

Blue hole, Espiritu Santo

Vanuatu

PACIFIC TOURISM SECTOR SNAPSHOT | NOVEMBER 2021

DESTINATION INFORMATION AT A GLANCE

POPULATION:

297,200 (2020).*

CAPITAL:

Port Vila (Efate Island—1,000 kilometers west of Fiji, 2,400 kilometers east of Cairns).

OFFICIAL LANGUAGES:

Bislama, English, and French.

CLIMATE:

November–March: hot, wet, and humid. Average temperature 28°C. April–September: cooler and drier. Average temperature 23°C.

CURRENCY:

The Vatu (VT). Australian dollar (A\$) often accepted in Port Vila.

ENTRY AND VISA REQUIREMENTS:

Visa available on arrival (up to 30 days) for most tourists, including citizens of Australia, European Union countries, Japan, Republic of Korea, New Zealand, People's Republic of China, Taipei, China, and the United States.

GEOGRAPHY:

Archipelago of 83 islands (65 inhabited).

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

INTRODUCTION

An archipelago of 83 islands in the South Pacific, Vanuatu is a popular and attractive tourism destination. Vanuatu features world-class snorkeling and diving, white and black sandy beaches, freshwater swimming holes, abundant ecotourism opportunities, accessible active volcanoes, and traditional culture.

The tourism sector dominates Vanuatu's economy. Prior to the coronavirus disease (COVID-19) pandemic, tourism generated around 35% of total employment (Pacific Tourism Organisation [SPTO] 2019). Tourism receipts accounted for 23% of gross domestic product (GDP) (SPTO 2020) and varying estimates put the wider contribution of the industry (including indirect effects) as high as 36% of GDP (World Travel and Tourism Council 2021).

The Government of Vanuatu is working to foster sustainable development of tourism, but persistent challenges hinder the full realization of the sector's potential.

Recent tourism growth has been uneven and the sector has been buffeted by a series of shocks. Tropical Cyclone Pam in 2015 caused widespread damage to infrastructure, tourist facilities, and the main airport in Port Vila. The sector was still recovering when COVID-19 caused the suspension of international flights on 26 March 2020. This was followed by Tropical Cyclone Harold on 5 April 2020, which caused further damage to homes, schools, medical facilities, infrastructure, and agriculture.

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

In 2019, direct international flights were available to Port Vila and Luganville. Port Vila had direct flights to nine international destinations in Australia, Fiji, New Caledonia, New Zealand, Papua New Guinea, and Solomon Islands. A direct service also operated between Brisbane and Luganville (on the island of Espiritu Santo). Services were operated by six airlines: Air Vanuatu, Virgin Australia, Fiji Airways, Air Niugini, Solomon Airlines, and Air Calin. Air Vanuatu carried more than 60% of passengers in 2019 (New Zealand Tourism Research Institute [NZTRI] 2019a).

Vanuatu has 29 airports: the main international gateway, Bauerfield in Port Vila, two international-standard regional airports on Espiritu Santo and Tanna, and 26 domestic airports. Bauerfield was badly damaged during Tropical Cyclone Pam in 2015, leading to the withdrawal of three international airlines. Following World Bank-supported airport repairs and upgrades, Qantas (codeshare with Air Vanuatu) and Virgin Australia recommenced services.

Domestic inter-island travel is primarily by air. Services are operated by Air Vanuatu. Domestic boat travel is possible, usually via cargo vessels, but the long distances between islands are a significant barrier for tourists. For example, boat travel between Port Vila and Luganville takes around 24 hours.

ACCOMMODATION

In 2019, Vanuatu had 473 registered accommodation providers (Government of Vanuatu, Department of Tourism, unpublished data). In the Port Vila area, this includes larger-scale (100+ room) hotels, smaller boutique resorts, and holiday homes, with annual occupancy rates of around 60%. Outer-island accommodation is predominantly locally-owned bungalows and guesthouses. These tend to have lower occupancy rates and inconsistent guest flows (Government of Vanuatu, Ministry of Tourism, Industry, Commerce, and Ni-Vanuatu Business 2014).

Almost half of all international visitors stay in a resort. A 2017 study found 49% of visitors stay in a branded or boutique resort, 13% in a hotel, 6% in self-contained holiday homes, and 2% in island bungalows (NZTRI 2017). The study found that island bungalow guests are most likely to be long haul visitors, who have a lower daily spend but a longer average length of stay.

ORGANIZED TOURS

There are more than 200 registered tour operators and guides in Vanuatu. They offered village and cultural tours, handicraft and cooking demonstrations, hiking and mountain-biking trips,

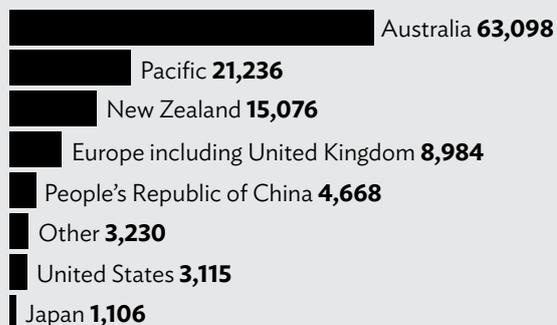
Box 1: Vanuatu Key Visitor Statistics (Air Arrivals)

Air Arrivals (2019)

120,513 visitors.

