



# Vanua Levu Tourism Market Demand Assessment

## EXECUTIVE SUMMARY - November 2020

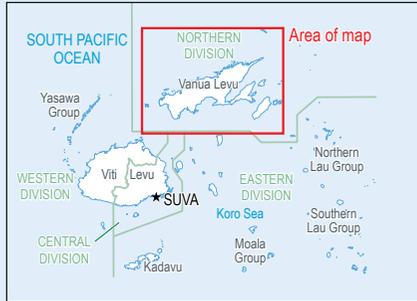
IN PARTNERSHIP WITH



MINISTRY OF  
COMMERCE, TRADE,  
TOURISM AND  
TRANSPORT



*Creating Markets, Creating Opportunities*



**FIJI**

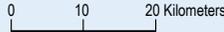
- SELECTED CITIES AND TOWNS
- ◉ DIVISION CAPITAL
- MAIN ROADS
- ★ NATIONAL CAPITAL (INSET)
- DIVISION BOUNDARIES (INSET)

SOUTH PACIFIC OCEAN

**NORTHERN DIVISION**




**IBRD 45322**  
**SEPTEMBER 2020**  
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## VANUA LEVU TOURISM MARKET DEMAND ASSESSMENT

**Tourism is one of the most important drivers of growth for Pacific Island Countries, playing a particularly crucial role in the Fijian economy.** Fiji, being a services driven economy, is among the world's 20 most tourism-dependent nations, with tourism contributing nearly 40 percent of GDP.<sup>1</sup> Accounting for approximately FJD 3 billion (USD 1.39 billion) in earnings in 2019,<sup>2</sup> travel and tourism supports nearly one-third of the Fijian labour force and is one of the most important sources of income for Fijians. Prior to the COVID-19 pandemic, annual visitor arrivals grew consistently for nearly ten years. International arrivals reached 894,000 in 2019, representing a 5.2 percent Compound Annual Growth Rate (CAGR) since 2010.

**The COVID-19 crisis has severely impacted Fiji's tourism industry, threatening businesses, livelihoods and economic growth.** As with most global tourist destinations, Fiji experienced a precipitous drop in arrivals in the first quarter of 2020 due to the pandemic. Fiji closed the Nadi International Airport on March 25, 2020 and the tourism sector was effectively shut down. By April, Fiji's international arrivals were less than one percent of the corresponding numbers from April 2019.<sup>3</sup> The drastic drop in arrivals impacted businesses immediately; more than 50 percent of tourism businesses were either hibernating or fully closed by mid-May. A survey conducted by IFC and the Ministry of Commerce, Trade, Tourism and Transport (MCTTT) found that in May 2020, 29 percent of tourism businesses and 11 percent of non-tourism businesses surveyed anticipated bankruptcy within six months.<sup>4</sup> Similarly, more than 60 percent of tourism businesses anticipated closing or moving away from the tourism sector by November 2020, if the situation did not change. This will be a significant loss for the sector as these businesses are the foundation of the tourism industry, providing accommodation, tourist activities, and tourism-related services.

**The Fijian Government (GoF) responded with a series of COVID-19 response packages for businesses and employees, while holding firm to its commitment of long-term tourism diversification.** Having previously achieved sound arrivals growth from traditional offerings, the GoF's long term strategy is to increase the value of tourism by growing arrivals from high value markets; increasing the share of tourism revenue retained in the local economy; and spreading the benefits of tourism throughout the country. Fortuitously, the strategic drive to develop sustainable, high value and diversified tourism will be the foundation for COVID-19 tourism recovery. Policy guidance from all major global and regional development agencies impresses the need to focus tourism recovery efforts on 'building back better,' with an emphasis on a more sustainable, inclusive and resilient tourism sector. Initial market intelligence indicates that high end and adventure tourism will be the first type of international travel to rebound and even mainstream tourists will seek more nature-based experiences to reconnect with clean, outdoor spaces. In July, the GoF began pursuing these strategic markets through the opening of Blue Lane initiative for marine tourism<sup>5</sup> and planning the launch of Vacation in Paradise (VIP) Lanes for luxury tourism.

1 According to World Travel and Tourism Council 2019 estimates

2 Ministry of Commerce, Trade, Tourism and Transport (2019), Fiji International Visitors Survey

3 Fiji Bureau of Statistics (2020), Provisional Arrivals: April 2020 Available at: <https://www.statsfiji.gov.fj/index.php/latest-releases/tourism-and-migration/visitor-arrivals/1060-provisional-visitor-arrivals-april-2020>

4 Based on no changes to international travel restrictions

5 The Fijian Government launched its Blue Lanes Initiative under which international tourists can arrive in Fiji on yachts and pleasure crafts by entering through Port Denarau Marina. For more information visit: <https://www.fiji.travel/en-au/articles/sail-fijis-blue-lanes>

