

Pangaimotu island, Tonga

Tonga

PACIFIC TOURISM SECTOR SNAPSHOT | NOVEMBER 2021

INTRODUCTION

An archipelago of about 170 islands, the Kingdom of Tonga is a unique and diverse destination. Tonga attracts visitors with its pristine beaches, close encounters with migrating humpback whales, and indigenous history and culture.

Tonga’s economy is dependent on remittances and the contribution of tourism is relatively small. Tourism was estimated to contribute 11% of gross domestic product (GDP) in 2019 (Pacific Tourism Organisation [SPTO] 2020) and employ around 3,000 Tongans—representing approximately 9% of the country’s total employment.¹

Tonga’s tourism sector has strong potential for growth. Despite the significant impacts of successive cyclones and the coronavirus disease (COVID-19) pandemic, Tonga’s renewed commitment to tourism through the re-establishment of the Tonga Tourism Authority, a new domestic airline, and a supportive regulatory framework place the country in good stead to benefit from the revival of international tourism.

1 Estimates based on data from Pacific Tourism Organisation (2019 and 2020).

DESTINATION INFORMATION AT A GLANCE

POPULATION:
99,000 (2020).*

CAPITAL:
Nuku’alofa (Tongatapu Island—2,000 kilometers northeast of Auckland, 5,000 kilometers south of Honolulu).

OFFICIAL LANGUAGES:
Tongan and English.

CLIMATE:
Warm tropical climate. December–April: Average temperature 32°C and higher rainfall. May–November: average temperature 27°C.

CURRENCY:
Tongan Pa’anga (T\$).

ENTRY AND VISA REQUIREMENTS:
Visa available on arrival for most tourists (up to 31 days), excluding travelers from Taipei, China.

GEOGRAPHY:
Archipelago of 171 islands (36 inhabited).

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

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 between Nuku'alofa and Auckland, Nadi, and Sydney. These routes were serviced by three international airlines: Air New Zealand, Fiji Airways, and Virgin Australia. Domestic flights between Nuku'alofa and Vava'u, Ha'apai and 'Eua are operated by the government-owned Lulutai Airlines, which commenced services in September 2020.

Most of Tonga's island groups are serviced weekly by inter-island ferries. The country has seven interisland vessels, two of which are speedboats. Distances between island groups vary—for example, a trip from Nuku'alofa to 'Eua takes 2.5 hours, while Nuku'alofa to Vava'u can take up to 15 hours. Most visitors (82%) prefer air travel when visiting the outer islands (Government of Tonga, Ministry of Commerce, Tourism, and Labour 2014), largely due to time constraints.

Tonga has one the highest levels of road density in the region.

However, the condition of roads has deteriorated due to lack of maintenance (Asian Development Bank [ADB] 2013). A local bus network serves the island of Tongatapu, and taxis are readily available. Car hire is also available, particularly around Nuku'alofa. However, visitors from some countries are required to obtain a Tongan drivers' license.

ACCOMMODATION

In 2019, Tonga had more than 150 accommodation options, totaling around 1,300 rooms (SPTO 2020).² Two-thirds of these were on the island of Tongatapu. Vava'u had more than 200 rooms, shared among 22 operators. There were fewer than 100 rooms on the outer islands (Government of Tonga, Ministry of Tourism 2013). Tonga's accommodation supply is predominantly small properties of around 10 rooms each, owned by local operators. The Tanoa International Dateline Hotel in Nuku'alofa—which was government-owned until 2015—is the country's largest, with 120 rooms.

Occupancy rates among Tonga's accommodation providers tend to be low, at around 45% each year (Government of Tonga, Ministry of Tourism, consultations with author, 2020). This is primarily due to the small scale of the market and the seasonal nature of demand. It is widely felt that a shortage of higher-end accommodation, particularly internationally branded resorts, limits the country's ability to attract higher-value tourists and boost its brand in the global market.