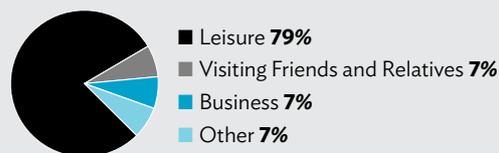
Source: Pacific Tourism Organisation.

Air Arrivals by Source Country (2019)



Source: Pacific Tourism Organisation.

Purpose of Visit (2019)



Source: Pacific Tourism Organisation.

Tourism Receipts (2018)

\$187.6 million.

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

Visitor Spend (2019)

\$1,416 per person.

Source: New Zealand Tourism Research Institute. 2019. Vanuatu International Visitor Survey, Jan-Dec 2019. Auckland.

Source: Pacific Private Sector Development Initiative.

ecotours to inland swimming holes, aerial volcano tours, and marine activities such as diving, snorkeling, kayaking, paddle boarding, kitesurfing, and island day tours. Vanuatu also has a well-established sports fishing sector.

EMPLOYMENT AND TRAINING

Tourism vocational training and education is available in Vanuatu. In 2019, 15 tourism industry-relevant courses were offered through local institutions at Certificate I and II level (Government of Vanuatu, Department of Tourism 2021). The Australia Pacific Training Coalition (APTC) also offers

Box 2: Vanuatu Key Visitor Statistics (Sea Arrivals)

Cruise Arrivals (2019)

135,357 passengers on 151 cruise calls.

Source: Government of Vanuatu, Department of Tourism. 2020. *Vanuatu Sustainable Cruise Tourism Development Strategy*. Port Vila.

Estimated economic contribution of cruise tourism

\$18.7 million.



Source: Government of Vanuatu, Department of Tourism. 2020. *Vanuatu Sustainable Cruise Tourism Development Strategy*. Port Vila.

Other Sea Arrivals (2019)

8 expedition ships, totaling **4,462** passengers.
120 yacht arrivals (estimated).

Source: Government of Vanuatu, Department of Tourism. 2020. *Vanuatu Sustainable Cruise Tourism Development Strategy*. Port Vila.

Source: Pacific Private Sector Development Initiative.

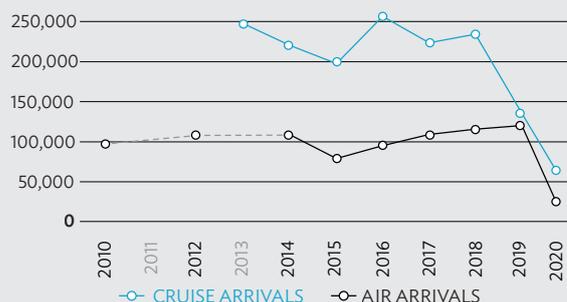
Australian-recognized Certificate II to Diploma level courses in hospitality, tourism, and commercial cookery. Tertiary education is available through the University of the South Pacific and the French-supported National University of Vanuatu. Ni-Vanuatu are also eligible for hospitality placements through Australia's Pacific Labour Scheme which, while contributing to skills development, can result in a loss of trained workers overseas.

Training and mentoring programs are available to support skills development. A variety of providers offer non-formal training programs, including the Australian-funded "Skills for Tourism" program through the provincial Skills Centres, the Vanuatu Chamber of Commerce, and various government departments. Practical training is designed to enhance basic business skills—including bookkeeping, property maintenance, and social media—through workshops and coaching.

Tourism is well perceived by Ni-Vanuatu as a vocation. This is largely due to the availability of tourism jobs, particularly in the main centers, and generally favorable work conditions. Good hospitality is also ingrained in Ni-Vanuatu society. The friendliness of Ni-Vanuatu is consistently rated one of the "most appealing" aspects of the visitor experience in the International Visitor Survey (NZTRI 2019a).

Box 3: Vanuatu Visitor Arrival Trends

Air and Sea Arrivals (2010-2020)



Source: (Air) Pacific Tourism Organisation. (Cruise) Government of Vanuatu, Department of Tourism. 2020. *Vanuatu Sustainable Cruise Tourism Development Strategy*. Port Vila.

While air arrivals have remained mostly steady, cruise arrivals have been decreasing. Cruise arrivals in 2019 were 47% lower than the 2016 peak of 256,482. This has been attributed to limited growth in homeporting capacity in Australia and an increase in regional competitors. A recent government report suggested the cruise market is fickle and volatile (Government of Vanuatu, Department of Tourism 2020).

Yacht visitors have also decreased by around 80% since 2010. This has been attributed to high yacht fees and short-stay visas of only 1 month, which were introduced largely to reduce possible yacht involvement in illicit drug running (Government of Vanuatu, Department of Tourism 2020). With planning, there is scope for growth in the yacht and expedition cruise segments.

References:

Government of Vanuatu, Department of Tourism. 2020. *Vanuatu Sustainable Cruise Tourism Development Strategy*. Port Vila.

Source: Pacific Private Sector Development Initiative.