## 2022 Fiji Tourist Demand Scenario (By Market Segment and Overall)

	Diving	Nature/ Adventure	Yachting	Wedding/ Honeymoon	All others	TOTAL
<b>% 2019 Arrivals</b>	6.5%	6.2%	1.9%	8.8%	76.6%	<b>100%</b>
<b># of 2019 arrivals</b>	58,298	55,238	16,780	79,060	685,013	<b>894,389</b>
<b>2019 spend/tourist (FJD)</b>	\$4,946	\$4,325	\$8,626	\$3,167	\$3,028	<b>n/a</b>
<b>2019 total spend (million FJD)</b>	\$288.3	\$238.9	\$144.7	\$250.4	\$2,105.6	<b>\$3,028</b>
<b>Downside Scenario: 2022 arrivals projects (30% reduction in all markets)</b>	40,809	38,667	11,746	55,342	479,509	<b>626,072</b>
<b>Downside Scenario: 2022 total spend (million FJD)</b>	\$201.8	\$167.2	\$101.3	\$175.3	\$1473.9	<b>\$2,120</b>
<b>Upside Scenario: % change in arrivals 2019 to 2022</b>	20%	15%	30%	-30%	-30%	
<b>Upside Scenario: 2022 arrivals projection</b>	69,958	63,524	21,814	55,342	479,509	<b>690,146</b>
<b>Upside Scenario: 2022 spend projection (million FJD)</b>	\$346.0	\$274.7	\$188.2	\$175.3	\$1,473.9	<b>\$ 2,458</b>
<b>Upside Scenario Value 2022</b>	\$144.2	\$107.5	\$86.8	\$0.0	\$0.0	<b>\$338.5</b>

Source: Government of Fiji (2020) Fiji International Visitors Survey (IVS)

## LEVERAGING FIJI'S TOURISM ASSETS FOR RECOVERY

**A national-level strategy focusing on high value market segments could help cushion the blow of the pandemic for the wider Fijian tourism sector and increase forecasted earnings** (compared to anticipated losses). While there is no way to reliably forecast when international arrivals will return to Fiji, the GoF can better position itself for recovery by focusing on high value and 'first-to-rebound' markets. If the tourism sector in 2022 only achieves 70 percent of its 2019 levels (as per Government estimates), Fiji would only earn FJD 2.12 billion from 626,072 tourists. However, if Fiji invests in three high-yield markets: scuba diving, adventure tourism/nature-based tourism, and yachting; its 2022 earnings could increase by FJD 339 million to FJD 2.46 billion. This is 16 percent above forecasted earnings, although still a drop of 18.8 percent from 2019 earnings of FJD 3.03 billion.

**Developing tourism in Vanua Levu, Fiji's second largest island, can play an important role in driving arrivals from these high value markets and building tourism diversification and resilience.** Vanua Levu has a competitive advantage in growing nature-based and adventure tourism and already attracts Fiji's highest spending visitors. It would be a centrepiece of attracting the main high yield markets: scuba diving, adventure tourism/nature-based tourism, and yachting. However, Vanua Levu's tourism potential is largely untapped, with the island only receiving four percent of Fiji's international visitors. For Vanua Levu to unlock its growth potential and develop as a high-end destination, it needs robust tourism planning, and significant investments in infrastructure, services and technical assistance. These will boost visitor numbers, create jobs and build incomes. Developing Vanua Levu as a key tourism destination also supports the Government's goal to reduce poverty.

**In 2019, the World Bank and the Fijian Government began exploring the opportunity to develop tourism in Vanua Levu through the World Bank's International Development Association (IDA) lending program.** While the country's tourism industry has been rocked by the pandemic, the Government remains committed to the long-term vision of a more diversified and sustainable tourism sector and sees Vanua Levu as a core element of this vision.

**IFC conducted a Tourism Market Demand Assessment for Vanua Levu to provide critical information for the design of a tourism development project.** The study provides foundational research for the World Bank and the GoF. It will inform the design of a World Bank lending project and support the recovery and growth of tourism in Vanua Levu. The study assesses the state of tourism in Vanua Levu under 'normal' conditions, leading up to the COVID-19 crisis. It identifies barriers, determines latent market demand and identifies priority markets for future growth, recognising that these remain relevant in a post-pandemic context.

**Vanua Levu has a wealth of terrestrial and marine assets that underpin its tourism appeal and are the foundation for its supply of formally developed tourism products.** The destination's spectacular and unspoiled mountain ranges, rivers and coastline are home to places of cultural significance and abundant of flora and fauna. Similarly, the island is surrounded by exceptional marine assets: the Great Sea Reef; Namena Marine Reserve and Rainbow Reef (both renowned by scuba divers); and Natewa Bay (the South Pacific's largest bay). The pristine and relatively undiscovered nature of these sites has seen the creation of some compelling marine tourism products and services.

## VANUA LEVU TOURISM MARKET DEMAND ASSESSMENT KEY FINDINGS

### Recovery Scenarios

With coordinated support and a focus on three high value markets (scuba diving, nature-based and adventure tourists, and yachting), Vanua Levu could earn 2.4 percent more in tourism revenue than in 2019 (despite a 6.8 percent drop in tourist arrivals) during 2022. This assumes that other market segments — including weddings and honeymoons — would drop 30 percent, in line with initial Government estimates. Focusing on these three markets would attract 32,571 tourist arrivals — 2,375 fewer than in 2019 — but earnings would jump by FJD 5 million (from FJD 209 million to FJD 214 million).

Tourist spending within the three priority segments would more than offset the loss from the other segments. While it is anticipated that tourist arrivals will remain depressed for some time, focusing on high value markets can preserve earnings for Vanua Levu's tourism businesses and employees.