ORGANIZED TOURS

Whale watching is Tonga's premier tourist attraction. At least 20 commercial tour operators offer whale watching tours or "in-water encounters", such as swimming and diving with

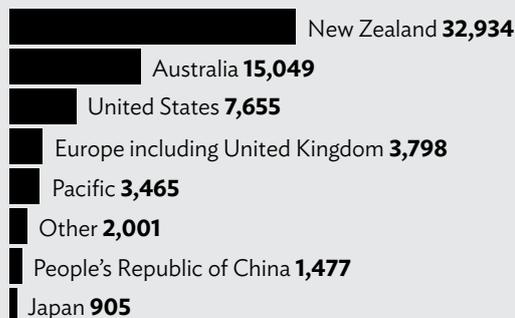
Box 1: Tonga Key Visitor Statistics (Air Arrivals)

Air Arrivals (2019)

67,284 visitors.

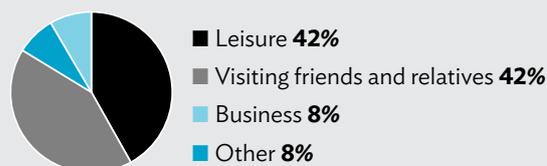
Source: Pacific Tourism Organisation.

Air Arrivals by Source Country (2019)



Source: Pacific Tourism Organisation.

Purpose of Visit (2017)



Source: Pacific Tourism Organisation.

Tourism Receipts (2019)

\$55 million.

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

Source: Pacific Private Sector Development Initiative.

humpbacks. The country's whale tourism industry has grown significantly across the past decade and now represents a major source of foreign income and a key point of differentiation. Several tour guides offer marine activities, such as snorkeling, island visits, and yachting, as well as cultural tours featuring local food and dance.

EMPLOYMENT AND TRAINING

Tourism education is available in Tonga. The University of the South Pacific has a campus in Tonga, which offers tourism and hospitality courses at degree level, predominantly via

2 Exact figures for accommodation options in Tonga vary between sources.

Box 2: Tonga Key Visitor Statistics (Sea Arrivals)

Cruise Arrivals (2019)

23,152 passengers.

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

Cruise Visitor Spend

T\$79 (NZ\$64)
per disembarking passenger.

Source: Government of Tonga, Ministry of Commerce, Tourism, and Labour. 2014. *Tourism Yearbook Draft 3*. Unpublished.

Yacht Arrivals

More than **2,000 visitors** each year.

Port of entry: 43% Tongatapu, 41% Vava'u, 16% Niuaotupapu, Ha'apai, and Niuafo'ou.

Source: Government of Tonga, Ministry of Commerce, Tourism, and Labour. 2014. *Tourism Yearbook Draft 3*. Unpublished.

Source: Pacific Private Sector Development Initiative.

print or blended learning. Two tertiary training institutes offer vocational studies in tourism, hospitality, and commercial cookery. While enrolment in tourism courses is growing, skilled tourism professionals, particularly chefs and management-level staff, are still in short supply (Institute for the Development of Environmental-Economic Accounting [IDEEA Group] 2020).

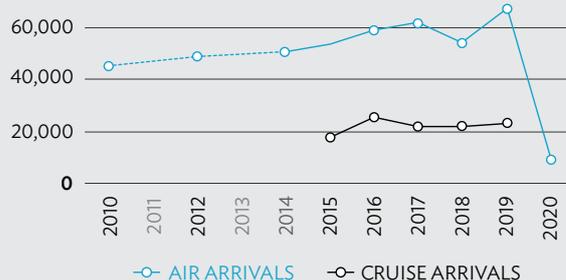
TOURISM GOVERNANCE, PLANNING, AND POLICY

Tonga's Ministry of Tourism is responsible for tourism policy and regulation. The ministry is led by a chief executive officer who reports to the Minister of Tourism. The ministry currently employs around 50 staff in four offices, spread across Tonga's island groups. A large proportion of staff—particularly in Vava'u—are employed under the government's beautification program. An estimated 70% of ministry staff have a tourism qualification (Government of Tonga, Ministry of Tourism, consultations with author, 2020).

The Tonga Tourism Sector Roadmap 2018-2023 is Tonga's current tourism sector strategy. The roadmap does not differ significantly from the research and recommendations in the previous Tonga Tourism Roadmap 2014-2018 and the IFC's State of Play Assessment 2010. It outlines the vision that "tourism will be the key driver of Tonga's sustainable future economic growth, enhancing our unique culture and heritage, supporting environmental protection and increasing wealth for all Tongans." The roadmap targets arrivals of 300,000 a year by 2023—more than four times the number of arrivals in 2019—

Box 3: Tonga Visitor Arrival Trends

Air and Sea Arrivals (2010-2020)



Source: Pacific Tourism Organisation.

