Frameworks for Sustainable Tourism Investments

@MAFigueroa
Agenda

01 Tourism Investments Landscape
   From traditional investment to non-traditional investment

02 Tourism investment Frameworks
   Attraction, promotion, and mobilization strategies

03 Sustainable tourism investments
   Opportunities for innovation and decarbonization
Tourism Investments Landscape
From traditional investment to non-traditional investment
GLOBAL Tourism

Global Tourism Greenfield Foreign Direct Investments

US$ 178.2
Capital investment (2017 - 2022)

58% grow from 2020

TOP 10 COUNTRIES FOR TOURISM FDI PROJECTS, 2017–2021

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The data is based on the number of projects and investment amounts reported by the Global Tourism Greenfield Foreign Direct Investments. The data includes all the projects and investment amounts reported by the Global Tourism Greenfield Foreign Direct Investments.

Source: FDI Markets (www.fdimarkets.com)

TOP 10 COUNTRIES FOR TOURISM FDI PROJECTS, 2017–2021

<table>
<thead>
<tr>
<th>Year</th>
<th>Investment (in $bn)</th>
</tr>
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<tbody>
<tr>
<td>2017</td>
<td>22.1</td>
</tr>
<tr>
<td>2018</td>
<td>70.8</td>
</tr>
<tr>
<td>2019</td>
<td>59.3</td>
</tr>
<tr>
<td>2020</td>
<td>16.4</td>
</tr>
<tr>
<td>2021</td>
<td>9.5</td>
</tr>
<tr>
<td>Total</td>
<td>178.2</td>
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</tbody>
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Source: FDI Markets (www.fdimarkets.com)
Global Tourism Greenfield
Foreign Direct Investments

Total Tourism Foreign Direct Investment in 2021 remained **84%** below the 2019 total value invested.

Foreign investors announced a total of **2232** foreign direct investment projects in the tourism cluster from 2017 to 2021.

fDi Markets, Financial Times (2022), Tourism Investment Report 2022
Foreign Direct Investments (FDI) - tourism sector - Asia and the Pacific

Top 10 countries in Asia and the Pacific for tourism FDI
Number of projects 2017-2021

FDI Intelligence from the Financial Times and UNWTO (2022)
Benchmarking attractiveness

Based on fDi Markets Intelligence, Financial Times, 2022.
GLOBAL TOURISM FDI PROJECTS BY SECTOR (TOP FIVE), 2019–2021

- **2019**
  - Hotels & tourism: 522
  - Software & IT services: 84
  - Leisure & entertainment: 75
  - Business services: 13
  - Real estate: 8
  - Other: 9

- **2020**
  - Hotels & tourism: 172
  - Software & IT services: 44
  - Leisure & entertainment: 31
  - Business services: 16
  - Real estate: 4
  - Other: 4

- **2021**
  - Hotels & tourism: 115
  - Software & IT services: 61
  - Leisure & entertainment: 14
  - Business services: 32
  - Real estate: 13
  - Other: 15

Source: fDi Markets (www.fdimarkets.com)

25% Software & ITC
Non Traditional Investments

Venture Capital (VC) investments in Traveltech have been growing. Around USD 449 billion has been invested in Travel & Mobility Tech startups from 2014 to 2019. The travel tech sector reached USD 61.6 billion in unicorn valuations.¹⁸
Venture Capital Investments in tourism resumes

VC funding bounced back in travel and Mobility tech startups (USD billion)

UNWTO based on Crunchbase (2022)
1.2% of the Global Unicorn Club corresponds to the Tourism Tech Sector
UNWTO (2022) based on CELInsights (2022)

14/36 of today’s unicorns in tourism tech and mobility are located in Asia
Lufthansa Innovation Hub and TNMT (2021)
What is next?
Top verticals Travel Tech Startup Funded

Weighted based on deals above US$ 1 million (2010-2020)

Notes: Investments excluding initial public offerings and mergers and acquisitions (M&A).
Decarbonization
Travel Tech Startups
Series A round by BorgWarner
Google's Climate Change Accelerator
and 100+ Accelerator by AB InBev,
Unilever, Coca-Cola & Colgate-Palmolive