### Priority Markets

IFC identified five priority markets for Vanua Levu based on size of the market, yield per visitor, market growth potential, sustainability and ease of attracting the market segment. Consultations with tourism stakeholders confirmed the priority markets.

### Vanua Levu Priority Market Segment Data

	Scuba Diving	Adventure/Nature	Weddings & Honeymoon	Yachting*	Cruise
<b>Percentage of Vanua Levu International Arrivals</b>	19.8%	18.8%	8.7%	8.1%	Not applicable <sup>6</sup>
<b>Estimated Number of Visitors (2019)<sup>7</sup></b>	6,913	6,585	3,032	2,817	19,865
<b>Average Length of Stay<sup>8</sup></b>	18.8 (12 median)	23.4	11.6	133	1
<b>Average Daily Local Expenditure (FJD)</b>	\$326	\$303	\$447	\$59	\$56
<b>Average Spend per Trip (FJD)</b>	\$9,628	\$7,091	\$5,177	\$7,808	\$56
<b>Total Local Spend of Segment (FJD)</b>	<b>\$66.6 million</b>	<b>\$46.7 million</b>	<b>\$15.7 million</b>	<b>\$22 million</b>	<b>\$1.1 million</b>
<b>Repeat Visitation</b>	49.7%	27.7%	32.3%	41.6%	Not available
<b>Overall Satisfaction</b>	99%	90%	93%	99%	Not available

Sources: Government of Fiji (2020) Fiji International Visitors Survey (IVS); Market Development Facility (2018), Economic Impact of International Yachting in Fiji; IFC (2019), Assessment of the Economic Impact of Cruise Tourism in Fiji. \* Average length of stay and average daily spend is based on yacht visitors to all of Fiji as data for Vanua Levu visitors is not available.

<sup>6</sup> This is not applicable because cruise visitors are not considered international arrivals (which are defined as those that stay at least 24 hours in the destination).

<sup>7</sup> In the case of cruise tourism, figures are from an IFC study based on 2018 data.

<sup>8</sup> The average length of stay figure refers to the number of days that visitors to Vanua Levu stayed on their entire trip to Fiji.



**Scuba diving** is the largest contributor to Vanua Levu's tourism economy with dive visitors spending longer on the island and having a relatively high daily spend.<sup>9</sup>

This segment has a high number of return visitors (48 percent), even though almost half these visitors come from long haul markets. To grow this segment, it is critical that Vanua Levu improves air access to the island and protects its marine ecosystem, to ensure pristine dive sites.

## Investment Needs

Vanua Levu should nurture this desirable market segment, which is high-spending and loyal. Divers are primarily attracted by pristine dive sites with intact coral reefs and healthy fish populations. It is therefore critical for Vanua Levu to protect its marine ecosystems. Investments to attract divers include:



Upgrading waste management and sewage treatment systems to protect marine ecosystem.



Creating and strengthening marine protected areas to bolster conservation and help reduce congestion at popular dive spots.



Investing in accommodation geared towards the middle end of the dive market.



Expanding luxury liveaboards to access remote sites and spread benefit of tourism to communities.



Addressing flight schedules to better connect with long haul markets and increase weight limits for dive equipment.



Supporting the health sector to fully operationalise the hyperbaric chamber.

<sup>9</sup> Data on scuba divers in Vanua Levu was obtained by identifying which IVS respondents had travelled to Vanua Levu and had also selected "scuba diving" on a question about their specific reason for visiting Fiji.



### Soft adventure tourism and nature-based tourism

is one of the fastest growing market segments globally.<sup>10</sup> It has high potential for Vanua Levu and accounted for an estimated 18.8 percent of the island's international arrivals in 2019. The largest source markets were the United States of America (USA) and Asia (other than China). This segment is expected to be one of the quickest to recover from the COVID-19 tourism downturn, with a recent study demonstrating adventure travellers are a third more likely than non-adventure travellers to return to travel 'as soon as possible'.<sup>11</sup> Securing this market will require Vanua Levu to develop environmentally-friendly infrastructure, develop its natural assets into market-ready products, and develop and promote Fiji-wide itineraries that showcase Vanua Levu's attractions.

<sup>10</sup> Data on soft adventure/nature lovers in Vanua Levu was obtained by identifying which IVS respondents had travelled to Vanua Levu and had also selected "adventure traveller" on a question about their specific reason for visiting Fiji.

<sup>11</sup> Flywire (2020). Adventure Travelers Eager to Come Back. <https://www.flywire.com/pt/news/adventure-travelers-eager-to-come-back>

## Investment Needs

Investment in this market segment should be one of Vanua Levu's top priorities in the short and long term, given its size and high growth potential, predicted resilience in the face of the global pandemic, and promising longer-term global market trends. One of the keys to unlocking this market is product development. Investments to attract soft adventure and nature-based tourists include:



Improving facilities and management at existing nature-based tourism sites such as the Waisali Forest Reserve.



Transforming some of the island's natural assets into accessible, well managed and market-ready products, with private sector partnerships.



Creating well positioned marketing strategies that emphasize Fiji's adventure products and target the adventure segment.



Developing routes and itineraries that emphasize and highlight Fiji's and Vanua Levu's adventure opportunities.



Demonstrating the available critical mass of adventure and nature-based tourism products.