Aside from a drop in air arrivals following Cyclone Gita in 2018, Tonga's arrival numbers had been steadily increasing in the lead up to 2020. The number of cruise ship passengers was boosted by significant upgrades to the Vuna wharf in Tongatapu.

Tourist arrivals to Tonga are seasonal. The major peak for leisure visitors is June to October, largely reflecting the drier weather and the whale-watching season. The visiting friends and relatives (VFR) market is strongest during the New Zealand and Australian summer holidays, when many Tongan families return home for Christmas.

Source: Pacific Private Sector Development Initiative.

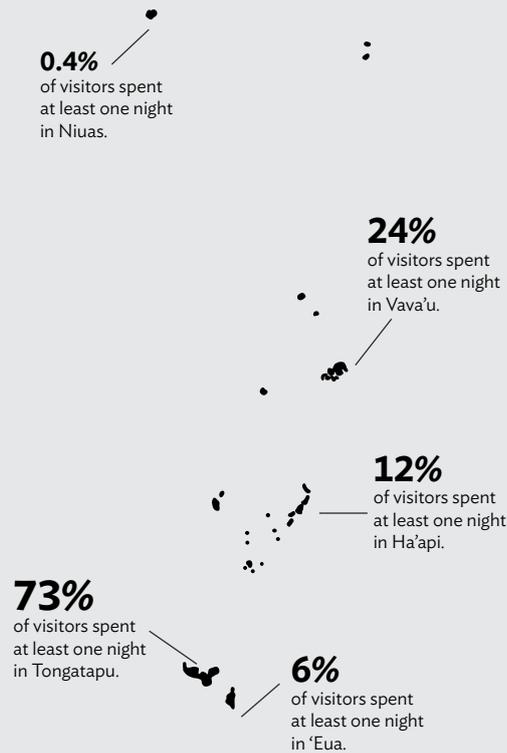
and an increase in cruise ship arrivals of 48% by 2023. These objectives are to be achieved through improved marketing, investment, product development, infrastructure, environmental management, human resource development, and sector coordination.

TOURISM MARKETING

Tonga's new Tourism Authority is responsible for destination marketing and private sector engagement. The Tonga Tourism Authority was first established in 2012 and mandated to manage destination marketing, while tourism policy and regulation resided with Tonga's then-Ministry of Commerce, Tourism, and Labour. Responsibility of tourism marketing was returned to the (now-standalone) Ministry of Tourism in 2017. In 2021, a new Tourism Authority was set up under the existing Tonga Tourism Authority Act 2012 to grow the competitiveness of Tonga as a tourism destination by adopting a whole-of-nation approach to tourism development, fostering partnerships between industry and government, driving destination marketing efforts, and increasing the inclusion of Tongan culture and traditions in tourism-related activities. The authority is led by a general manager, who reports to a tourism board and has 15 staff in four offices spread across Tonga's island groups.

Tonga is branded the "Kingdom of Tonga: the true South Pacific." Destination marketing has historically been ad-hoc, with a lack of strategy and limited collaboration with the private

Box 4: Tonga Visitor Destinations



Source: Government of Tonga, Ministry of Commerce, Tourism, and Labour. 2014. *Tourism Yearbook Draft 3*. Unpublished.

sector (Government of Tonga, Ministry of Tourism 2013). As such, the country has a lower profile in its major source markets than regional competitors such as the Cook Islands, Fiji, and Samoa. Tonga has two destination websites—the former Tourism Authority site,³ and the Ministry of Tourism's website⁴—both of which have limited up-to-date information. It is anticipated the reestablishment of the Tonga Tourism Authority will allow for the development of a new marketing strategy, a domestic campaign during the COVID-19 pandemic, and collaborative marketing with the private sector.

