The COVID-19 pandemic has made clear that sustainable tourism should no longer be considered a niche part of the tourism sector. Instead, its principles should guide everything the sector does. All stakeholders have now the opportunity to develop global partnerships and initiatives to effectively rethink investment frameworks and to develop solutions related to destinations.

UNWTO strongly believes that strategic public-private partnerships on investments have a critical role to play in the economic recovery from the effects of the COVID-19 pandemic. For this reason, UNWTO has developed a series of Investment Guidelines to enhance coordination and cooperation and mobilize global investment mechanisms to respond to a global crisis. Enabling Frameworks for Tourism Investment provides insights for understanding and enabling the conditions and barriers to mobilize tourism investment and so build a competitive, sustainable and inclusive tourism sector beyond the attraction and promotion approaches.
UNWTO INVESTMENT GUIDELINES

ENABLING FRAMEWORKS FOR TOURISM INVESTMENT

Acknowledgements:

These first UNWTO Investment Guidelines – Enabling Frameworks for Tourism Investment have been developed and prepared by Miguel Ángel Figueroa, Senior Expert, Department of Innovation, Education and Investments, under the supervision of Natalia Bayona, Director, Department of Innovation, Education and Investments, in cooperation with Javier Ruecas, Senior Expert, Tourism Market, Intelligence and Competitiveness.
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FOREWORD

BY ZURAB POLOLIKASHVILI
SECRETARY-GENERAL,
WORLD TOURISM ORGANIZATION (UNWTO)

The multi-dimensional nature of tourism, combined with the dynamics of the source of investment capital presents a complex picture for understanding and measuring tourism investments. At the same time, changing consumer behaviours and expectations, the advantages offered by technology and the urgent need for greater sustainability challenge the current business models and present new opportunities for investors interested in the sector.

The COVID-19 pandemic has had a sudden and significant impact on both public health and global economy. It also brought international travel to an abrupt halt, putting 100–120 million direct tourism jobs at risk. For this reason, UNWTO has developed its first Investment Guidelines to enhance coordination and cooperation and mobilize global investment mechanisms to respond to a global crisis. The UNWTO Investment Guidelines – Enabling Frameworks for Tourism Investment help to better understand and generate sustainable investments in the tourism ecosystem. In addition, they illustrate ways to enable and mobilize tourism investments, as well as develop new insights for policymaking while addressing current barriers, thereby creating new opportunities and encouraging sustainable investments in the tourism sector.

The pandemic has shown how sustainable tourism requires sustainable investments to be at the center of our solutions. These should not only be based on traditional investments that promote and underpin economic growth and productivity, but also on non-traditional investments that enhance innovation through the creation and diffusion of travel technologies and mobility startups with the power to decarbonize and unlock new business models. I am confident that these guidelines will ignite innovative strategies to re-think the tourism sector, presenting drivers and trends to shape investments in tourism as opportunities post-COVID-19. At the same time, they will provide insights to identify barriers and limitations to overcome challenges in regards investments in tourism.

The urgency of balancing the trade-offs between the environmental, economic and sociocultural challenges of tourism with ongoing demand for digital technologies might require extra political and financial commitment, as well as data-driven participation of several stakeholders, especially from the private sector. This will be vital to support and position solutions not only as a response to the COVID-19 crisis, but also to develop solutions related to tourism offers and destinations, that might require the involvement of the demand and its consumption behaviours. To harness the advantages of investments, it is critical that governments promote relevant policies. They also need to promote new investment vehicles to recover, retain and attract foreign direct investments to reimagine tourism and enhance the sector’s positive impact on people and the planet as we accelerate the achievement of the Sustainable Development Goals.

I want to thank all UNWTO colleagues who committed their time, expertise and effort to develop these first UNWTO Investment Guidelines which provide valuable knowledge and are an excellent tool to create tourism investment frameworks for the faster economic recovery of tourism.
INTRODUCTION

Tourism is a global force for economic growth and development, generating USD 1.7 trillion in export revenues as of 2019; this represents 28% of the world’s service exports and 7% of overall exports of goods and services. Its labour-intensive nature drives employment. Indeed, tourism directly accounts for one in 10 jobs in the world: in 2019, the tourism sector supported around 300 million jobs globally.

The COVID-19 pandemic has had a sudden and significant impact on public health and the global economy. It also brought international travel to an abrupt halt. By the second quarter of 2020, 100% of global destinations had introduced restrictions on travel. According to the three scenarios put forward by UNWTO, international tourist numbers could fall by between 60 and 80% in 2020 – at the start of the year, growth of 3% to 4% was predicted. This would translate into a loss of 850 million to 1.1 billion international tourist arrivals, USD 910 billion to USD 1.2 trillion in export revenues and 100 million to 120 million direct tourism jobs. And it is not just people’s livelihoods at risk. Efforts to ensure tourism is a driver of the Sustainable Development Goals are at risk of being rolled back.

This pandemic has made clear that sustainable tourism should no longer be considered a niche part of the sector. Instead, its principles should guide everything the sector does. All stakeholders have a responsibility to make sure the future of tourism is more innovative and more sustainable. Experts point to the need to rethink frameworks, to shift from a growth-paradigm to a sustainable-paradigm. This is an opportunity to develop global partnerships and global initiatives and to effectively rethink investment frameworks.

The urgent need to balance the environmental, economic and sociocultural challenges of tourism with rising demand and the benefits this brings may require the greater political, financial commitment and data driven participation of several stakeholders.

The private sector in particular needs enhanced solutions, not only to respond to the COVID-19 crisis, but also to develop solutions related to destinations. This might require the analysis of demand consumption behaviours. Sustainable tourism will also require coordinated and ongoing high-level leadership agreement to monitor its growth, and to assess its positive and negative impacts, to effectively respond to opportunities and challenges as they arise, and to rapidly deploy future interventions globally and locally.