Upholding conservation measures to maintain the pristine environment that this market segment demands.



**Yachting** is a valuable market with growth potential for Vanua Levu, with a high average spend per trip (FJD 7,808)<sup>13</sup>. In 2019, yachting contributed approximately FJD 60.6 million to the local economy (through direct and indirect spending).<sup>14</sup> The market is expected to grow and is likely to be less affected by COVID-19 than other markets, given the trend towards private forms of travel and the Fijian Government's Blue Lane initiative. While small, the superyacht subsector of this market, has a very high average spend per trip of FJD 167,000 and a long average stay in Fiji. Limited services currently make Vanua Levu less popular than other islands to the superyacht market, however this is expected to improve with the opening of the Nawi Island Marina. Yachting visitors also tend to be concerned about the marine environment, so improving solid waste disposal and sewage treatment in Vanua Levu will help to attract this market.

<sup>13</sup> Data on yachters in Vanua Levu was obtained by identifying which IVS respondents had travelled to Vanua Levu and had also indicated on the accommodation question that they slept on "yachts or other boats". Data for this market was also obtained from the 2018 MDF study on international yachting in Fiji.

<sup>14</sup> Market Development Facility (2018), Economic Impact of International Yachting in Fiji

<sup>15</sup> Ibid.

## Investment Needs

Given its long average length of stay and high expenditure per trip, yachting is a market segment that should be encouraged. According to the 2018 Economic Impact of International Yachting in Fiji, a large proportion of the segment's spend stays in the local economy. Yachting should be buoyed by the major investments currently being made on Nawi Island. Ways to further unlock the yachting market include:



Providing cyclone-rated marina facilities along with maintenance services and facilities.



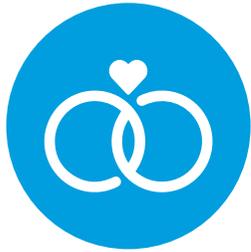
Developing more nature and culture-based tourism activities to engage yachters who have a long stay. A good example is the Yadua Taba Crested Iguana Sanctuary, which the the National Trust Fiji is considering opening exclusively to the yachting segment.



Improving solid waste disposal and sewage treatment as yachters tend to be concerned about the marine environment.



Improving international promotion of Fiji as a destination by creating a Fiji brand for yachting and super yachting as well as streamline permit processes to increase the charter potential in country.<sup>15</sup>



### Weddings and honeymoons

currently account for 39 percent of visitors from the USA to Pacific Island countries.<sup>12</sup> During 2019, an estimated 8.7 percent of international visitors to Vanua Levu came for weddings or honeymoons. Travellers in this segment generally have relatively short stays (11.6 days) but have the greatest daily spend out of the five priority markets (FJD 447). As these tourists have a shorter stay and are predominantly from long-haul markets, improving air access to Vanua Levu to capture this segment is crucial.

<sup>12</sup> Data on the weddings and honeymoon segment in Vanua Levu was obtained by identifying which IVS respondents had travelled to Vanua Levu and had also selected "wedding/attend wedding" or "honeymoon" on a question about their specific reason for visiting Fiji.

## Investment Needs

While this market segment may not warrant the same focus as scuba diving and soft adventure and nature-based tourism in the short term, it should be recognised as an important source of visitors and revenues. Although weddings and honeymoons will be affected significantly by the pandemic, the two top source markets (USA and China) are considered high-growth markets for Fiji in the medium to long term. Measures to help expand this market and investments to attract wedding and honeymooners in the future include:



Improving air access (including connection times,) given most tourists have relatively short stays and predominantly come from long-haul markets.



Developing product for nature and culture-based experiences as weddings and honeymoon tourists who choose Vanua Levu tend to be those who prefer active and immersive experiences. These preferences also align with global trends for weddings and honeymoon tourists.



Featuring Vanua Levu more prominently in Tourism Fiji and operators' promotional materials and developing packages geared towards this segment, given the destination's natural and cultural tourism assets.



The **cruise** market has grown rapidly recently with 28 million global passengers cruising annually in 2018.<sup>16,17</sup>

In Vanua Levu, cruise tourism provides the greatest volume of visitors of the five priority markets; however, the average spend of this market is the smallest. As cruise tourism returns, the reopening of Vanua Levu as a cruise destination should be done in close consultation with local communities and stakeholders, to improve community benefits, focus on higher value expedition cruises, and reduce anxiety around cruise tourism and COVID-19. The development of destination-specific tourism products for cruisers will be critical in capturing the benefits from this market and to ensure greater onshore spend.

## Investment Needs

Vanua Levu should focus its efforts on specialised expedition cruise ships. They have relatively small environmental footprints and can be accommodated easily. Tourism from large vessels is incompatible with the destination's brand, highest priority markets segments, and overall sustainability objectives. It produces very low yields, overextends the destination, and has a substantial environmental footprint. As such, it could alienate the local population, as well as tourists from other higher yielding market segments. Investments to attract expedition cruises include:



Developing products particularly at popular day trip sites such as the Waisali Forest Reserve.



Upgrading Savusavu town to improve cruise visitor experience with pedestrian walkways, green spaces, high-quality public toilets, tourist information services, and general town beautification efforts.