PRIVATE SECTOR ORGANIZATION

Small businesses dominate private sector tourism in Tonga. The majority of these are owned by locals, with staff often recruited through family connections. Overseas-born residents of Tonga, who either own a tourism business or hold a senior position, constitute around 10% of the tourism sector (Government of Tonga, Ministry of Tourism 2013). Private sector tourism operators are primarily supported by the Tonga Chamber of Commerce and Industry and the Tonga Tourism Association. The Tonga Tourism Authority plans to strengthen both associations by building institutional capacity, supporting administrative tasks, and encouraging the reestablishment of sub-tourism associations such as handicraft and transport operators.

3 www.tongaholiday.com

4 www.tourismtonga.gov.to

Box 5: Tonga Key Attractions

- **Incredible diving**—Tonga is home to some of the most diverse marine ecosystems in the world.
- **Migrating humpback whales**—From July to November visitors can swim with the whales.
- **Unique traditional culture**—As the only Pacific nation never to have been colonized, Tonga retains its indigenous hereditary monarchy and its rich history and traditions.
- **World-class surfing**—As well as excellent snorkeling, kayaking, kite-surfing, and white sand beaches.
- **Game fishing**—Opportunities include marlin, sailfish, mahi-mahi, and wahoo.

Source: Pacific Private Sector Development Initiative.



TOURISM SECTOR CHALLENGES AND OPPORTUNITIES

TRANSPORT AND CONNECTIVITY

Domestic air services have been unreliable (Government of New Zealand, Ministry of Foreign Affairs and Trade 2020). Tonga's former domestic airline, the privately owned Real Tonga, serviced five outer-island airports, all of which are managed by Tonga Airports Ltd, a state-owned enterprise. The airline, which had been plagued by financial problems and a poor choice of aircraft type (Government of New Zealand, Ministry of Foreign Affairs and Trade 2020) since its start in 2013, ceased operations in 2020. It is hoped the newly established Lulutai will help grow tourism to the outer islands.

ENVIRONMENT AND INFRASTRUCTURE

Coastal tourism development is becoming unsustainable. Much of Tonga's tourist accommodation is built on its coastlines, which are already under pressure from population growth and increasing urbanization. Coastal properties are also at

greater risk of cyclones, storm surges, and other disasters. The country's fragmented environmental legislation has to date led to inadequate controls over land use zones and site classifications for the tourism industry, which, if unchecked, could lead to continued property damage and environmental degradation.

Tonga's high energy costs and low reliability have been a significant barrier to tourism growth (International Finance Corporation 2010). Until recently, regular power outages necessitated the installation of backup generators, and larger hotels estimated that energy costs accounted for up to 30% of total operating expenses (Government of Tonga, Ministry of Tourism 2013). Reliability has since improved, while the cost has declined. In 2015, Tonga was ranked 8 out of 14 Pacific nations for business energy costs (Utilities Regulatory Authority of Vanuatu 2015).

Poor waste management hurts the tourist experience. While improvements in solid waste management in Tonga have been made, burning and dumping still occur (Pacific Region Infrastructure Facility 2018). Previous visitor surveys have rated Tonga poorly on the amount of rubbish along roadsides and at tourist attractions, undermining the country's efforts to be an "unspoiled" destination (Government of Tonga, Ministry of Tourism 2013 and 2018). The Government of Tonga has introduced a destination beautification program to improve litter management.

Tonga is highly prone to disasters triggered from natural hazards, including cyclones, tsunamis, and earth tremors. In the past 5 years alone, tropical cyclones have caused severe damage to all island groups, impacting roads, housing, public and tourist infrastructure, as well as energy and water supply (ADB 2020a). The high prevalence of disasters increases the country's risk profile, deterring visitors and potential investors. It also impacts tourist infrastructure, as a large proportion of Tonga's tourist accommodation is in coastal areas.

More than 90% of Tongans have access to safely managed drinking water (ADB 2020b), but sanitation, drainage, and roads are all straining under excess demand. Fanga'uta Lagoon in Nuku'alofa is in environmental decline due to nutrient overloading from household septic tanks. The recent Asian Development Bank-supported Nuku'alofa Urban Development Sector Project has increased the sustainability of water supply and sanitation infrastructure (ADB 2020c).