UNWTO strongly believes that strategic public private partnerships on investments have a critical role to play in the economic recovery from the effects of the COVID-19 pandemic. They also have a key role to play in realizing the ambitious goals of protecting the planet and ensuring prosperity for all through sustainable investments in tourism as a catalyst and multiplier sector globally. For this reason, UNWTO has developed a series of Investment Guidelines to enhance coordination and cooperation and mobilize global investment mechanisms to respond to a global crisis. Enabling Frameworks for Tourism Investment provides insights for understanding and enabling the conditions and barriers to mobilize tourism investment and so build a competitive, sustainable and inclusive tourism sector beyond the attraction and promotion approaches.
1. DRIVERS AND TRENDS SHAPING INVESTMENTS IN TOURISM OPPORTUNITIES POST-COVID-19
1.1 CONSUMER BEHAVIOUR AND DEMAND

Tourism is a global force for economic growth and development, generating USD 1.7 trillion in export revenues as of 2019; this represents 28% of the world’s service exports and 7% of overall exports of goods and services. Its labour-intensive nature drives employment. Indeed, in 2019, tourism directly accounted for one in 10 jobs in the world – the tourism sector supported around 300 million jobs globally.

According to UNWTO data, international tourist arrivals reached 1.5 billion in 2019 and are expected to reach 1.8 billion by 2030. This represents around 50 million additional arrivals per year – an increase of more than 150% compared to the period from 1995 to 2010 –, with an estimated 88% of these tourists be from Asia. In 2018, around 10% of China’s 1.4 billion people travelled internationally; it is expected that by 2027 the number of Chinese passport holders reaches 300 million, or 20% of the Chinese population.

Looking forward, it is important to comprehend the demographic trend of the tourism market in 2030–2040 which will be predominantly composed by millennials and generation Zs. Both are ‘digital natives’ and by 2040 they will represent the largest share of the global population at 2.3 million and 2.6 billion respectively. Depending on their socioeconomic groups, their behaviours may vary significantly, and the overall trend is already moving towards digital and innovative services, especially mobile services. At the same time, there will be a movement away from traditional experiences and towards more personalized experiences. Millennials consider tourism and travel experience a priority, taking four or more trips per year. These trips are characterized by their shortness and their focus on authenticity and sustainability. Moreover, given the impacts of the COVID-19 pandemic, there has been increasing demand for transparency regarding health protocols, safety, data and security during the travels and at final destinations.

Therefore, a significant level of investment will be required to support increasing traveller volumes and changing consumer behaviours and needs. This might present several investment opportunities, opening up new investments flows from traditional hard investments like accommodation infrastructure to soft infrastructure such as digital solutions and support services around experiences and sustainability in a post COVID-19 reality.

Digital natives are shaping new technologies such as 5G, cloud-based services or artificial intelligence (AI). All these, offer increased speed of access to information, more intuitiveness in interactions and the chance to extend a tourism experience before and after a trip. Booking.com is expanding its network positions to shift to booking via mobile applications, recognizing the trends of the markets. Other large players such as Google, Facebook, Alibaba or Amadeus are also investing in solutions to capture and deliver value to these new consumer behaviours.

Consumers are increasingly demanding more sustainable services following the prospective impacts of the pandemic on the tourism sector. Among the long-term impacts are the changes in travel behaviours or the development of new destinations (e.g., rural and green urban destinations). The World Bank Group noted that these periods of confinement due to COVID-19 have intensified the need for fresh air and increased the flow of people from urban to rural destinations, allowing a more sustainable recovery, which will not only help small communities, but will also combat climate change. Opportunities do not only open for rural areas, they also extend to urban destinations raising different challenges for public health protocols, innovation in transportation or green buildings among others.
1.2 INNOVATION AND TECHNOLOGY DRIVERS

These new consumer behaviours are shaping the tourism markets and serving as a unique moment to implement innovative solutions. In the last decade, travel tech startups presented several innovative approaches that offered both production and use of new technologies to create a new value. According to the World Economic Forum, digitalization will generate USD 305 billion in value in the tourism sector between 2016 and 2025.\(^\text{20}\) This impact is already demonstrated by the value of global tourism technology companies such as Booking Holdings and Expedia with a market capitalization that exceeded the value of Marriott, Hilton and Accor combined.

That said, there is increasing evidence of the transitions on the financial markets from traditional greenfield investments to innovative greenfield investments. These represent not only a shift in the financial assessments, but also a shift in the different business models and innovation ecosystems that capture value through networks, collaboration and digital embedded relationships. These new innovation ecosystems are usually “a network of interconnected organizations, connected to a focal firm or a platform or innovation, that incorporates both production and use side participants, and creates and appropriates new value through innovation”\(^\text{21}\).

By revenue, Booking.com is the world’s largest online travel agency, offering booking services for hotel and vacation rooms, airline tickets, rental cars, restaurant reservations, cruises, experiences, and other vacation

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**Figure 1.1: Market capitalization (Booking, Expedia, Marriott, Hilton and Accor) (USD billion)**

<table>
<thead>
<tr>
<th>Company</th>
<th>Market Capitalization (USD billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Booking Holdings Inc.</td>
<td>77.8</td>
</tr>
<tr>
<td>Expedia Group Inc.</td>
<td>14.1</td>
</tr>
<tr>
<td>Marriott International Inc.</td>
<td>34.3</td>
</tr>
<tr>
<td>Hilton Worldwide Holdings Inc.</td>
<td>25.8</td>
</tr>
<tr>
<td>Accor SA</td>
<td>6.1</td>
</tr>
</tbody>
</table>

packages. The user-based company has built a growing network of hotel properties and other services by developing a solid business-to-consumer (B2C) business model, as well as generating business-to-business (B2B) revenue streams and other versatile business models.

Since 2018, UNWTO has led open innovation initiatives that reached more than 5,750 startups from 150 countries which offer B2B and B2C innovative solutions to the tourism sector. These innovative solutions and new technologies strengthen the collaboration among the tourism stakeholders and have served as an opportunity to create value in a changing context and demanding new consumer behaviours.

In this regard, two travel tech startups that applied to open UNWTO innovation competitions are Refundit and ByHours.