Establishing tourist information centers and ensuring adequate information about destinations is provided on the ships, to assist in increasing passenger dwell time and spend.



Investing in unique cruise tourism experiences in Vanua Levu by building on existing product offerings and developing new attractions that fill current tourism product gaps.

<sup>16</sup> Data on cruise tourists came from the 2019 IFC cruise tourism study.

<sup>17</sup> CLIA (2019), 2019 Cruise Trends & Industry Outlook. Available at: <https://cruising.org/news-and-research/-/media/CLIA/Research/CLIA%202019%20State%20of%20the%20Industry.pdf>

## CONSTRAINTS AND INVESTMENT RECOMMENDATIONS

Vanua Levu's competitive tourism offer, based on its marine and terrestrial assets, is supported by an under-developed supply of accommodation, tourism products and services, and infrastructure. For the island to realise its potential for increased tourism arrivals and value, its supply must be strengthened by targeted public and private sector investments, within a destination planning and management framework that maintains the unique biodiversity and natural resources that underpin tourism appeal. Investment recommendations include: destination management and promotion; access; tourism assets, products and services; supporting infrastructure and services; investment conditions for private sector; skills development; and biodiversity and conservation.

Broadly, Vanua Levu can be split into two key hubs for tourism: Labasa, the island's largest town, and Savusavu and its surrounding areas, the main tourism destination in Vanua Levu. There are other important, emerging tourism areas that link into these hubs. Of particular potential is the north coast with its access to the Great Sea Reef, the third longest continuous barrier reef system in the world.

Labasa, despite the need for improved accommodation, is well positioned for sustainable tourism growth with a focus on business, domestic, and visiting friends and relatives (VFR) travel markets. The greater Savusavu area, however, needs significant investment in order to both unlock potential demand to grow tourism and to cater to the needs of the new, larger tourism market. Investments in access, accommodation, tourism products and tourism services are needed to draw higher value tourists to the destination, and investments in public services and utilities are required to ease the additional pressures these visitors will put on the island's infrastructure.

Growing tourism to Vanua Levu by boosting the five priority markets will require investments in infrastructure, services and technical assistance. The report identifies 29 priority investment opportunities to attract high value tourism markets.

The recommendations provide guidance on initiating improvements and building capacity in destination management and promotion, access to and on Vanua Levu, tourism supply, public infrastructure and services, investment conditions for the private sector, skills development, and biodiversity and conservation.

### Supply side Constraints to Support Tourism Growth

Destinations	Access Infrastructure			Support Infrastructure					Tourism Infrastructure		
	Roads	Airports	Jetties/ Ports	Water Supply	Power/ Energy	Sanitation	Solid Waste	Telecoms	Accommodation	Products*	Services**
Labasa	●	●	●	●	●	●	●	●	●	●	●
Savusavu	●	●	●	●	●	●	●	●	●	●	●

Adequacy of current supply to drive new tourism growth: ● Sufficient ● Insufficient ● Highly insufficient

\* Formal tourism activities or tours \*\* Transportation, information services, restaurants, shopping, etc

## TOURISM DEVELOPMENT INVESTMENT RECOMMENDATIONS

### Destination management and promotion

Vanua Levu currently has no structured approach to destination management or tourism development by the government or local councils. The Blue Town plan for Savusavu, supported by the community and the GoF, is the only recent concept to support tourism growth on Vanua Levu with a focus on sustainability. Marketing efforts for Vanua Levu have been minimal particularly in comparison with marketing efforts for Fiji's main tourism areas – the Coral Coast, Mamanuca Islands and Yasawa Islands. Recent efforts to reinvigorate the Savusavu Tourism Association have increased communication and coordination among industry members and strengthened Savusavu's profile with Tourism Fiji. More formal management and coordination is necessary for the island to align its tourism development with the nation's tourism plan, *Fijian Tourism 2021*.

A framework for destination management and promotion is a necessary foundation for the realisation of identified investments. The success of the proposed investments in infrastructure, services and technical assistance for Vanua Levu will require robust tourism development planning, including spatial planning and industry development planning. It will also require effective coordination mechanisms for the ongoing management of tourism, given it is a multi-faceted sector involving a whole of government approach. Further, it will require strategies for marketing the destination to attract more visitors. In the post-crisis period, this calls for a short-term recovery framework, as well as medium to longer term framework.

### Summary of Investment Needs in Destination Management and Promotion to Grow Priority Segments in Vanua Levu

Investment Theme	Proposed Investment (Infrastructure, Services, TA)	Priority Level*	Timeline Immediate: 3 mths Short: 3 mths-1 yr Medium: 1-2 ys	Importance of the investment to:		
				COVID-19 Recovery	Stimulating Demand	Managing Growth
Tourism Planning	1. Design and implementation of a COVID-19 Tourism Recovery Plan.	1	Immediate-Term	✓		
	2. Development of a Tourism Master Plan for Vanua Levu.	1	Short-Term		✓	✓
Tourism Coordination	3. Design and resourcing of a model for destination management & coordination.	2	Short-Term (Ongoing)		✓	✓
Tourism Marketing	4. Development & implementation of a Marketing Plan for Vanua Levu to reach priority segments.	1	Short-Term (Ongoing)		✓	

\* 1 = High Priority, 2 = Medium Priority and 3 = Low Priority

## Access to and on Vanua Levu

Air transportation is the primary mode of international tourist access to the island, with multiple daily flights from Viti Levu. However, industry stakeholders claim the lack of seat availability, the high cost of airfares, and restrictive flight schedules create barriers to visitor interest in Vanua Levu (PRE-COVID-19). Tourism investors agree that air access is a key constraint to investing in Vanua Levu. Air access is also constrained by Vanua Levu's current airport infrastructure and Fiji Airports intends to assess opportunities for airport infrastructure on the island. Sea access, while possible, is inconvenient and uncomfortable, making it largely unappealing to visitors.

