The government's current COVID-19 management strategy focuses mainly on vaccination and slowing transmission of the virus, rather than elimination (ADB 2021). To prepare for the future opening of borders and resumption of tourism, the government and Tourism Fiji launched the Care Fiji Commitment (CFC) in October 2020. The program ensures that tourism businesses use enhanced safety standards, protocols, and COVID-19 mitigation practices to improve traveler safety. A new module, launched in July 2021, incorporates recognition for vaccination. CFC-approved operators who have completed the module and whose entire teams are fully vaccinated can display the 100% Vaccinated Stamp along with the CFC logo (Pacific Tourism Organisation n.d.).

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1 Fiji's fiscal year runs from August 1 to July 31.

KPMG. 2020. *Newsletter: Fiji Budget 2020/21*. Nadi.
 Pacific Region Infrastructure Facility. 2020. *Post COVID-19 Pacific Short-term Aviation Strategy – A Scoping Study: Consultants’ Final Report*. Sydney.
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Source: Pacific Private Sector Development Initiative.

Expanding visitation to regional destinations could expand Fiji’s tourism product and increase visitor yield.⁵ Tourism to Fiji’s regional and niche destinations, such as Vanua Levu and the outer islands, is constrained by poor air connectivity and minimal destination marketing. This has resulted in low occupancy rates in these areas and limited spread of tourism benefits within Fiji. However, recent research has found that visitors to niche destinations tend to be higher spending and have a longer average stay (Market Development Facility 2020).

Aspects of Fiji’s tourism regulation are outdated. The Fijian tourism industry has expanded rapidly over the past 2 decades, and some of its legal frameworks are no longer relevant. The Hotel and Guest Houses Act 1973, for example, requires a lease to be held for any property seeking a hotel license, which is not possible for community-based organizations operating within a village. The Government of Fiji has proposed development of a new Tourism Industry Act, to amalgamate and update tourism legislation (Government of Fiji, Ministry of Industry, Trade, and Tourism 2019).

Fiji’s regulatory procedures burden existing tourism businesses. Accommodation providers, for example, are required to prove compliance with occupational health and safety, fire safety, and health standards in person and attend hearings in Suva for liquor and hotel licensing permits. Processes rarely distinguish between operator type and size, which disadvantages smaller enterprises with fewer resources. Businesses located outside Suva are also forced to incur significant travel costs each time a new license or compliance certification is required. The Government of Fiji is continuing to reform old, administrative procedures to ease the regulatory burden on the private sector.

High tax rates constrain the profitability of tourism businesses. Prior to the COVID-19 pandemic, tourism-oriented businesses in Fiji were required to pay an Environment and Climate Adaptation

5 The IFC conducted a market assessment of Vanua Levu in November 2020 to inform the design of a new World Bank lending project and support the recovery and growth of tourism in Vanua Levu.





Levy (ECAL) of 10% on prescribed services, if their annual turnover exceeded F\$1.25 million.⁶ ECAL was additional to a 9% government value added tax and a 6% service turnover tax.⁷ The resultant combined tax rate reduced industry profit margins and constrained both investment and reinvestment in the sector. This led to some resorts becoming run down, and operators competing on price for package tourists. In July 2020, as part of the Government of Fiji's COVID-19-related economic stimulus, the combined tax rate was reduced to 14%.

Starting a business in Fiji can be challenging (ADB 2013).

Securing approvals for new projects in Fiji is a bureaucratic and burdensome process. New hotel operations, for example, require multiple separate licenses from different regulatory bodies, which can take up to several years to be approved. This is a deterrent for local and foreign investors and constrains new developments and entrepreneurship. Recent reforms, including online company and/or business name registration, online tax number registration, and the removal of business licenses, aim to ease the regulatory burden on new businesses.

A reliance on imported products leads to economic leakage.