Refundit from Israel is a startup that aims to change the VAT refund process, simplifying tax-free shopping for tourists. More than 50 countries in the world allow tourists to get VAT refunds for purchases of products they take with them when they leave the country. Refundit’s innovation also helps the tax authorities to enjoy the advanced management, pan-European platform – VATWISE –, which enables big data analytics to have better fraud prevention capabilities. Refundit was awarded with the first prize of the UNWTO Global Travel Tech Competition in 2019, and was able to raise USD 9.8 million after the event from Amadeus Venture (Lead Investor) and Co-Investors (Portugal Ventures), both part of the UNWTO Investment Network.

The second case is ByHours, a Spanish travel tech startup that is currently offers its services to more than 3,000 hotels in Europe, the MENA region and the Americas. Its business model – known as the pay-per-use model – is built around a booking platform, focussed on “microstays” of 3, 6 and 12 hours. ByHours already has more than 250,000 international clients in more than 600 destinations. The startup was finalists in the 1st UNWTO Tourism Start-up Competition (2018) and invited to a Travel Tech Adventure at Bahrain. ByHours has closed a new international funding round at USD 9.4 million from lead investors such as Angel Ventures and DILA Capital, both from Mexico.

Digitalization stimulates value creation and collaboration, which is embedded in the relationships of social networks, enhanced by digital technologies and infrastructures creating new affordances. Digitalization supports three key affordances:

1. **Decoupling** reduces the importance of assets;
2. **Disintermediation** reduces the power and cost for distribution; and
3. **Delocation** reduces cost for coordination and increases efficiency in collaboration along different locations.

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Table 1.1: Results of UNWTO tourism startups challenges and competitions, 2020

<table>
<thead>
<tr>
<th>Tourism Startups Competitions &amp; Challenges</th>
</tr>
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<tbody>
<tr>
<td>2 Global</td>
</tr>
<tr>
<td>2 Gastronomy</td>
</tr>
<tr>
<td>1 Sports</td>
</tr>
<tr>
<td>1 Rural tourism</td>
</tr>
<tr>
<td>1 COVID-19</td>
</tr>
</tbody>
</table>

6000+ competing startups from 150 countries

<table>
<thead>
<tr>
<th>Tourism Tech Adventures Tourism Online Academy</th>
</tr>
</thead>
<tbody>
<tr>
<td>11 Innovation Forum</td>
</tr>
<tr>
<td>60+ Public Private Partnerships</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tourism Online Academy</th>
</tr>
</thead>
<tbody>
<tr>
<td>First course November 2019</td>
</tr>
<tr>
<td>4000+ registered</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tourism Investments Platform</th>
</tr>
</thead>
<tbody>
<tr>
<td>200+ registered</td>
</tr>
<tr>
<td>EUR 45 million funded</td>
</tr>
</tbody>
</table>

First Green Investments Programme in collaboration with IFC

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Figure 1.2: Mapping of funded non-mobility travel tech startups, 2020

UNWTO has been working closely with innovators, the private and public sector, governments and investors to strengthen the tourism ecosystem by providing open innovation initiatives to leverage these new digital affordances to enable the creation of new value for its stakeholders, but also allowing startups to disrupt business models.

The potential of digitalization and the introduction of new technologies have been attracting investors to the travel tech sector. The venture capital (VC) investments in travel tech have been growing. Around USD 449 billion have been invested in travel and mobility tech startups from 2014 to 2019. The travel tech sector reached USD 61.6 billion in unicorn valuations.25 The potential growing demands and emerging markets have driven these flows of capital to new records, while the booking market alone represents around a USD 600 billion with growing expectations between 35.5% to 39.4% by 2029.26

Moreover, investments in the travel and mobility tech startups have reached several other subareas such as alternative housing, hotels and hospitality management AI and analytics, tours and activities, enterprise management software, payment and connectivity, smart luggage, ride hailing and carpooling, electric vehicles and autonomous driving, and aircraft and flying, among others. These subareas have been expanding through the value chain reaching different actors, diffusion technologies, and increasing productivity in the sector as a whole.
1.3 SUSTAINABILITY AND INCLUSION DRIVERS

Sustainability in tourism has been typically approached from an environmental and social perspective, and less so from an investment-oriented one. Recently, sustainable investments in the tourism sector have been oriented towards green transitions suggesting frameworks to shift from a growth-paradigm to a sustainable-paradigm in the long term in order to develop financial instruments for resilience and renewal of the tourism sector.

As mentioned earlier, before the COVID-19 outbreak, the increasing demands of international tourists were expected to reach 1.8 billion of arrivals by 2030. This represented around 50 million additional arrivals per year, more than 150% increase compared to the period 1995-2010. An estimated 88% of these tourists will be residing in Asia.

Therefore, a significant level of investment will be required to support increasing traveller volumes and their changing needs. According to a report developed by the International Tourism Partnership in collaboration with the International Finance Corporation (IFC), the hotel developments increased 17.7% from 2008 to 2018 – with a global pipeline of 2.4 million new hotel rooms in development. Furthermore, the report states that the hotel sector is made up of almost 200,000 hotels containing over 18 million rooms globally. Hence, the impacts of this growth must be managed, through broader collaboration from pre-investments to post-investments.

In 2019, energy, transport, building and water infrastructure make up more than 60% of global greenhouse gas (GHG) emissions, with the hotel industry accounting for around 1% of global greenhouse gas emissions (nearly equivalent to South Africa’s annual emissions), 19% of energy-related GHG emissions, and consuming 40% of electricity globally.

By 2030, the total number of tourist trips is expected to reach 37.4 billion, of which 17.4 billion will be international and domestic overnight arrivals (1.8 billion international/15.6 billion domestic). Forecasted, these will represent 1,998 million tonnes of CO₂ of a total transport-related tourism emissions (excluding cruise) in 2030. 1,768 million tonnes of CO₂ accounting for all overnight emissions and same-day visitors accounting for 230 million tonnes. This would represent 23% of the total expected transport emissions and 5.3% of the overall forecast man-made emissions (37,800 million tonnes).