Finally, while Vanua Levu's existing roads are sufficient for the current levels of tourism, they can become dangerous and inaccessible during bad weather. Improving accessibility and safety on the island's main thoroughfares is critical to growing tourism.

Improving transportation to and on Vanua Levu is essential to boost tourism demand to the island. Air and road access should be improved first, so tourists can find reasonably priced and available flights to reach the island and travel safely on the roads while in the destination. Sea access is a secondary priority as it is not a popular option with international tourists.

### Summary of Investment Needs in Access (Transport Infrastructure and Services) to Grow Priority Segments in Vanua Levu

Investment Theme	Proposed Investment (Infrastructure, Services, TA)	Priority Level*	Timeline Immediate: 3 mths Short: 3 mths-1 yr Medium: 1-2 ys	Importance of the investment to:		
				COVID-19 Recovery	Stimulating Demand	Managing Growth
Air access	5. Preparation of a Vanua Levu Air Services Improvement Study.	1	Short-Term	✓	✓	✓
	6. Airport Infrastructure (to be identified in Options Paper).	1	Short-Term (Ongoing)	✓	✓	✓
Sea access	7. Construction of a new roll on/roll off wharf at Balaga Bay (or other marine infrastructure).	2	Medium-Term			✓
Road access	8. Improvements to the Savusavu/ Labasa Cross Island Road. (Pre-construction costs only).	1	Short-Term		✓	✓
	9. Improvements to road access through Savusavu town.	3	Medium-Term			✓

## Tourism assets, products and services

### Accommodation

An analysis of Vanua Levu's accommodation supply shows it has 65 tourist accommodation providers, with 51 of these located in Savusavu, including both registered and unregistered properties. Between 2015 and 2019, room supply in Vanua Levu has increased by 17 percent; this aligns with Fiji's overall growth rate, albeit from a low baseline in Vanua Levu. The existing accommodation supply met pre-COVID-19 demand, but low satisfaction rates indicate a need to upgrade or introduce new properties. Additionally, the lack of a critical mass of accommodation restricts growth options for the island, by reducing marketing and package options, and stifling the business case for increased air access.

Private sector investment in upgrading and/or supplementing Vanua Levu's accommodation will be integral to growing tourism from priority market segments. The current supply is adequate for a resumption to pre-COVID-19 demand; however, for growth to occur there is a medium- to long-term need for new and improved accommodations that attract and meet the expectations of priority market segments.

### Breakdown of Vanua Levu Accommodation by Type

Accommodation Type	Number of Properties	Number of Rooms (Keys)	Percentage of Island Room Supply
Hotel/Resort	35	498	88%
Rental House/Villa	24	31	5%
Bed & Breakfast (B&B)	6	37	7%
<b>TOTAL</b>	<b>65</b>	<b>566</b>	<b>100%</b>

Sources: Savusavu Tourism Association membership list; Labasa Tourism Association accommodation list; Fiji Hotel Licensing Board (2019), List of Licensed Hotels in Fiji; consultations; websites for respective properties; and online accommodation booking portals.

Accommodation assessment included a review of both registered and unregistered properties using official sources and Internet research. As of March 2020.

### Tourism assets, products and services

Vanua Levu is an ideal location to develop authentic nature-, culture- and marine-based tourism products, with an abundance of mountain ranges, rivers and coastline, and exceptional scuba diving and snorkelling locations. However, there are only about 15 identified, formal products that are consistently managed and provide reliable experiences for visitors. Low tourist spending in some markets indicates the need for more formal product development. The main tourist town on the island, Savusavu, faces urban design issues, including uneven walking paths, a lack of toilet facilities, shelters, signage and rubbish bins, undermining its attractiveness. Further, important visitor services such as restaurants and a visitor information centre on Vanua Levu are at varying states of readiness for tourism growth.

Private and public sector investment in attractions, products and services is also required to grow the priority market segments. Nature- and culture-based sites and experiences near Savusavu present the best opportunity to improve destination appeal, boost revenues, and geographically disperse visitors. This requires identifying prospective products among existing assets and engaging with landowners and communities to gauge their interest and build their awareness about the challenges and benefits of participating in a tourism venture. Making Savusavu an attractive tourism town is also important to its visitor appeal and satisfaction, warranting public investment to improve the streetscape and facilities. The nature and scale of improvements could be determined through the proposed Tourism Master Plan, in close coordination with the Blue Town initiative. Finally, Vanua Levu can develop events to fill low seasons by tapping into its natural and cultural assets.