10 million USD
Clean energy

United States of America
02 Tourism investment Frameworks
Attraction, promotion, and mobilization strategies
Enabling Framework for tourism FDI

1. Organizational Strategy (Enabling Capacities)
2. Attractiveness Strategy (Enabling Conditions)
3. Promotion Strategy (Enabling Opportunities)
INVESTMENT PROMOTION STRATEGY

1. Understand trends in the tourism industry
2. Map out your country’s current offer
3. Identify internationally mobile projects
4. Develop selection criteria
5. Benchmark your offer
6. Make the final selection
7. Define goals and targets
8. Develop marketing strategies
9. Contact target firms
10. Evaluate the results
Specialized Publications

Enabling Frameworks for Tourism Investment
Series A Publication 1

Strategies to Safeguard Tourism Investments during COVID-19
Series B Publication 1
Providing tools: Specific country-reports
## Snapshot of Tourism Funds and Other Entities adopting ESG globally

<table>
<thead>
<tr>
<th>Tourism funds and other entities</th>
<th>Initiatives</th>
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<tbody>
<tr>
<td><strong>bpi France</strong></td>
<td>Conducts a systematic <em>environmental</em> and <em>social assessment</em> of all major projects, when the French share is above 10 M€ or when located in or near a <em>sensitive area</em></td>
</tr>
<tr>
<td><strong>Tourism Department</strong></td>
<td>Implemented <em>Green Tourism Incentive Program</em>, a <em>resource efficiency incentive program</em> to encourage and support private sector to adopt <em>responsible tourism</em> practices</td>
</tr>
<tr>
<td><strong>BPMB</strong></td>
<td>Launched <em>Impact Assessment Framework</em> – Measuring Impact On National Development (Mind)</td>
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<tr>
<td><strong>FONTUR Colombia</strong></td>
<td>Incorporates development of ‘sustainable destinations’ as it <em>core objective and goal</em></td>
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<tr>
<td><strong>VisitBritain</strong></td>
<td>Advocates sustainability in travel and tourism by <em>publishing articles and resources</em> on how to <em>make business more sustainable</em> and promoting different <em>green certifications</em> for tourism and travel</td>
</tr>
<tr>
<td><strong>Visit Sweden</strong></td>
<td>Tops the list of <em>10 leading countries for sustainable tourism</em> and along other initiatives introduced the <em>country’s certification for approving ecotourism companies</em></td>
</tr>
<tr>
<td><strong>한국관광공사 (KTO)</strong></td>
<td>Launched the “Inconvenient Travel Tips” campaign to promote <em>eco-friendly travel methods</em> and issued the <em>Korean Ecotourism Standards for Destinations and Accommodations and Tours</em></td>
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</table>
Evolving Tourism trends and impact

**Sustainability Megatrends in Tourism**

- **Greener Government Policies**
- **Increased Consumer Demands for Responsible Tourism**
- **Increased Consumer Demands for Sustainable Tourism**
- **Increased backing & Green Finance for Sustainable Tourism**

**Eco-Travel** (Mode of travel to destination)
- Directly affected: Airlines, Aviation Infrastructure, Cruises, Cars / Coaches
- Indirectly affected: Energy, Transport Manufacturing

**Eco-Tourism** (Experiences at destination)
- Directly affected: Tours operators, Hotels, Restaurants, Activity providers
- Indirectly affected: Online travel agencies

**Global Organizations, driving ESG agenda in Tourism**

**Snapshot of ESG targets in Tourism**

- Marriott
  - Reduce by 2025: **Water intensity** by 15%; **Carbon intensity** by 30%, **Food waste** by 50%
  - Implement responsible sourcing for 95% of the top 10 categories by 2025
  - Achieve a minimum of 30% renewable electricity use by 2025

- Hilton
  - Increase data visibility by incorporating social and environmental criteria into supplier assessment by 2030
  - Reduce by 2030: Carbon intensity from franchised hotels by 52%, Water in managed operations by 50%
  - Create and partner with cross-industry networks to advance international human rights