In this context, tourism’s contribution to sustainable development has been increasingly recognized by national and international policymakers, showing the importance of aligning tourism with national and global policies, as shown in the G20 Osaka Leaders’ Declaration (G20 Osaka Summit 2019). Therefore, investments in tourism are a pivotal mandate when built upon broad stakeholder engagement and sustainable development principles it could contribute to more inclusive growth and green transitions.

**FINANCE GAP FOR SDGs**

- 6.9 USD trillion needed
- ≠ 3.4 USD trillion current spending
- Gap: 2.5 USD trillion per year

But, infrastructure worldwide has suffered from chronic underinvestment for decades, in both developed and developing economies. In order to meet the Sustainable Development Goals by 2030, it is estimated that around USD 6.9 trillion should be invested in infrastructure each year. However, the current spending on infrastructure is between USD 3.4 trillion and USD 4.4 trillion. Nevertheless, through tourism, the investment in infrastructure can serve as an opportunity to advance the climate and development agendas and develop infrastructure systems that deliver better services, while also achieving climate action and advance the SDGs.

The hospitality sector is complex, composed by many stakeholders whose interests diverge; multiple partners can influence the development or retrofitting of a property. For example, a property can be owned and managed by different stakeholders, each with their own mix of investors.

From 2014 to 2019, about 70% of global hotel investments were made by general investors with diverse portfolios. Private equity investments and real estate investment trusts (REITs) constituted the majority of 2018 transactions, with a notable increase in portfolio acquisitions instead of single-asset purchases. Among the largest hotel chains, less than 10% are owner-operated, foreign direct investment (FDI) is strong in the hotel sector, with cross-border investment increasing 18% to USD 4.5 billion from 2017 to 2018.

The map developed by the International Tourism Partnership, illustrates the different stakeholders that can invest in, own, and operate a hotel. Multiple combinations can apply: private investor owns shares in a real estate investment trust, which owns properties run by a franchisee under a hotel brand.

Green investments in the tourism sector are a powerful driver to create overlaps between incentives, regulations and other contributions that governments seek in FDI; and investment opportunities that investors require when doing due diligence. Governments and investors might partner up based on sustainability characteristics and consensus to achieve sustainability in FDI Sustainable Investments.
Understanding the relevance of these ideas has driven UNWTO to collaborate with IFC to develop the first programme on Investment Readiness for Green Finance. This programme consisted of technical training in order to promote green finance to stimulate tourism recovery and ensure the development of a competitive and sustainable economic growth. For this purpose, different stakeholders were included to work along governmental authorities, hospitality investors and project managers consultants. This joint initiative reached out to 954 participants from 118 countries and culminated with an accreditation training provided by the EDGE Experts. One of the main purposes was to identify aggregators across the hotel value chain in order to promote and implement sustainability measures and facilitate sustainable investment mechanisms to access green finance opportunities.

With regards to inclusion, for the last two decades, there has been a clear increase of tourism investments in emerging markets especially in the Asian continent, in Latin America and the Caribbean. However, almost half of all tourism investments globally (46.51%) are made in developed countries, and will be further explained in detail in chapter 2 on foreign direct investment. While COVID-19 has impacted near-term travel demand, technology companies like Booking.com have exhibited a solid financial health due to the growth of Asia and the Pacific markets, where travel tech companies are still growing. Booking.com has been expanding its leadership in China partnering with Ctrip and Meituan-Dianping, and in its own Booking.com and Agoda.com platforms – crucial, as we see the Asia and the Pacific region representing around one third of total industry online booking growth over the next five years.

The growth on demand and the increasing number of travel tech startups in emerging markets generate networks of hotel properties and other services and stakeholders, which drives an increasing user base. This might create vertical markets such as rentals and attractions, resulting in a full-connected trip offering. There are opportunities not only for new markets, but also for the inclusion of different actors that are part of the tourism value chain.

Furthermore, the role of tourism as an engine of socioeconomic growth and development is recognized in the context of the 2030 United Nations Sustainable Development Goals (SDGs), as well as in the African Union’s Agenda 2063. In the Africa region, international tourist arrivals have grown on average 4.7% from 2005 to 2017. Representing around 68.8 million international tourists in 2018, and 73.2 million international tourists in 2019. Aggregations per subregion represented a growth in North Africa was 11% and 8% in the South Sahara Region in 2019. UNWTO foresees a positive future for tourism in Africa estimating tourist arrivals will grow to 134 million by 2030.
Investment readiness for green finance UNWTO – IFC collaboration, 2020

- Registered: 954
- Participants: 809
- Government Officials: 275
- Consultants (Financial/Projects): 230
- Investors: 193
- Countries: 118
- Hotel/brand Managers: 96
- Funding Inquired: 7
2. BARRIERS AND LIMITATIONS TO INVESTMENTS IN TOURISM OVERCOMING CHALLENGES
2.1 MEASURING CAPITAL FORMATION IN TOURISM

One of the biggest challenges in tourism economics is the measurement of its outputs, as it involves in its economic activities several subsectors from real estate infrastructure to personalized services.\(^{44}\) There is not a formal industry classification in national accounts, which makes it difficult to quantify the size and importance of tourism assets, revenues or employment.\(^{45}\) But there is an increasing application of the Tourism Satellite Account (TSA).\(^{46}\) The OECD member states have been using this statistical approach. It defines tourism industries as “all establishments whose principal productive activity is a tourism characteristic activity.”\(^{47}\)

The TSA identifies twelve separate national accounts industries as tourism characteristic activities. The methodology distinguishes between enterprises that are directly involved in the production and consumption of tourism services (the “tourism industry”) and the people and firms indirectly involved in the wider “tourism economy”. The methodology does not distinguish between foreign and domestic enterprises; it is not possible to estimate the relative contributions made by each of them, and it appears that foreign direct investment (FDI) and transnational corporation (TNC) presence is concentrated in 12 classified industries.\(^{48}\)