TOURISM GOVERNANCE, PLANNING, AND POLICY

Vanuatu's Department of Tourism is responsible for tourism policy and planning. The department sits within the Ministry of Tourism, Trade, Commerce and Ni-Vanuatu Business. Its core functions include product development, investment promotion, tourism standards, and outer-island tourism development. Staffed offices in all six provinces support registration, accreditation, and compliance.

Tourism planning and strategies are outlined in a range of planning documents (Table 1). These cover sector sustainability, market development, cruise tourism, and crisis response and recovery.

TOURISM MARKETING

The Vanuatu Tourism Office (VTO) is responsible for Vanuatu's destination marketing. It is mandated under the

Table 1: Tourism Plans and Policies, Vanuatu

PLAN OR POLICY	STRATEGIES AND GOALS
Vanuatu National Sustainable Development Plan 2016–2030	<p>The Government of Vanuatu’s vision and overarching policy framework.</p> <p>The plan proposes deepening the integration of the tourism sector into rural economies and improving the range of sustainable tourism products and services throughout Vanuatu. It does not outline specific policies or plans in relation to tourism (Government of Vanuatu 2015).</p>
Vanuatu Sustainable Tourism Policy 2019–2030	<p>The Department of Tourism’s tourism sector policy, released 2019.</p> <p>The policy focuses on improving the livelihoods of Ni-Vanuatu through a tourism industry that is culturally, environmentally, and economically sustainable. Under five key goals, the policy highlights the importance of improved data, carrying capacity targets for tourism, improved local product sourcing, and multi-sectoral collaboration, and proposes initiatives such as investment in green infrastructure and a “Responsible Visitor to Vanuatu” pledge (Government of Vanuatu, Department of Tourism 2019a).</p>
Vanuatu Sustainable Cruise Tourism Development Strategy	<p>The Department of Tourism’s cruise sector strategy, released 2019.</p> <p>The strategy measures the economic contribution of cruise tourism, assesses the environmental damage caused by the industry, and offers a “scorecard” of cruise providers which outlines breaches of environmental regulations and laws. It proposes more detailed investigation into the expedition cruise and yacht markets and the negotiation of commercial agreements with cruise ship companies to jointly monitor and mitigate damages (Government of Vanuatu, Department of Tourism 2019b).</p>
Tourism Crises Response and Recovery Plan (2020–2023)	<p>The Department of Tourism’s response to COVID-19, released 2020.</p> <p>The plan proposes a “build-back-better” strategy for tourism and suggests foreign control was high in the pre-COVID-19 tourism industry, and that the sector perpetuated non-inclusive development and environmental degradation. It also proposes strategies to address leakage, revive local cuisine, facilitate rural tourism, and attract longer-stay, higher-value tourists (Government of Vanuatu, Department of Tourism 2020).</p>
Vanuatu Sustainable Tourism Strategy (2021–2025)	<p>The Department of Tourism’s strategy for the recovery of the tourism sector, released 2021.</p> <p>The strategy focuses on supporting the transition to a more resilient and less dependent tourism industry which better supports local industries and livelihoods. It puts forward four themes – wellbeing, resilience, diversification, and sustainability – and 18 programs and proposes an implementation schedule and timeframe (Government of Vanuatu, Department of Tourism 2021).</p>

References:

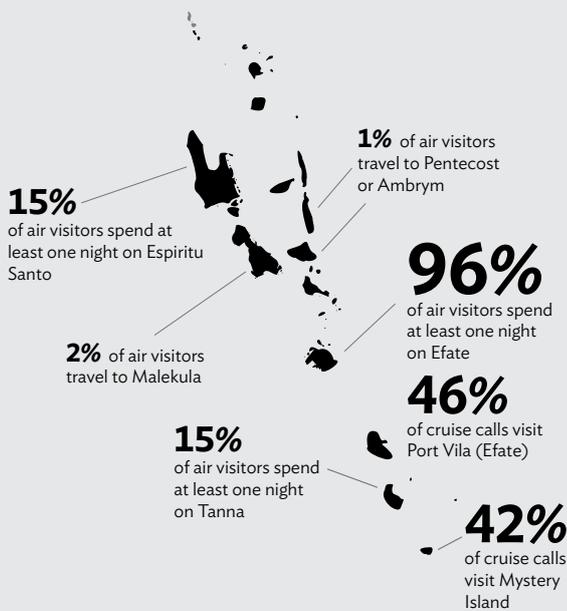
- Government of Vanuatu. 2015. *Vanuatu National Sustainable Development Plan 2016–2030*. Port Vila.
- Government of Vanuatu, Department of Tourism. 2019a. *Vanuatu Sustainable Tourism Policy 2019–2030*. Port Vila.
- Government of Vanuatu, Department of Tourism. 2019b. *Vanuatu Sustainable Cruise Tourism Development Strategy*. Port Vila.
- Government of Vanuatu, Department of Tourism. 2020. *Tourism Crises Response and Recovery Plan (2020–2023)*. Port Vila.
- Government of Vanuatu, Department of Tourism. 2021. *Vanuatu Sustainable Tourism Strategy (2021–2025)*. Port Vila.

Source: Pacific Private Sector Development Initiative.