### Summary of Investment Needs in Tourism Assets, Products and Services to Grow Priority Segments in Vanua Levu

Investment Theme	Proposed Investment (Infrastructure, Services, TA)	Priority Level	Timeline Immediate: 3 mths Short: 3 mths-1 yr Medium: 1-2 ys	Importance of the investment to:		
				COVID-19 Recovery	Stimulating Demand	Managing Growth
Accommodation	10. Accommodation upgrades and new investments to meet the needs of target markets.	1	Medium-Term (Ongoing)		✓	✓
	11. Development of nature- and culture-based tourism products.	1	Short-Term (Ongoing)		✓	✓
Nature- & culture-based tourism products	12. Upgrading of infrastructure and management capabilities in Waisali Forest Reserve.	1	Short-Term		✓	✓
	13. Development of sustainable tourism product on Yadua Taba.	2	Medium-Term		✓	✓
Savusavu town	14. Improvements to Savusavu streetscape and upgrading of facilities.	1	Short-Term		✓	✓
	15. Development of a scenic lookout over Savusavu at Urata Point.	2	Short-Term		✓	✓
Events	16. Development and promotion of events.	2	Medium-Term		✓	

## Supporting infrastructure and services

The success and sustainability of tourism in Vanua Levu will depend on its ability to manage solid waste and sewage, provide potable water, and ensure reliable power and ICT infrastructure and services. As tourism grows on the island, pressure on this infrastructure and services will increase, making these a priority. Solid waste management and wastewater management infrastructure is insufficient for current demand, posing a threat to the environment that will only increase with growing arrivals. Water supply infrastructure is inadequate and outdated and requires modernisation to reach visitor readiness. Most tourism businesses in Savusavu and Labasa use diesel-generated town power or individual diesel generators. Reliance on this expensive, high carbon emitting energy source is a great concern, however climate-friendly energy solutions are cost prohibitive and are in limited supply. ICT

connectivity to Vanua Levu improved in 2019 with the landing of the submarine cable in Savuavu. However, some areas still lack sufficient connection due to a lack of fixed fibre infrastructure, the weather and terrain, as well as the prohibitive cost of doing electrical civil works on the island.

Investing in solid waste management, water, power and ICT infrastructure are essential, not only to sustain Vanua Levu's current and future tourism demand, but for the well-being of the local population and environment. Waste management, including developing solid waste and wastewater management facilities for Savusavu is a high priority.

### Summary of Investment Needs in Support Infrastructure and Services to Grow Priority Segments in Vanua Levu

Investment Theme	Proposed Investment (Infrastructure, Services, TA)	Priority Level	Timeline Immediate: 3 mths Short: 3 mths-1 yr Medium: 1-2 ys	Importance of the investment to:		
				COVID-19 Recovery	Stimulating Demand	Managing Growth
Waste Management	17. Development of a new landfill waste management system for Vanua Levu & rehabilitation of Savusavu dump site.	1	Short-Term			✓
	18. Development of wastewater management infrastructure and systems, including a sewage treatment facility in Savusavu.	1	Short-Term			✓
Water	19. Install water treatment plant with capacity to expand.	3	Medium-Term			✓
Power	20. Completion of a study of clean, affordable renewable energy solutions for Vanua Levu.	3	Medium-Term			✓
ICT	21. Improvements to accessibility and quality of ICT networks.	3	Medium-Term		✓	✓

## Investment conditions for the private sector

Investment in Vanua Levu has historically been small and lagging behind Viti Levu. Vanua Levu had a few tourism pipeline investments as of February 2020, now probably impacted by COVID-19. It is expected that Fiji's tourism demand will eventually rebound, however investment markets will likely take longer to recover due to pre-pandemic investment constraints and the anticipated loss of global capital markets and investor confidence. Key barriers to tourism investment in Vanua Levu include:

- Cost, capacity and convenience of access to the island, with a focus on air access, as investors have clearly indicated they would not consider Vanua Levu investments until there is improved access for target markets;
- Inadequate supporting trunk infrastructure (i.e. roads, public services and utilities to investment sites);
- A lack of quality construction materials supply and concern around quality of contractors;
- Limited investment promotion and facilitation services in Fiji and on Vanua Levu;
- Complex approval processes and weak institutional capacity across some national and local agencies resulting in inconsistent application of regulations;
- High tourism-specific taxes (July 2020 budget reduced some taxes for COVID-19 relief);

- Difficulty in accessing finance is a commonly cited barrier for domestic MSME investors;
- Lack of communication and coordination of MSME support programs on Vanua Levu; and
- The broader challenging economic environment resulting from the COVID-19 crisis.

A number of these barriers are currently being addressed by the GoF through initiatives such as the establishment of dedicated unit – MSME Fiji, within MCTTT, funding programs such as the MSME Concessionary Loan, Northern Development Program and the Integrated Human Resources Development Program. Savusavu also has a specialized industrial zone, which is an investor-ready zone. In order to build on these initiatives, attract investment and capitalize on the Tax Free Region status of Vanua Levu, GoF should establish strong investment mechanisms. The impending transformation of Investment Fiji into an Investment Promotion Agency will deliver best practice investment attraction and facilitation. The agency will require technical assistance to support its capacity, tools and processes. In order to streamline investments, GoF should undertake a tourism investment process mapping that identifies and assesses the local, provincial and national agency touch points and requirements in the investment processes. Auditing available government and donor MSME development programs in Vanua Levu, and analysing the needs of tourism MSMEs in Savusavu and surrounds, will identify gaps in business support services for future investment.