Table 2.1: Tourism foreign direct investment (FDI) industries concentration

<table>
<thead>
<tr>
<th>Country</th>
<th>Frequency with FDI appears to occur</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotels and similar</td>
<td>Frequent</td>
</tr>
<tr>
<td>Restaurants and similar</td>
<td>Frequent</td>
</tr>
<tr>
<td>Second homes</td>
<td></td>
</tr>
<tr>
<td>Passenger transport rental equipment</td>
<td>Occasional</td>
</tr>
<tr>
<td>Railway passenger transport services</td>
<td></td>
</tr>
<tr>
<td>Air passenger transport services</td>
<td></td>
</tr>
<tr>
<td>Road passenger transport services</td>
<td></td>
</tr>
<tr>
<td>Water passenger transport services</td>
<td></td>
</tr>
<tr>
<td>Passenger transport supporting services</td>
<td></td>
</tr>
<tr>
<td>Travel agencies and similar</td>
<td></td>
</tr>
<tr>
<td>Cultural services</td>
<td></td>
</tr>
<tr>
<td>Sports and other recreational services</td>
<td></td>
</tr>
</tbody>
</table>

When it comes to measure FDI in the tourism sector, the difficulties are partly determined by the motives international investors decide to invest abroad. According to UNCTAD, “FDI occurs when an investor resident in one country (the source country) acquires ownership in and a significant influence over the management of an enterprise or productive asset in another country (the host). This may involve creating a new enterprise (greenfield investment) or changing the ownership of an existing enterprise (via a merger and/or acquisition)”\(^\text{49}\). This description assumes that foreign firms will only invest abroad if three factors come together simultaneously:\(^\text{50}\)

1. **Ownership**: the company possesses ownership-specific advantages which allow it to compete effectively with local companies;

2. **Location**: there are benefits to locating in the host country (such as a large market, cheap labour, a rich cultural heritage or a pleasant climate); and

3. **Internalization**: there are benefits from directly controlling the business activity in the host country rather than hiring a local firm to provide it.

Figure 2.1: Value of announced greenfield foreign direct investment (FDI) projects, by sector, 2019 (× 1,000)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Value (× 1,000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity, Gas, steam and air conditioning supply</td>
<td>113</td>
</tr>
<tr>
<td>Manufacture of coke and refined petroleum products</td>
<td>94</td>
</tr>
<tr>
<td>Construction</td>
<td>66</td>
</tr>
<tr>
<td>Information and communication</td>
<td>66</td>
</tr>
<tr>
<td>Motor vehicles and other transport equipment</td>
<td>62</td>
</tr>
<tr>
<td>Manufacture of computer electronic optical products</td>
<td>53</td>
</tr>
<tr>
<td>Accommodation and food services activities</td>
<td>49</td>
</tr>
<tr>
<td>Manufacture of chemicals and chemical products</td>
<td>47</td>
</tr>
<tr>
<td>Transportation and storage</td>
<td>43</td>
</tr>
<tr>
<td>Financial and insurance activities</td>
<td>24</td>
</tr>
<tr>
<td>Textiles, clothing and leather</td>
<td>23</td>
</tr>
<tr>
<td>Trade</td>
<td>22</td>
</tr>
<tr>
<td>Food, beverages and tobacco</td>
<td>21</td>
</tr>
</tbody>
</table>

The multi-dimensional nature of tourism, combined with the dynamic nature of investment capital, presents a complex picture, making understanding and measuring tourism investments challenging. According to the World Investment Report 2020, the “accommodation, and food service activities” presented greenfield values that might represent explicit direct tourism subsectors and its flows of capital. However, it does not account for other implicit and indirect subsectors such as transportation, food and beverage production, or other information and financial services. These subsectors use labour, capital and intermediate inputs.

These measures have raised methodological challenges in the tourism sector regarding equity ownership, or establishment of firms abroad, but also present challenges in the collection of investment data available. There are also recent challenges to measure flows of capital on travel tech startups. Although they are not considered TNC, they manifest fast growth and their speed in expansion to new markets due its technology is exponential, which involves flows of capitals, and co-investments generating information signals to the FDI markets. Considering these challenges, among others, FDI is usually measured in two different ways: FDI stocks and flows, and the operations and activities of foreign affiliates in host countries.

These guidelines use both forms of measurement. Greenfield tourism financial FDI data was used in partnership with the fDi intelligence from the Financial Times as a proxy to measure international investment position (stocks). The data shows the top 10 subsectors, where accommodation represented more than 55% of the FDI construction and development (tangible) investments, while around 31% represents services and platform related (intangible) investments according to the fDi Intelligence of the Financial Times. The guidelines also use secondary information to track activity of global foreign investments. One of the main purposes of the series of these publications is to gain knowledge regarding tourism investments and generate information to fill the current gap on the matter.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Subsectores</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Accommodation</td>
</tr>
<tr>
<td>2</td>
<td>Travel arrangement and reservation services, tourism agents</td>
</tr>
<tr>
<td>3</td>
<td>Software publishers, except video games</td>
</tr>
<tr>
<td>4</td>
<td>Performing arts, spectator sports and related</td>
</tr>
<tr>
<td>5</td>
<td>Internet publishing and broadcasting, web search</td>
</tr>
<tr>
<td>6</td>
<td>Amusement and theme parks</td>
</tr>
<tr>
<td>7</td>
<td>Gambling industries</td>
</tr>
<tr>
<td>8</td>
<td>Other amusement and recreation industries</td>
</tr>
<tr>
<td>9</td>
<td>Other (software and IT services)</td>
</tr>
<tr>
<td>10</td>
<td>Culture (museums, historical sites, theatre and similar)</td>
</tr>
</tbody>
</table>

Note: Subsector refers to a set of industry(es) that are part of the tourism sector. The classification used in this table refers to fDi Intelligence Financial Times.