Vanuatu Tourism Office Act Cap 142 of 1982 to “encourage and assist the sustainable development of the tourism industry within Vanuatu by undertaking coordinated tourism marketing in overseas and domestic markets.” The VTO’s responsibilities are currently under review to avoid duplication of activities with the Department of Tourism (Government of Vanuatu, Department of Tourism, consultations with author, 2021).

The Vanuatu Tourism Market Development Plan 2030 is the VTO’s sector strategy. It is currently under review following the COVID-19 pandemic. The plan will advocate for a continued focus on the “experience collector” market for both short- and long-haul travellers, while also growing the high value-low impact “adventure seeker” market as a targeted segment, to increase overall numbers and outer island visitation (VTO 2020).

Box 4: Vanuatu Visitor Destinations



Source: (Air Arrivals) New Zealand Tourism Research Institute. 2019. *Vanuatu International Visitor Survey*. Auckland, New Zealand. (Cruise Calls) Vanuatu Department of Tourism. 2020. *Vanuatu Sustainable Cruise Tourism Development Strategy*. Port Vila.

The VTO launched the **Domestic Tourism Marketing Strategy 2021-2023 in 2021**. The strategy aims to support short-term revenue for the tourism industry while borders remain closed and encourage Ni-Vanuatu and foreign residents to experience Vanuatu beyond Efate to strengthen the domestic market and create a more resilient tourism sector. The strategy builds on the 2019 domestic tourism survey and the *Sapotem Lokol Turisim* (support local tourism) campaign launched in 2020 in response to the COVID-19 pandemic (VTO 2021).

Vanuatu is promoted internationally with the slogan “**Answer the Call of Vanuatu.**” The brand positions Vanuatu as a “rough diamond,” which is not choreographed or polished. It is primarily marketed through online videos, imagery and the Vanuatu tourism website. In 2020, the VTO launched two campaigns to pique visitor interest during COVID-19: “We’re Keeping it Beautiful for You” and “We’ll Save you a Spot.”

The VTO is partially funded by the **Vanuatu Tourism Marketing Development Fund**. The fund comes from tourism levies, which have varied from unit levies, such as a cost per bed, to a percentage of annual turnover. The enforcement of these levies has been inconsistent. The government is currently planning to amend the Vanuatu Tourism Office Act and require all tourism sector operators to contribute to the fund. The VTO’s operations are also supported by the Skills for Tourism program, under the Government of Australia-funded Vanuatu Skills Partnership, through professional development and outer-island marketing.

PRIVATE SECTOR ORGANIZATION

Vanuatu’s tourism industry is driven by the private sector. Before the COVID-19 pandemic, it was estimated Vanuatu had

Box 5: Vanuatu Key Attractions

- **World-class snorkeling and diving**—clear waters, abundant sea life, and wreck diving (including the famous President Coolidge).
- **White and black sandy beaches.**
- **Blue holes**—clear freshwater pools surrounded by lush tropical landscapes.
- **Ecotourism opportunities**—including inland hikes, dense rainforests, remote waterfalls, cascades, and a variety of flora and fauna.
- **Accessible active volcanoes**—including Mt Yasur, on the island of Tanna, and Mt Marum and Mt Benbow, twin active volcanoes on the island of Ambrym.
- **Traditional culture**—including *kastom* dancing, sand drawing, Pentecost Island land diving ritual (*Nagol*), and Chief Roi Mata’s Domain, a World Heritage-listed site spread across Efate, Lelepa, and Artok islands.
- **Seafood dining**—particularly in Port Vila, which has a seafront walkway and more than 40 restaurants and cafes.

Source: Pacific Private Sector Development Initiative.