Linkages between domestic Fijian producers of items such as food and handicrafts and the tourism sector could be strengthened. A 2018 study found 52% of the demand for fresh produce from Fiji's main tourist areas is met by imported items (International Finance Corporation 2018). Imports are mainly meat, seafood, and dairy products, but also fruits, vegetables, and packaged juice. This reduces available opportunities for primary producers to benefit from tourism.

Tourism is centered around Nadi, but decision-making resides in Suva.

This can on occasion result in policy decisions being separated from the day-to-day challenges of the country's tourism industry. Suva is also undeveloped as a potential tourist destination and caters primarily to Fiji's business market. There have been several attempts to grow Suva's tourism product and market the destination, most notably through a "Destination

Suva Action Plan" led by the Government of Australia-funded Market Development Facility.

The Government of Fiji is keen to increase investment in the tourism sector. Foreign investment in Fiji's tourism sector was estimated at more than F\$470 million from 2012 to 2017 (Government of Fiji, Ministry of Industry, Trade, and Tourism 2019). In 2015, Fiji introduced new tax laws that included lower tax rates for foreign companies, tax-free regions, and tax exemptions in selected sectors including tourism (ADB 2018). A new Investment Act was passed in June 2021 and the government is working with the IFC to update and modernize Fiji's investment policy and legal framework. Additional tax incentives for the tourism industry were introduced in Fiji's 2021-2022 National Budget.

Improved tourism data collection and analysis would help support future policy and planning. A recent tourism statistics assessment noted Fiji has limited understanding of the extent of leakage to overseas interests in its tourism sector (Institute for Development of Environmental-Economic Accounting Group 2020). While the recent International Visitor Survey indicated 69% of pre-paid package visitor spend flows into the local economy, it did not account for the ownership structure of Fiji's hotels and tour operators (Government of Fiji, Ministry of Industry, Trade and Tourism 2020). Data on domestic tourism markets and spend has been recently improved through the "Domestic Tourism in Fiji" study, a joint initiative between the Government of Fiji and the private sector.

LAND ACCESS AND DEVELOPMENT

Fiji's land lease system constrains investment. As in many Pacific economies, access to land in Fiji is contentious. The majority of land in Fiji, around 90%, is subject to customary ownership, while the remaining is either freehold or state owned.⁸ Land leasing for development is possible, but the process is complex, time consuming, and subject to administrative discretion. Challenges also arise from rent distributions

⁶ In July 2020, as part of the Government of Fiji's COVID-19-related economic stimulus, the Environment and Climate Levy was halved to 5% and the threshold increased to F\$3 million.

⁷ In July 2020, as part of the Government of Fiji's COVID-19-related economic stimulus, the service turnover tax was removed.

⁸ Estimates of customary land ownership vary slightly. The Government of Fiji, Ministry of Commerce, Trade, Tourism and Transport (2021, consultations with author) puts the percentage of land subject to customary ownership at over 90%. The Asian Development Bank (2015) states that 88% of land in Fiji is subject to customary ownership, 8% freehold, and 4% state-owned. The World Bank (2017) states that about 87% of Fiji's total area is iTaukei land—owned or reserved for indigenous Fijians.

to multiple landowners, the approvals required to make improvements, and the duration of land leases.

EMPLOYMENT AND TRAINING

Fijians are underrepresented in management and executive-level tourism roles (Government of Fiji, Ministry of Industry, Trade and Tourism 2019). The working-age population is one of the most educated in the Pacific and outward migration of Fijians has led to a loss of experienced professionals in-country, as some graduates seek more rewarding careers overseas (ADB 2015).

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Plantation Island, Fiji



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PSDI is a technical assistance program undertaken in partnership with the Government of Australia, the Government of New Zealand, and the Asian Development Bank. PSDI supports ADB’s 14 Pacific developing member countries to improve the enabling environment for business and to support inclusive, private-sector led economic growth. The support of the Australian and New Zealand governments and ADB has enabled PSDI to operate in the region for 14 years and assist with more than 300 reforms.



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