Source: fDi Intelligence Financial Times and World Tourism Organization (2019).
Tourism is a global force for economic growth and development, generating USD 1.7 trillion annually. This represents about 4% of the GDP in the OECD countries, and it represents around 28% of the world’s service exports and 7% of overall exports of goods and services. Its labour-intensive nature drives employment. In addition, in 2019, tourism directly accounted for one in 10 jobs in the world; the tourism sector supported around 300 million jobs globally. Notably, tourism employs more women and young people than any other sector. In OECD countries, women account for 60% of tourism workers. Around 32% of people working in tourism are between 15 and 34 years old. For every USD 1 of tourism exports, 90 cents of domestic value added is generated approximately. Other 56 cents are directly generated, while 34 cents come from indirect impacts. More than 30% of this value comes from indirect impacts on the local value.
chain, that is through links to other subsectors such as passenger transport (21%), accommodation (19%), food and beverage (16%) and other services (44%), among them travel agencies, entertainment, financial services and digital startups. Around 85% of all these businesses are small and medium-sized enterprises (SMEs). From a traditional perspective, the tourism subsector outputs include: recreational services, accommodation, food and beverage, services, dwellings, trade, construction, and among others create investment opportunities along the value chain. Consequently, the relevance of capital formation, employment generation, skills and technology transfer, linkages upstream and downstream, generate spillover effects due to multi-dimensional dynamics.

Figure 2.3: Funded non-mobility travel tech subsectors (total raised USD million)

<table>
<thead>
<tr>
<th>Service</th>
<th>Funding Raised (USD million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alternative housing</td>
<td>6,925</td>
</tr>
<tr>
<td>Hotels and hospitality management</td>
<td>3,315</td>
</tr>
<tr>
<td>Artificial intelligence and analytics</td>
<td>3,017</td>
</tr>
<tr>
<td>General search</td>
<td>1,757</td>
</tr>
<tr>
<td>Tours and activities</td>
<td>1,395</td>
</tr>
<tr>
<td>Enterprise management software</td>
<td>1,117</td>
</tr>
<tr>
<td>Payment and connectivity</td>
<td>1,099</td>
</tr>
<tr>
<td>Intercity mobility</td>
<td>683</td>
</tr>
<tr>
<td>Search and book</td>
<td>538</td>
</tr>
<tr>
<td>Online travel agencies</td>
<td>259</td>
</tr>
<tr>
<td>Smart luggage and device</td>
<td>181</td>
</tr>
<tr>
<td>Digital content and inspiration</td>
<td>103</td>
</tr>
</tbody>
</table>

From a non-traditional perspective, there are other tourism subsector outputs emerging from the flows of capital allocated to travel tech innovations. UNWTO identified two main groups of subsectors based on capital raised: The first group is related to **travel tech non-mobility subsectors outputs** that includes alternative housing, hotels and hospitality management, artificial intelligence and analytics, tours and activities, enterprise management software, payment and connectivity, among others. The second group is related to **travel tech mobility subsectors outputs**, such as ride hailing and carpooling, electric vehicles and autonomous driving, aircraft and flying, micromobility, car rental and sharing, intercity/urban mobility and taxi services.

Both of the outputs of these groups are very relevant in terms of capital formation, representing around USD 450 billion investments in travel tech from 2014 to 2019. But it is also relevant in terms of innovation and its relationship with the tourism ecosystem. Both subsectors aggregations respond to consumer expectations. They attempt to disrupt current business models with technology and present new opportunities for investors interested in the tourism sector in the new post-COVID-19 reality.

The innovation potential of travel tech startups might 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 or circular supply models, all of which can help to transition towards a low-emission, resilient future. These factors open new opportunities for investments. However, they might also face challenges in regard to new regulations and finding incentives to mobilize smart capital. Integration of the tourism ecosystem and its stakeholders that are part of each subsectors, both traditional and non-traditional, is essential.

---

**Figure 2.4: Funded mobility travel tech subsectors (total raised USD million)**

<table>
<thead>
<tr>
<th>Subsector</th>
<th>Amount (USD million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ride hailing and carpooling</td>
<td>43,292</td>
</tr>
<tr>
<td>Electric vehicles and autonomous driving</td>
<td>20,345</td>
</tr>
<tr>
<td>Aircraft and flying</td>
<td>6,040</td>
</tr>
<tr>
<td>Micromobility</td>
<td>4,702</td>
</tr>
<tr>
<td>Car rental and sharing</td>
<td>688</td>
</tr>
<tr>
<td>Intercity mobility</td>
<td>683</td>
</tr>
<tr>
<td>Taxi services</td>
<td>310</td>
</tr>
</tbody>
</table>

2.3 ATTRACTIVENESS AND FOREIGN DIRECT INVESTMENT IN TOURISM

According to fDi Intelligence from the Financial Times and UNWTO data, the tourism foreign direct investment (TFDI) reached USD 61.8 billion globally, which, in turn, created more than 135,000 jobs in 2019. This translates into 715 FDI projects in 2019, compared to 648 FDI projects in 2018, and 347 FDI projects in 2017. This data shows the resilience of the tourism sector among other sectors that have been declining in the same period. According to the World Investment Report 2020, estimated global FDI flows were USD1.3 trillion in 2018, which represented a 13% decline compared to the previous year. This translated into a third consecutive drop in FDI flows. The decline is prominent in developed countries, where FDI flows dropped by almost 27% to 30%, the lowest number in the last 15 years. However, in the case of developing countries there was an increase of 2% compared to 2017.

Nevertheless, the COVID-19 pandemic has hit the tourism sector hard. Data suggests that global FDI into tourism plummeted by 73.2% in the first half of 2020, compared to that of 2019, putting an end to the sector’s record high years. This data has a close relationship with UNWTO’ scenarios for international tourist numbers decline, which could fall between 60% and 80% in 2020 depending on the speed with which travel restrictions are lifted. This could translate into a loss of 850 million to 1.1 billion international tourist arrivals and a fall of USD 910 billion to USD 1.2 trillion in export revenues.