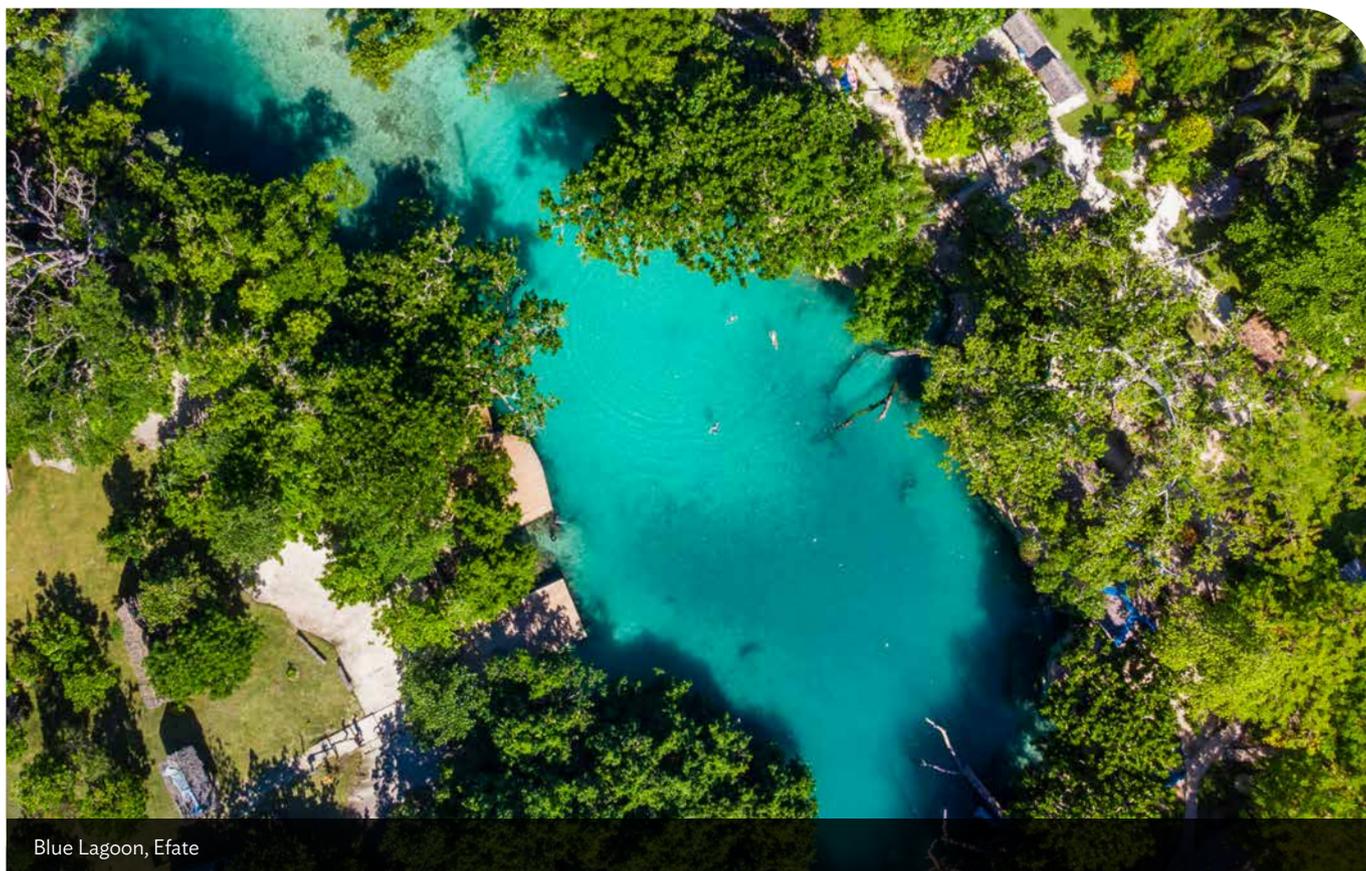


1,656 tourism businesses (excluding handicrafts) and 11,500 tourism workers (Government of Vanuatu, Department of Tourism 2020). The Vanuatu Hotels and Resorts Association is the most prominent private sector representative, with 60 members, mostly overseas-born investors. A range of other private sector organizations provide support to members, including the Vanuatu Tour Operators Association, the Espiritu Santo Tourism Association, Vanuatu Scuba Operators Association, and the Vanuatu Island Bungalow Tourism Association. Vanuatu’s Chamber of Commerce and Industry is also an active advocate for tourism.

TOURISM SECTOR CHALLENGES AND OPPORTUNITIES

TRANSPORT AND CONNECTIVITY

Domestic air services can be expensive and unreliable. Air Vanuatu is a state-owned enterprise and is required to service all airports, even though many of the domestic routes are



Blue Lagoon, Efate

commercially unviable (ADB n.d.). Prior to COVID-19, Air Vanuatu was planning to expand its fleet to better service outer-island markets. The airline has historically operated beyond its financial capacity and been plagued by political interference. The government took control of Air Vanuatu in March 2021 and replaced its board of directors in an effort to save the state-owned airline from bankruptcy (ch-aviation 2021).

Road conditions outside Port Vila are often poor. Only around 15% of the rural road network is sealed. The 2019 Vanuatu International Visitor Survey found “infrastructure and public services” to be the least appealing aspect of the visitor experience (NZTRI 2019a). Improved domestic connectivity and ease of transportation outside of Port Vila could support growth in visitation to the outer islands.

ENVIRONMENT AND INFRASTRUCTURE

Vanuatu is ranked as the world’s most vulnerable country to disasters (Mucke et al 2018), including tropical cyclones, volcanic eruptions, earthquakes, tsunamis, and flooding. Tropical Cyclone Pam in 2015 caused damage equivalent to approximately 60% of Vanuatu’s gross domestic product (International Monetary Fund 2015), widespread destruction of tourist accommodation and facilities, and a temporary shutdown of the main airport.

Continued development threatens the tourism industry’s sustainability. Vanuatu is experiencing coastal erosion (Government of Vanuatu 2016), which causes problems for resort owners and impacts future tourism growth. The 2019

International Visitor Survey found that “natural environment care” was one of the least appealing aspects of tourists’ experience in Vanuatu (NZTRI 2019a) and that despite its commitment to sustainability, Vanuatu rated below Niue, the Cook Islands, Yap and Samoa in visitors’ perception of environmental management (NZTRI 2019b).

Groundwater levels in Vanuatu are decreasing as demand for water rises (Food and Agriculture Organisation of the United Nations 2016). Safely managed drinking water is available to just 44% of the population, and safe sanitation to 52% (ADB 2020).