SECTOR ORGANIZATION

Coordination of the private sector could be strengthened. Industry associations have historically been fragmented, with competing bodies established nationally and provincially. This has resulted in a lack of coordination, inadequate industry leadership, and a failure to provide a united voice to government on key issues (Government of Tonga, Ministry of Tourism 2017). A stronger peak industry body could enhance coordination within the sector and improve public/private dialogue.

ECONOMY, POLITICS, AND GOVERNMENT

A lack of government prioritization constrains Tonga's tourism industry. The Tonga Tourism Sector Roadmap 2018-

2023 suggests tourism development is characterised by short-term and ad hoc initiatives. This is primarily due to limited capacity, insufficient resourcing and prioritization, and the lack of a sector development plan for tourism. The roadmap advocates a "whole of government" approach as key to Tonga's tourism development (Government of Tonga, Ministry of Tourism 2017).

Tonga's Births, Deaths, and Marriages Act constrains the wedding market. Under the act, at least one member of a couple wishing to marry in Tonga must have resided in-country for a minimum of 16 months. This restricts a potentially lucrative market for Tonga, given international wedding tourism provides an important source of revenue in other Pacific nations such as Fiji, Samoa, and Vanuatu. The Government of Tonga is seeking to amend the act.

Key reforms have strengthened Tonga's private sector. Recent initiatives include the simplification of business license registration and the revised Companies Act, which has reduced the time taken to establish a company and increased transparency of the process. The new foreign investment policy and regulations will improve the investment climate. These initiatives make Tonga one of the Pacific's leading reformers and will help support increased investment in the tourism industry (ADB 2015).

Lack of access to finance restricts investment in tourism businesses. Many tourism operators lack the necessary collateral to access a loan and are often unable to meet the banks' application requirements, especially given high interest rates. For smaller operators, this is compounded by poor occupancy rates, which reduces profitability. The Government of Tonga is currently supporting local businesses in key sectors, including tourism, with access to low-interest loans (Government of Tonga, Ministry of Tourism, consultations with author, 2020).

Trading restrictions on Sundays constrain tourism. Tonga's Sunday Observance Act bans commercial trade on Sundays, including transport, cafes, and restaurants. This reduces industry profitability and may be a disincentive for prospective tourists. A previous study found that even a partial relaxation of the restrictions, allowing air travel, cruise ship calls, and the opening of restaurants, could result in a T\$100m (\$43m) boost to the economy, and the creation of an estimated 3,000 full-time jobs (Government of Tonga, Ministry of Tourism 2013 and 2017).

Poor industry regulation could damage Tonga's whale watching sector. The number of licensed whale operators in Tonga has increased significantly across the past decade, despite many failing to meet the Whale Watch Association standards (Fiori et al 2019). This has led to breaches of regulations—such as too many swimmers in the water at one time—and raised concerns about the potential impact to whales' breeding patterns (Fiori et al 2019), as well as the future viability of one Tonga's most important, and lucrative, tourism attractions.

Tourism data is often unreliable. A recent study found that Tonga's customs officials no longer process complete visitor arrivals data, omitting information such as purpose of visit and length of stay (IDEA Group 2020). Tonga has not conducted

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

The Government of Tonga declared a state of emergency on 20 March 2020. All flights were grounded from 23 March 2020. Repatriations from New Zealand did not start until 4 August 2020 and were conditional on a negative coronavirus disease (COVID-19) test and 14 days quarantine on arrival (Thorn 2020). At the end of July 2021, Tonga remained COVID-19 free, and the state of emergency remained in force. Tonga hopes to have 70% of its eligible population vaccinated against COVID-19 by the end of 2021 (Radio New Zealand 2021). In May 2021, the government of Tonga signed a \$5.5 million grant agreement with the Asian Development Bank (ADB) (2021a) to support the rollout of vaccines. By the end of July 2021, 18.0% of the population had been fully vaccinated, and a further 9.6% had received one vaccine dose (Our World in Data n.d.).