Regarding the distribution of tourism FDI projects in different countries, the United Kingdom was the largest recipient of tourism FDI between 2014 and 2019 with 173 projects, followed by the United States of America (164) and Germany (127). The top 10 countries for tourism FDI make up almost half (46.51%) of all tourism investment globally, based on the number of projects, of which around 30% are concentrated in five countries: the United Kingdom, the United States of America, Germany, China and Spain. This raises questions about challenges and opportunities on FDI in developing economies and the best strategies for investments in the sector. It is also important to notice that more than 30% of projects and of capital investment announced in the tourism cluster between 2015 and 2019 occurred in 2019.

The world’s major sources of FDI in tourism are located in developed countries (as much as 90%) while less than 10% of total outward tourism related FDI stocks is concentrated in developing countries. However, there is a trend to increase the efforts particularly in Latin America and the Caribbean, where FDI reached new record levels and created more than 56,000 jobs in Mexico alone from 2015 to 2019. Tourism FDI was also strong in the Middle East and Africa, where it rose to the highest level in a decade.

When it comes to developing tourism investment, attraction and promotion strategy, the need for knowledge and expertise is latent among developing countries. In a survey developed by UNWTO taken by 44 countries on investment promotion, 72.7% considered capacity building on ‘tourism direct investments’ a high priority. Furthermore, 84.1% of the surveyed countries expressed interest in ‘investment attraction’ and ‘investment generation’, and 70.5% demanded support on ‘tourism investment strategy’.
Global overview of tourism foreign direct investment (TFDI)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital investment (USD million)*</td>
<td>20,642</td>
<td>20,256</td>
<td>22,053</td>
<td>71,133</td>
<td>61,746</td>
</tr>
<tr>
<td>Projects</td>
<td>287</td>
<td>312</td>
<td>347</td>
<td>648</td>
<td>715</td>
</tr>
<tr>
<td>Jobs*</td>
<td>61,692</td>
<td>61,826</td>
<td>67,394</td>
<td>144,220</td>
<td>135,410</td>
</tr>
</tbody>
</table>

Total capital investment: 195,832
Total projects: 2,309
Total jobs: 470,542

*) Includes estimates.
Source: fDi Intelligence Financial Times and World Tourism Organization (2019).
Proportion of global FDI

- United Kingdom: 7.49%
- United States of America: 7.10%
- China: 5.50%
- France: 4.81%
- Germany: 4.55%
- Spain: 4.42%
- Mexico: 3.46%
- India: 3.42%
- United Arab Emirates: 3.07%
- Australia: 2.69%

Top 10 countries

- United Kingdom: 173 projects
- United States of America: 164 projects
- China: 111 projects
- France: 80 projects
- Germany: 127 projects
- Spain: 105 projects
- Mexico: 102 projects
- India: 71 projects
- United Arab Emirates: 79 projects
- Australia: 62 projects

*) Includes estimates.

Source: fDi Intelligence Financial Times and World Tourism Organization (2019).
3. FRAMEWORKS TO FOSTER SUSTAINABLE AND INCLUSIVE TOURISM INVESTMENTS

TOURISM INVESTMENT INNOVATIONS
3.1 FROM TRADITIONAL INVESTMENT TO NON-TRADITIONAL INVESTMENT

From a traditional perspective, during the period 2015–2019 USD 195 billion were invested in tourism foreign direct investment (TFDI), two thirds were invested in the regions of Asia and the Pacific (41%) and Europe (27%), while the remaining is evenly distributed among North America (6%), Latin America and the Caribbean (14%) and the Middle East and Africa (11%). It is important to notice that, while FDI investments in North America have declined, there is an increment on investments in Latin America and the Caribbean.68

The average capital investment per project during the period 2014–2018 reached USD 73 million. In 2018, the capital investment per project was USD 94 million, compared to USD 63 million 2017. At the same time, there was an average number of jobs created of 199 jobs per project for the same period (2014–2018). Although the number of tourism projects hit a record high (715) in 2019, capital investment (USD 61 billion) and job creation (135,410 jobs) fell by 13.2% and 6.1% respectively from 2018.

By capital investment, Spain was the largest recipient of investment, attracting USD 20.4 billion in tourism investment between 2015 and 2019, followed by China with USD 12.8 billion and the Philippines USD 12.4 billion. Regarding job creation, Mexico ranks first with more than 56,000 jobs created, followed by China (more than 34,000 jobs) and the United States of America (almost 25,000 jobs) in the same period.69

Table 3.1: Top 10 parent companies tourism foreign direct investment (TFDI) globally by number of projects, 2015–2019

<table>
<thead>
<tr>
<th>Rank</th>
<th>Companies</th>
<th>Number of projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Marriott International</td>
<td>96</td>
</tr>
<tr>
<td>2</td>
<td>Selina</td>
<td>62</td>
</tr>
<tr>
<td>3</td>
<td>Accor</td>
<td>50</td>
</tr>
<tr>
<td>4</td>
<td>Hyatt International</td>
<td>44</td>
</tr>
<tr>
<td>5</td>
<td>InterContinental Hotels Group (IHG)</td>
<td>44</td>
</tr>
<tr>
<td>6</td>
<td>Melia Hotels International (Sol Melia Hotels and Resorts)</td>
<td>33</td>
</tr>
<tr>
<td>7</td>
<td>Barcelo</td>
<td>28</td>
</tr>
<tr>
<td>8</td>
<td>Wyndham Destinations</td>
<td>27</td>
</tr>
<tr>
<td>9</td>
<td>Minor International</td>
<td>26</td>
</tr>
<tr>
<td>10</td>
<td>Booking Holdings (The Priceline Group)</td>
<td>25</td>
</tr>
</tbody>
</table>

Source: FDi Intelligence Financial Times and World Tourism Organization (2019).
Regarding the subsector outputs, 'accommodation' was the most prominent subsector of tourism FDI projects globally, with more than 1,249 projects, which are considered to be traditional investments related to construction (around 57% of total greenfield investments from 2015 to 2019). As such, the trends in construction are around sustainability, where multinational companies are investing in the green and clean energy matrix of their operations. In tourism, investors are paying increasing attention to the social and environmental footprint of the projects they assess. They seem willing to prioritize developments that lift communities and preserve environmental ecosystems, as long as financial sustainability is also taken into account. As such, climate-related requirements of infrastructure quality are an opportunity for the tourism sector to move the climate and sustainable development agendas forward and develop infrastructure systems that deliver better services while also addressing the Sustainable Development Goals (SDGs). (The top 10 investors accounted by number of projects and parent companies are presented above.)