Rubbish in Vanuatu is often dumped or burned. Waste dumped in streams and ravines washes down to prime coastal tourist areas (ADB 2014), with an estimated 61.5 tons of plastic waste entering the country’s marine environment daily (Pacific Region Infrastructure Facility 2013). The government is attempting to reduce plastic waste by banning single-use plastic bags, polystyrene takeaway boxes, and plastic straws. However, improved waste collection remains necessary.

SECTOR ORGANIZATION

Vanuatu’s tourism industry is highly fragmented with competing interests. The interests of different private sector organizations are not always aligned and disgruntled operators often form new organizations. There are more than 70 registered tourism associations in Vanuatu and no single peak association that represents the industry as a whole (Government of Vanuatu, Department of Tourism 2021). Despite successful implementation of previous tourism plans, implementation of







Holiday Inn resort, Port Vila

both the Tourism Crises Response and Recovery Plan and the recently launched Vanuatu Sustainable Tourism Strategy may prove difficult, due to limited budget, low capacity, and a lack of unity between key stakeholders (Government of Vanuatu, Department of Tourism, consultations with author, 2021).

ECONOMY, POLITICS, AND GOVERNMENT

Political instability impedes Vanuatu's tourism industry.

Vanuatu has undergone numerous changes in government over the past decade, as well as motions of no confidence and legal challenges, which have caused a lack of continuity in policies and priorities. Recent commentary has suggested Vanuatu's current government plans to shift the country's economic focus from tourism to agricultural production, with a commitment of 20% of all expenditure for 2021 to the agriculture sector (Kenny and Sen 2020). The Government of Vanuatu has not released a plan to reopen the country's borders to enable the reestablishment of tourism.

Economic leakage (i.e., how much of the tourism dollar leaves the country) limits the economic benefits of tourism in Vanuatu. A 2014 study found that hotels and restaurants in Port Vila spent VT1.5 billion (over \$13 million) annually on the procurement of fresh produce, of which more than 54% (over \$7 million) went on imported items (International Finance Corporation 2015). The growing prevalence of short-stay accommodation, such as holiday homes advertised via Airbnb,

also creates leakage, with many homes owned by foreigners who do not reside in Vanuatu and are not registered for value-added tax. This restricts government tourism revenue and creates friction with the larger hotels, which pay taxes and contribute to Vanuatu's marketing fund.

Licensing and accreditation processes are burdensome. The Vanuatu Tourism Councils Act requires all tourism businesses to gain accreditation from the Department of Tourism through a minimum standards inspection. Businesses must then obtain a tourism permit and a business license to operate. The requirements are intended to regulate the industry and raise tourism standards but are both costly and time intensive. Improved sector regulation would reduce the burden on operators and increase government revenue, particularly the regulation of short-stay accommodation.

The Foreign Investment Act prohibits investment in many high growth areas through a list of activities reserved for Ni-Vanuatu. In the tourism sector, small businesses, including tour operators, guesthouses, and bungalows, are restricted from forming joint ventures with foreigners. While intended to protect Ni-Vanuatu interests, the restrictions limit collaborative partnerships which could support Ni-Vanuatu businesses to enhance their skills and improve economic growth.

Data collection can be unreliable. A recent study found problems with lost air arrivals cards, data entry issues, and

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

In response to the pandemic, Vanuatu suspended all international flights on 20 March 2020 and a state of emergency was declared on 26 March 2020. All ports of entry remained closed in July 2021, except with the approval of local authorities. The state of emergency has been extended until 31 December 2021. As of July 2021, Vanuatu has had three confirmed cases of the coronavirus disease (COVID-19), all detected in quarantine, with no deaths (World Health Organization [WHO] n.d.). The country received its first shipment of 24,000 doses of COVID-19 vaccine in May 2021 (WHO 2021). By the end of September 2021, almost 74,000 single vaccine doses had been administered, and 29% of the population were fully vaccinated (Government of Vanuatu 2021). It has been suggested the population may not be fully vaccinated until the end of 2023 (McGarry 2021a).

Border closures have severely impacted Vanuatu's tourism sector. Visitor arrivals in March 2020 fell 51.1% year-on-year (Asian Development Bank [ADB] 2020). In mid-April, 53% of tourism businesses reported still operating, but with a reduced workforce and decreased revenue (Government of Vanuatu, Department of Tourism and Vanuatu Tourism Office 2020). An estimated 2,077 full-time and 214 part-time jobs had already been lost, amounting to 70% of full-time and 33% of part-time tourism employment (Government of Vanuatu, Department of Tourism and Vanuatu Tourism Office 2020). By August, only 21% of businesses were fully operational (ADB 2021a). By September 2020, 40% of all businesses in Vanuatu had low or very low confidence they would be running in December. 68% of accommodation and restaurant businesses had plans to make staff redundant (Vanuatu Chamber of Commerce and Industry 2020). In April 2021, tourism operators reported drops to their business of 90% to 96% since the start of the pandemic (McGarry 2021b).