### Summary of Investment Needs to Improve Investment Conditions for the Private Sector to Grow Priority Segments in Vanua Levu

Investment Theme	Proposed Investment (Infrastructure, Services, TA)	Priority Level	Timeline Immediate: 3 mths Short: 3 mths-1 yr Medium: 1-2 ys	Importance of the investment to:		
				COVID-19 Recovery	Stimulating Demand	Managing Growth
<b>Investment Promotion and Facilitation</b>	22. Strengthening of Investment Fiji's investment promotion and facilitation capabilities.	1	Short-Term		✓	
<b>Regulatory Environment</b>	23. Streamlining processes and building of institutional capacity to facilitate tourism investor compliance with regulatory requirements.	2	Medium-Term		✓	
<b>MSME Support</b>	24. Strengthening MSME support programs & coordination.	2	Medium-Term	✓	✓	

## Skills development for tourism

Students seeking to study tourism in Vanua Levu can take remote courses from the University of the South Pacific and engage in a limited suite of tourism and hospitality technical training. There are currently no tourism diploma or degree courses available in Vanua Levu, however there is a limited suite of tourism and hospitality technical training. Students can earn certificates in bakery and cookery, front office and customer relations, and housekeeping from the island's colleges. Despite these courses, tourism operators in Vanua Levu reported difficulty in sourcing skilled staff, with many providing on-the-job training.

Any tourism coordination and planning should include a training needs analysis to identify specific investments to improve and/or expand training institutions in Labasa and their courses. Initial findings suggest these will centre around capacity building for instructors, and better communication with industry about training needs, and with students about course availability. Investment is needed to improve the design and delivery of more short courses through MCTTT and the Fiji Hotel and Tourism Association in Savusavu and Labasa that are tailored to the needs of local industry operators. The first priority should be to provide training on new best practices in food health and safety and housekeeping, that are emerging from the COVID-19 pandemic.

### Summary of Investment Needs in Skills Development to Grow Priority Segments in Vanua Levu

Investment Theme	Proposed Investment (Infrastructure, Services, TA)	Priority Level	Timeline Immediate: 3 mths Short: 3 mths-1 yr Medium: 1-2 ys	Importance of the investment to:		
				COVID-19 Recovery	Stimulating Demand	Managing Growth
Tourism Training	25. Strengthening of training institutions' delivery of relevant tourism and hospitality courses.	2	Medium-Term		✓	✓
	26. Support for local delivery of short courses to meet tourism & hospitality skills gaps.	1	Immediate-Term	✓		✓

## Biodiversity and conservation

Nature is Vanua Levu's greatest asset, attracting most of the destination's visitors. The coral reefs are a haven for scuba divers, and the forests provide activities for nature enthusiasts. Both these ecosystems are threatened by a range of economic activities, including tourism, with major threats from solid waste from urban centres, mining waste runoff, pesticides, and sewage. The forests are threatened by deforestation and forest degradation has recently accelerated on the island. Vanua Levu has five gazetted Protected Areas (PAs), but they are under-resourced and have few visitors. There are also at least two dozen Marine Protected Areas (MPAs) around the island, but most do not have formal status.

Developing a unified and streamlined plan for the formal management and legal framework across all type of protected areas will be crucial to attracting the priority market segments. The plan should include a road map for converting the country's highly fragmented PAs into a cohesive system. It should provide recommendations on improving inter-agency coordination, sustainable financing mechanisms, and how to build the capacity of relevant entities. Opportunities to develop new MPAs on Vanua Levu should be explored, applying models and lessons learned from the country and island. Creating a UNESCO Biosphere Reserve could help protect and promote Natewa Bay's extraordinary biodiversity. UNESCO's program helps conserve biodiversity under a flexible framework that encourages innovative approaches for sustainable economic activity within the reserves.

### Summary of Investment Needs in Biodiversity Conservation to Grow Priority Segments in Vanua Levu

Investment Theme	Proposed Investment (Infrastructure, Services, TA)	Priority Level	Timeline Immediate: 3 mths Short: 3 mths-1 yr Medium: 1-2 yrs	Importance of the investment to:		
				COVID-19 Recovery	Stimulating Demand	Managing Growth
Protected Areas (PAs)	27. Development of a plan to harmonise the management and legal framework of Fiji's PA system.	2	Short-Term			✓
	28. Creation of new Marine PAs on Vanua Levu.	1	Medium-Term			✓
	29. Pursue UNESCO Biosphere Reserve Status for Natewa Bay.	2	Medium-Term			✓

## Protected Areas on and around Vanua Levu



Source: National Trust of Fiji (2020), Protected Area System of Vanua Levu and Taveuni. Unpublished spreadsheet.

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## About IFC

IFC—a member of the World Bank Group—is the largest global development institution focused on the private sector in emerging markets. We work in more than 100 countries, using our capital, expertise, and influence to create markets and opportunities in developing countries. In fiscal year 2020, we invested \$22 billion in private companies and financial institutions in developing countries, leveraging the power of the private sector to end extreme poverty and boost shared prosperity. For more information, visit [www.ifc.org](http://www.ifc.org).

## About the Fiji Partnership

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Cover photo by Elliot Wright

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