



Tourism

Thematic Paper



Why is MDF involved in the tourism industry?

MDF works in Fiji, Sri Lanka and Timor-Leste to support sustainable and high value tourism. Tourism is a valuable sector for development, as the value chain is heavily interconnected with other economic sectors, and successful tourism initiatives have a multiplier effect on the domestic agriculture, construction and retail industries. Inclusive tourism growth is also a key driver of employment for women, many of whom are involved as entry-level and front office workers or as hotel food and entertainment suppliers.

Up until 2019, international travel was experiencing a boom, fuelled by the growing purchasing power of the Asian middle class, increased affordability through digital platforms such as Airbnb, and the ubiquity of travel influencers on social media. MDF was experiencing strong momentum in its tourism interventions in all three countries. However, the emergence of the COVID-19 pandemic in early 2020 and the resulting closure of international borders has devastated the tourism industry.

COVID-19 and tourism

In Fiji, 93 per cent of all hotels and resorts closed and 40,000 tourism employees lost work. As the largest contributor to GDP, foreign exchange and employment, the survival and revitalisation of the tourism industry are critical to Fiji avoiding economic collapse. In Sri Lanka, the tourism industry employed more than 200,000 direct workers

High value tourism is characterised by authentic and enriching experiences that engage the local community and are operated under socially and environmentally responsible business practices.

and anywhere between 800,000 and 3,000,000 indirect workers. As in other sectors, these workers have been most affected by the crisis, with an estimated 80 per cent losing work. In Timor-Leste, businesses offering tourism and hospitality services have suffered, with most experiencing an 80 to 90 per cent revenue decline.

However, through a facility wide effort to understand the impact of the pandemic on tourism, and a parallel assessment of new market requirements, MDF has successfully pivoted its tourism portfolio. MDF will continue to work in tourism because of its long-term potential to contribute significantly to growth and create additional jobs and income for the poor, especially women. Post-COVID tourism will be fiercely competitive, and MDF is supporting its partners to prepare for the resumption of international tourism with improved marketing, product offerings, data collection, research and industry collaboration.



What does MDF do in individual countries?



Fiji

In **Fiji**, MDF is supporting the development of domestic, international and yachting tourism through diversified and niche tourism offerings, targeted marketing campaigns, and differentiated products and experiences.

While international borders were closed in 2020, MDF shifted to domestic tourism interventions, providing critical support to the sector. A new local event fund supported two new events to provide much-needed livelihood opportunities for hundreds of people. In addition, early MDF research into Fiji's potentially lucrative yachting industry was instrumental in the government establishing its flagship 'Blue Lane Initiative.' The initiative allowed 94 yachts to travel to Fiji in 2020, resulting in an estimated AUD352,547 in income for local marinas alone.

In the short term, MDF will support domestic tourism and increased yachting tourism, by supporting the Blue Lanes Initiative and conducting research on changing consumer demand. In the medium term, assuming that Fiji is included in a Pacific Travel Bubble, MDF's scope will expand to tourism marketing and guest reception. MDF's long-term vision is a shift from lower-yield volume tourism to more sustainable high-yield niche tourism.



Sri Lanka

In **Sri Lanka**, MDF is supporting the development of high value tourism through improved data collection, promotion and coordination. Sri Lanka is behind its peers in adopting data-driven strategies, so MDF has invested in strengthening the capacity of government stakeholders and small and medium enterprises (SME) to collect, analyse and apply data insights towards aligned marketing and promotional strategies. Insufficient coordination among industry stakeholders is also a major obstacle to developing a resilient tourism sector in Sri Lanka. In 2019, MDF supported the establishment of the Sri Lankan Tourism Alliance and the development of its Resilience Action Plan. In 2020, MDF supported the Hotels Association of Sri Lanka with its crisis response, collaborating on a series of workshops for local accommodation providers.

In 2021, MDF will support:

- Sri Lanka Tourism Development Authority to improve its research capacity and Sri Lankan Tourism Promotions Bureau to manage its post-COVID promotions strategy
- Digital providers to upskill SME service providers in digital skills and product marketing
- Business membership organisations to offer greater value and post-COVID solutions to members, alongside improving coordination among themselves to work cohesively towards recovery.



Timor-Leste

In **Timor-Leste**, tourism is an emerging sector, contributing only 0.5 per cent of GDP. The country is still relatively unknown to travellers despite its significant natural resources and potential for marine tourism. MDF is supporting increased awareness of Timor-Leste through a variety of destination marketing activities, with a focus on Australia. MDF is also supporting the development of marine tourism.

In 2021, MDF will:

- Follow up on a market analysis conducted in 2020 on the preferences and behaviours of Australian tourists, and the information needs of Australian tourism operators
- Continue to work with marine tourism operators on industry development
- Work more formally with the Ministry of Tourism, Commerce and Industry on destination marketing ideas
- Subject to market conditions, recommence other activities put on hold due to COVID-19.



What are the benefits of facility wide collaboration?

MDF is able to pool resources through a multi-country model in order to deliver insights, expertise and economies of scale. Knowledge and experience are transferred between countries through communications, publications, thematic groups and events, staff exchange and via the Shared Resources team. In 2020, this facility wide approach enabled MDF to assess the realities of tourism prospects amid the pandemic, and rapidly pivot to more relevant support.

Through a systematic process of market intelligence gathering, country teams compiled information from multiple tourism stakeholders to assess the impact of the pandemic on tourism actors ranging from large hotels to smallholder farmers supplying to tourist establishments. MDF compiled this

insight in regular MarketViews for DFAT and other key stakeholders, providing valuable on-the-ground information amid movement restrictions and a general scarcity of market intelligence.

This concerted effort to realign country tourism portfolios also resulted in the teams shifting from pre-pandemic work in product development and marketing, to supporting the industry to: a) survive the crisis, and b) build back better, with better research capabilities, targeted marketing and stronger industry coordination. The outlook for tourism across the facility is slowly improving, with stakeholders expressing cautious optimism about a medium-term recovery.

MDF will continue to share knowledge about the impact of our work in each country through communications, events and staff on the ground.