The government announced a VT4 billion COVID-19 stimulus package on 1 April 2020. The package included tax relief, employment stabilization payments and business grants. In mid-April, 74% of tourism businesses had heard of the stimulus package, although 30% reported not knowing "too much about it." 89% agreed the government's monthly payment for employees would help the business to retain or rehire them (Government of Vanuatu, Department of Tourism and Vanuatu Tourism Office 2020). In May 2021, the government announced a second stimulus package, worth VT2.1 billion, to support businesses, especially small and medium-sized enterprises. However, by September 2021, tourism businesses had not yet received this support (various tourism stakeholders, consultations with author, 2021). Vanuatu's Department of Tourism has offered grants, renewable energy subsidies and agritourism support since April 2021, to help eligible tourism businesses survive the pandemic and reopen more sustainably.

In 2020, Vanuatu's economy contracted by 8.5%, the biggest contraction since the country's independence (ADB 2021b). A further 3% gross domestic product contraction is forecast for 2021, followed by 5% growth in 2022 (ADB 2021b) are expected as restrictions are gradually lifted, with recovery dependent on a successful vaccine roll-out and the establishment of travel bubbles with Vanuatu's main tourism markets (ADB 2021c).

References:

- Asian Development Bank (ADB). 2020. *Pacific Economic Monitor: July 2020*. Manila.
- ADB. 2021a. *Pacific Economic Monitor July 2021*. Manila.
- . 2021b. *Asian Development Outlook 2021 Update: Transforming Agriculture in Asia*. Manila.
- . 2021c. *Asian Development Outlook 2021: Financing a Green and Inclusive Recovery*. Manila.
- Government of Vanuatu. 2021. "Vanuatu COVID-19 Vaccine Roll-Out." <https://covid19.gov.vu/index.php/vaccination/information>. Accessed October 4 2021.
- Government of Vanuatu, Department of Tourism and Vanuatu Tourism Office. 2020. *National Tourism Business Impacts Survey, Tropical Cyclone Harold and COVID-19 Pandemic*. Port Vila.
- McGarry, Dan. 2021a. "Vanuatu coronavirus vaccine rollout to take until end of 2023." *The Guardian*. 26 February 2021. <https://www.theguardian.com/world/2021/feb/26/vanuatu-coronavirus-vaccine-rollout-to-take-until-end-of-2023>.
- McGarry, Dan. 2021b. "Deserted islands: Pacific resorts struggle to survive a year without tourists." *The Guardian*. 3 April 2021. <https://www.theguardian.com/world/2021/apr/03/covid-coronavirus-deserted-islands-pacific-resorts-struggle-to-survive-a-year-without-tourists>.
- Vanuatu Chamber of Commerce and Industry. 2020. *Vanuatu Economic Outlook Report: September 2020*. Port Vila.
- World Health Organization. n.d. "COVID-19: Vanuatu." <https://covid19.who.int/region/wpro/country/vu>. Accessed August 2021.
- WHO. 2021. "Vanuatu receives 24,000 doses of COVID-19 vaccines through the COVAX Facility." 20 May 2021. <https://www.who.int/westernpacific/about/how-we-work/pacific-support/news/detail/20-05-2021-vanuatu-receives-24-000-doses-of-covid-19-vaccines-through-the-covax-facility>.

Source: Pacific Private Sector Development Initiative.

scanning errors, leading to concerns around the quality of Vanuatu's visitor arrivals data (IDEAA Group 2020). The contribution of tourism to Vanuatu's GDP varies widely between sources and a lack of data on community perceptions towards tourism limits an understanding of the social and cultural impacts of tourism. Vanuatu collects only limited environmental and marine data, making it difficult to measure the environmental impact of tourism.

LAND ACCESS AND DEVELOPMENT

Land access and rights can restrict tourism growth and disadvantage Ni-Vanuatu. Ninety-eight percent of land in Vanuatu is held under customary title (Government of Vanuatu, Ministry of Tourism, Industry, Commerce, and Ni-Vanuatu Business 2014) and only 10% is under registered lease. Potential investment in the tourism sector is discouraged by a lack of regulation and management of land leases, and a lack of support for lease development and negotiation has caused issues for local communities. Some landowners have received inadequate compensation, while for others the development of large-scale, walled tourism properties has resulted in a loss of coastal access, impacting their traditional fishing livelihoods (Slatter 2006). Improved land planning and support for lease negotiation would help overcome these challenges.

EMPLOYMENT AND TRAINING

Difficulties accessing qualified local labor impede tourism growth. A report by the Government of Vanuatu, Department of Tourism (2021) found 72% of tourism businesses have difficulty recruiting Ni-Vanuatu workers, and 73% think newly-qualified graduates are not “work-ready.” There is currently an undersupply of accredited tourism training and quality issues—including curricula, industry engagement and trainer performance—with the training available. Training providers indicate more than half of tourism staff (53%) do not have the skills needed to implement their roles effectively. Leakage of trained tourism workers to international seasonal work programs is an ongoing issue and can leave employers, who are often given limited notice of staff departure, with little motivation to invest in staff training. However, access to tourism training in rural areas has improved in the past 10 years, largely facilitated by provincial Skills Centres in Vanuatu's outer islands which offer training by local industry coaches and providers. The number of provincial operators able to attain the government's Tourism Operator Minimum Standards through this training has increased by over 100% since 2014 (various tourism stakeholders, consultations with author, 2021).