- Etihad
  - Achieve zero net carbon emissions by 2050 and halve 2019 emissions by 2035
  - Reduce single-use plastics across the organization by 80% before 2022
  - Reduce paper consumption across the business, with a target of 45% by end of 2022
FINANCIAL MODELS

Direct Investment
Local financial institutions
Aggregator Model
Capital Markets
## GREEN HOTEL REVITALIZATION PROGRAM OBJECTIVES

<table>
<thead>
<tr>
<th>Program Objectives</th>
<th>Description</th>
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<tbody>
<tr>
<td><strong>1</strong></td>
<td>Reduce carbon footprint of hotel industry in EM markets</td>
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<tr>
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<td>Create new market for green retrofits by providing integrated offering of advisory, technical support, capital, and full supply chain support</td>
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<td>Remove barrier to retrofit greening by providing hotels with access to financing through local financial institutions</td>
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<td></td>
<td>Require that certain portion of total loan facility must be used towards green retrofits that achieve green building certification by end of loan tenor</td>
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<td><strong>2</strong></td>
<td>Mitigate impact of COVID-19 and support economic development</td>
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<td>Countercyclical financing for hotels to stimulate medium term post-COVID-19 recovery of the hotel sector, leveraging low occupancy to retrofit and acquire new assets</td>
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<td>Enable job preservation and creation in emerging markets, targeting small and medium hotels</td>
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<td>Provide refinancing / restructuring solutions for distressed hotels</td>
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<td><strong>3</strong></td>
<td>Support Financial Institutions to green portfolios</td>
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<td></td>
<td>Provide access to attractive green financing opportunities in emerging markets to support FIs to expand their portfolio in line with macro trends towards green finance</td>
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<td></td>
<td>Through private sector investments, continue to grow the value and prominence of green bonds and green loan instruments</td>
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</table>

*While the program will eventually be available in all EM markets, the initial focus will be on IDA countries*

SOURCE: IFC
DESCAP II
HOSPITALITY PRIVATE INVESTMENT FUND

Up to USD 250 Million
Distressed Hotels & Resorts in SE Asia

January 2021
Sustainable tourism investments
Opportunities for innovation and decarbonization
Decarbonization

CO2 emissions from tourism are forecasted to increase by by 2030 from 2016 levels, against the current ambition scenario.

Green and social impact investments

Over $500 billion flowed into ESG - integrated funds in 2021.

Morningstar (2021) in JP Morgan (2022)

Assets in dedicated ESG funds could grow as much as $30 trillion by 2030.

Broadridge (2022)
Capacity building and training

Training activities targeting a variety of stakeholders aimed at developing and strengthening individual and organizational skills, abilities, processes, and resources needed to support and implement projects at different stages of development to attract and promote investments in the tourism sector.

Grants

Funds provided by an entity [public body, charitable foundation, or multilateral] to an individual or institution for a specific purpose believed to be in the public interest. Unlike loans, grants are not to be paid back for a return on investment. Some grants [i.e., convertible or refundable grants] can be converted into equity or loans if a project reaches certain pre-agreed milestones.

Debt

Investments made in a company, an individual or a project with the expectation of being paid back at a future date [maturity] with interest. Depending on the loan agreement, payments can be made monthly, half yearly, or as a lump-sum at the end of the loan tenure. Loans are usually secured or collateralized with the assets owned by the entity taking the loan.

Equity

Investments made into a business by investors in exchange for common or preferred stock. Equity investments do not have a maturity and involve higher risk compared to debt investments as return depends on the company’s ability to generate profits. As equity investors accept a higher risk than debt investors, return expectations are usually higher.

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Aggregation

The aggregation of projects with similar terms and often in the same sector can help to increase the overall funding amount available for small-scale projects or in some case small investment tickets. This bundled approach has the added benefit of diversification, as project-level risks are spread across a wide base of assets, limiting large-scale investors’ exposure to acute risks.

Risk guarantees

Promise of performance to a beneficiary in the event that the party who would normally provide a service or good fails to do so. A guarantee inserts a third party into a legal agreement to provide an extra layer of protection for the beneficiary or investor in cases when structuring risk guarantees facilities.
REITs
A real estate investment trust (or REIT) is an entity formed to own, and potentially operate, cashflow generating real estate assets which can pass income to shareholders in the form of dividends.