The impact of the pandemic exacerbated the effects of a series of tropical cyclones. In 2018, Cyclone Gita caused damage estimated at \$164 million, with reconstruction expected to occur in fiscal year (FY) 2020 (ADB 2020a).^a A series of cyclones delayed planned reconstruction: Cyclone Sarai in December 2019, Tropical Cyclone Tino in January 2020 (which caused \$28.4 million in damage), and Tropical Cyclone Harold in April 2020 (estimated to have caused damages and losses totaling more than 12% of Tonga's gross domestic product). The pandemic disrupted a nascent recovery in visitor numbers, and arrivals dropped to zero by April 2020. The Asian Development Bank (2021b) calculated that Tonga's gross domestic product fell by 0.8% in FY2020, and projects a further drop of 5.3% in FY2021 followed by growth of 1.8% in FY2022. Cumulative cyclone damage—the storm surge from Tropical Cyclone Harold alone destroyed three hotels in the coastal areas of Tongatapu (ADB 2020a)—could leave Tonga at a disadvantage when borders reopen.

By the end of 2020, 93% of businesses surveyed reported negative impacts because of the pandemic. Of those surveyed, 85% described the impact as “very negative,” 85% of business owners reported a “significant drop” in revenue, and 92% agreed that the local economy had been impacted. Only 15% of businesses were fully operational, and 46% were temporarily closed (Pacific Trade Invest [PTI] 2021a). Tourism contributes to the income of one-third of households in Tonga (ADB 2020b), and the loss of income in Tonga's tourism and ancillary sectors has been significant (PTI 2021b). A 2020 survey by the Tonga Chamber of Commerce and Industry reported more than 60% of firms had reduced staff numbers or workers' hours (ADB 2020b).

The Government of Tonga announced a T\$60 million (\$25.5 million) stimulus package on 2 April 2020 (Tonga Broadcasting Corporation 2020). The package included a temporary suspension of import duties, tax deferrals, loans for microbusinesses, and allowances for employees who

lost jobs. The country has received significant international aid, including \$6 million from the Asian Development Bank in April 2020, and a further \$12.2 million in June 2020. By December 2020, the Government of Tonga had provided financial assistance to more than 2,100 formal and informal businesses at a cost of around \$7.1 million. Of these funds, 60% went to businesses in the services sector, including tourism (ADB 2020b). In December 2020, the World Bank approved a \$30 million operation to support Tonga's recovery, including support for businesses (World Bank 2020). In March 2021, the Government of Tonga announced an additional \$3 million to support businesses to the end of June (Loop Pacific 2021).

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Source: Pacific Private Sector Development Initiative.

^a Note: Tonga's fiscal year ends on 30 June.

an International Visitor Survey since 2013, which further limits understanding of the sector. Estimates of tourism employment in Tonga vary significantly between sources, as does the contribution of tourism to GDP. Improved data collection practices would provide an evidence base on which to support planning for future growth and evaluating performance.

LAND ACCESS AND DEVELOPMENT

Lack of secure access to land restricts tourism investment. In contrast to other Pacific island countries, there is no customary land in Tonga. Under the constitution, control of land resides with royalty, who can prescribe access rights for commoners. Land records are often incomplete and inaccurate, which can deter potential investors (ADB 2008). Large-scale developments, such as resorts and hotels, are constrained by short-term leases, limited provision for review of rental agreements, and a complex registration process. Tonga has no defined support service for potential investors, including provision of investment-ready sites, data to inform investment decisions, or investment incentives for the tourism sector (Government of Tonga, Ministry of Tourism 2017).

EMPLOYMENT AND TRAINING

Tongans tend not to aspire to careers in tourism. Tourism jobs are often regarded as low paid, with limited career prospects. Tourism in Tonga is highly seasonal and staff turnover in the industry tends to be high, particularly in the outer islands. Approximately 30% to 50% of peak season staff are laid off in the low season in Vava'u, Ha'apai, and 'Eua (Government of Tonga, Ministry of Tourism 2017). Previous research has indicated there is a low understanding of the opportunities and benefits of tourism at a community level. Some locals also view tourism as a *palangi* (foreigner) industry, rather than one for Tongans (Government of Tonga, Ministry of Tourism 2013 and 2017).

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Souvenir stall at Ha'amonga 'a Maui, Tonga



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 Ministry of Tourism, Tonga Tourism Association, the Pacific Tourism Organisation, private sector stakeholders, and donor partners in Tonga 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.

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