Lack of access to skilled international labor further constrains tourism businesses. The Government of Vanuatu acknowledges the importance of foreign workers, but the process for securing foreign worker permits is cumbersome and inefficient (ADB n.d.). The maximum term for a work permit is only one year and renewals can be difficult. This impedes business growth by limiting access to suitable staff, increasing business costs, and increasing staff turnover. It also restricts learning opportunities for Ni-Vanuatu who could benefit from on-the-job training with skilled international staff.

References:

- Asian Development Bank (ADB). n.d. *Strengthening the Foundations for Inclusive Private Sector Growth: A Private Sector Assessment for Vanuatu*. Unpublished.
- ADB. 2014. *Solid Waste Management in the Pacific: Vanuatu Country Snapshot*. Manila.
- . 2020. *Basic Statistics 2020*. Manila.
- ch-aviation. 2021. “Gov't takes control of Air Vanuatu after sacking its board.” 15 March. <https://www.ch-aviation.com/portal/news/101526-govt-takes-control-of-air-vanuatu-after-sacking-its-board>.
- Food and Agriculture Organisation of the United Nations. 2016. *Country Profile: Vanuatu*. Rome.
- Government of Vanuatu. 2016. *Vanuatu National Ocean Policy*. Port Vila.
- Government of Vanuatu, Department of Tourism. 2021. *Vanuatu Tourism Human Resources Development Strategy 2021-2030*. Port Vila.
- Government of Vanuatu, Ministry of Tourism, Industry, Commerce, and Ni-Vanuatu Business. 2014. *Vanuatu Strategic Tourism Action Plan 2014-2018*. Port Vila.
- IDEAA Group. 2020. *Pacific Tourism Statistics Assessment*. Paris: Organisation for Economic Co-operation and Development / Paris 21 / SPTO.
- International Finance Corporation. 2015. *Vanuatu Agri-Tourism Linkages: A Baseline Study of Agri Demand from Port Vila's Hospitality Sector*. Washington, DC.
- International Monetary Fund. 2015. *Vanuatu: Staff Report for the 2015 Article IV Consultation and Request for Disbursement Under the Rapid Credit Facility and Purchase Under the Rapid Financing Instrument*. Washington, DC.
- Kenny, T and Sen, K. 2020. *Pacific Insight: August 2020*. Melbourne: ANZ Research.
- Mucke, P; Kirch, L; and Walter, J. 2018. *World Risk Report 2018*. Berlin: Bündnis Entwicklung Hilft / Ruhr University Bochum.
- New Zealand Tourism Research Institute (NZTRI). 2017. *Vanuatu International Visitor Survey, Visitor Characteristics by Accommodation Type January 2015-December 2017*. Auckland.
- NZTRI. 2019a. *Vanuatu International Visitor Survey, Jan-Dec 2019*. Auckland.
- NZTRI. 2019b. *Vanuatu International Visitor Survey: Visitor Perspectives on the Environment*. Auckland.
- Pacific Region Infrastructure Facility. 2018. *Vanuatu: profile in the solid waste and recycling sector*. Sydney.
- Pacific Tourism Organisation. 2020. *2019 Annual Review of Visitor Arrivals Report*. Suva.
- Slatter, C. 2006. *The Con/Domination of Vanuatu?* Auckland: Oxfam New Zealand.
- Vanuatu Tourism Office. 2020. *Vanuatu Tourism Market Development Plan*. Port Vila.
- Vanuatu Tourism Office. 2021. *Domestic Tourism Marketing Strategy 2021-2023*. Port Vila.
- World Travel and Tourism Council. 2021. *Vanuatu: 2021 Annual Research: Key Highlights*. London.

This Tourism Sector Snapshot was written by the Pacific Private Sector Development Initiative (PSDI) Tourism Expert, Dr. Sara Currie, with publication support from PSDI Communications and Knowledge Manager, Erin Harris.

The author wishes to thank the Government of Vanuatu, Department of Tourism; Government of Vanuatu, Department of Strategic Policy, Planning and Aid Coordination; Vanuatu Chamber of Commerce; Vanuatu Skills Partnership; the Pacific Tourism Organisation; private sector stakeholders; and donor partners in Vanuatu for their time and contributions to this sector assessment. The author also wishes to thank ADB staff and consultants, including the PSDI team, who provided valuable inputs and review.

The views expressed in this publication are those of the author and do not necessarily reflect the views and policies of ADB or its Board of Governors or the governments they represent, or the governments of Australia and New Zealand.

In this publication, “\$” refers to US dollars unless otherwise noted. A\$ = Australian dollar. VT = Vanuatu vatu.

Images used under a royalty-free license from istockphoto.com.

About PSDI.

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.



Creative Commons Attribution 3.0 IGO license (CC BY 3.0 IGO)

©2021 Pacific Private Sector Development Initiative. The CC license does not apply to non-ADB/PSDI copyright materials in this publication.

Pacific Private Sector Development Initiative

Asian Development Bank
Pacific Liaison and Coordination Office
Level 20, 45 Clarence St, Sydney 2000 Australia

Ph: +61 2 8270 9444
Fax: +61 2 8270 9445

 /adbpsdi
 @ADB_Sydney_PSDI
 @ADB_Pacific_PSDI

www.pacificpsdi.org
info@pacificpsdi.org