Green bonds
Green bonds are fixed income securities whose proceeds are earmarked to climate and environmental assets, or to finance specific climate or environmental projects. Green bonds are comparable to conventional market bonds in that an issuer of a green bond pays the principal and interest back to the lender over a designated period of time, but the proceeds of the bond issuance are designated for nature-positive outcomes.

Blue bonds
Also called ‘blue financing’, these are no different to green finance structuring other than that they are used to finance projects related to the ocean or ‘blue’ economy, e.g., sustainable fisheries and ocean-based tourism. Beginning in 2010, The Nature Conservancy (TNC) has worked with the Government of the Seychelles to restructure USD 22 million worth of debt into investment in marine protection.

Debt-for-nature swaps (DFN)
As so-called debt-for-nature (DFN) swaps are financial transactions in which a portion of a country’s foreign debt is erased in exchange for local investments in conservation measures. Given that, generally, much of the external debt of developing countries has little chance of being fully repaid, it can potentially be bought on the secondary market for a price substantially below face value.

Yield companies
A yield company (or YieldCo) is an entity formed to own operating assets and raise funds by issuing shares to investors. Cash flows from these operating assets are then used to distribute dividends (cash payments) to shareholders over time.


Awards and recognitions

CONSERVATION & SOCIAL TOURISM INNOVATION
Technology Driven Tourism Innovation - Conservation & Social Impact

INTO’s mobile and web-based application will be designed to help guests:
- Learn about partner organizations’ conservation impact and research
- Allow guests to identify and upload species sightings on cloud-based database
- Species registry will provide heat map for research on animal sightings
- Engage guests to donate to partner organizations to support active projects
- Connect with local artisans and purchase souvenirs via e-commerce marketplace
- Stay tuned on latest news on conservations areas and projects
- Boat tours and activities

INTO HOSPITALITY ANNOUNCED AS A WINNER OF IDB’S BEYOND TOURISM INNOVATION CHALLENGE

IDB Inter-American Development Bank
UNWTO
BID LAB
We have rigorously selected complementary destinations to enhance the cultural, social, conservational and regenerative experiences of our journeys by following the path less travelled INTO unique experiences in all of Costa Rica: from north to south, from the Atlantic to the Pacific, and in mountain, beaches and the city.
Decarbonization
Travel Tech Startups
Innovative Solutions

The innovation of Travel Tech startups offer solutions to decarbonize and decentralized energy systems through electric vehicles, renewable energy solutions, and innovate new services and business models e.g. energy-as-a-service platforms, electric car sharing, circular supply models all of which can help to transition towards a low-emission, resilient future.
Series A round by BorgWarner
Google's Climate Change Accelerator
and 100+ Accelerator by AB InBev,
Unilever, Coca-Cola & Colgate-Palmolive

10 million USD

Clean energy

United States of America
Decarbonization: different approaches

Total funding of **10.2 million USD**
Working with corporations: **Iberia, Telefónica, Cabify, etc.**
Marketplace for CO2 offsetting

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Spain
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Acquisition by **SITA**
Leveraging flight data towards fuel savings in all flight phases thanks to predictive in-flight guidance.

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France
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Total funding of **199.4 million USD**
Transforming CO2 into Chemicals, Materials, and Fuels. Making essential products from air not oil.

🇺🇸 United States of America
GREEN INVESTMENTS
Take aways

01 Investment diversification
   From traditional investment to non-traditional investment

02 Incentivize Innovation
   Create incentives for travel tech startups and decarbonization solutions

03 Strengthen SMES and Value Chain
   Promote diversification of offer for the Tourism SMEs, accelerate digitalization, and upskilling

04 Innovate Frameworks for Investment Attraction
   Develop government mechanisms to generate data on investment, expenditure, education and innovation

05 FDI as an impact tool
   Investments should not only embrace infrastructure, but also cultural, heritage, nature assets to promote sustainability and resilience