Finally, there is also an increasing number of non-traditional investments related to services around software technologies that include travel arrangement and reservation services, Internet publishing and web search engines, which represented around 32% of total investments between 2015–2019.

Two non-traditional investments in the tourism sector are venture capital (VC) investments in travel tech and corporate venture capital (CVC) as a whole; both VC and CVC have been growing. Around USD 449 billion have been invested in travel and mobility tech startups between 2014 and 2019. At the same time, travel tech startups reached USD 61.6 billion in unicorn valuations. During the same period, corporate venturing activity has increased in travel and mobility solutions. It has even surpassed sectors such as fintech and health tech, which experienced a CVC share of 33% and 27% respectively in 2018, bringing in investors such as: Tencent, Softbank, Alibaba, Google Ventures, Jetblue Technology Ventures, Amadeus Ventures, Didi Chuxing, BMB or Intel Capital.

It is worth highlighting that the aggregated venture capital investments in travel and mobility tech startups were led by China, surpassing the United States of America in capital investment. However, the United States has been investing in more projects in previous years. Accumulating investments in a diversified portfolio, technologies and markets.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Investor</th>
<th>Number of investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Plug and Play</td>
<td>146</td>
</tr>
<tr>
<td>2</td>
<td>500 Startups,</td>
<td>101</td>
</tr>
<tr>
<td>3</td>
<td>Y Combinator</td>
<td>76</td>
</tr>
<tr>
<td>4</td>
<td>Accel</td>
<td>68</td>
</tr>
<tr>
<td>5</td>
<td>TechStarts</td>
<td>60</td>
</tr>
<tr>
<td>6</td>
<td>SOSV</td>
<td>51</td>
</tr>
<tr>
<td>7</td>
<td>Sequoia</td>
<td>51</td>
</tr>
<tr>
<td>8</td>
<td>SVAngel</td>
<td>38</td>
</tr>
<tr>
<td>9</td>
<td>GGV Capital</td>
<td>37</td>
</tr>
<tr>
<td>10</td>
<td>NEA</td>
<td>37</td>
</tr>
</tbody>
</table>

It is also important to mention that globally, the investments in emerging economies are under 1% of which Brazil and South Africa accounted for around 97%. There must be a real push in investments vehicles to support and foster innovations and travel tech startup solutions in emerging economies, as well as open opportunities to invest in untapped markets with growing potential demand.

As mentioned at the beginning these guidelines, emerging markets are growing. The expansion of Booking.com and its consolidation in Asia and the Pacific is worth noticing, especially when it comes to creating networks and partnerships, with other platforms like Agoda.com set to reach out to the Asia and the Pacific region representing around one third of total industry online booking growth over the next five years. The opportunity for early investing in emerging markets create possibilities to strengthen innovation ecosystems and develop new financial vehicles to foster and accelerate innovations and future growing markets. For example, UNWTO foresees a positive future for tourism in Africa, given that tourist arrivals are expected to grow to 134 million by 2030. This trend is highly relevant for opening up the debate between governments and private investors to about implementing new investment mechanisms to accelerate innovation and digitalization of the tourism sector in emerging markets.

Figure 3.1: Top 15 most active countries in travel and mobility tech

<table>
<thead>
<tr>
<th>Country</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>55,682</td>
</tr>
<tr>
<td>United States of America</td>
<td>52,407</td>
</tr>
<tr>
<td>Singapore</td>
<td>8,792</td>
</tr>
<tr>
<td>India</td>
<td>7,451</td>
</tr>
<tr>
<td>Indonesia</td>
<td>3,615</td>
</tr>
<tr>
<td>Germany</td>
<td>2,901</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1,595</td>
</tr>
<tr>
<td>France</td>
<td>1,328</td>
</tr>
<tr>
<td>South Africa</td>
<td>1,169</td>
</tr>
<tr>
<td>Israel</td>
<td>1,071</td>
</tr>
<tr>
<td>Hong Kong (China)</td>
<td>879</td>
</tr>
<tr>
<td>United Arab Emirates</td>
<td>818</td>
</tr>
<tr>
<td>Brazil</td>
<td>794</td>
</tr>
<tr>
<td>Spain</td>
<td>727</td>
</tr>
<tr>
<td>Japan</td>
<td>478</td>
</tr>
</tbody>
</table>

3.2

TOURISM INVESTMENT ATTRACTION, PROMOTION AND MOBILIZATION STRATEGIES

In order to provide a practical technical guidance for developing a Tourism Investment Strategy (TIS), UNWTO suggests a basic framework of three simple stages to enable its member states to attract, promote and mobilize tourism FDI to their countries: i) organizational strategy (enabling capacities); ii) attractiveness strategy (enabling conditions), and iii) promotion strategy (enabling opportunities).

STAGE 1: ORGANIZATIONAL STRATEGY – ENABLING CAPACITIES

Attracting FDI requires a clear vision and ownership. For undertaking such a mandate usually national investment promotion agencies (IPAs) take on that role. However, this is not always the case. There are some situations where ministers of tourism oversee the national promotion strategy. In other cases, the IPAs have the independence to develop their own strategy. In some other cases, the strategy is outsourced. Therefore, the process should consider good practices related to organization, coordination, commitment and strategy.74

Table 3.3: Organizational strategy, good practice scorecard

<table>
<thead>
<tr>
<th>ORGANIZATION</th>
<th>1. Is there a clear mandate to attract FDI?</th>
<th>2. Who has this mandate?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3. Is there sufficient status and visibility?</td>
<td>4. Is there control over strategic and executive functions?</td>
</tr>
<tr>
<td></td>
<td>5. Are the relevant skills/staff in place?</td>
<td></td>
</tr>
<tr>
<td>COORDINATION</td>
<td>1. Is there effective co-ordination and networks?</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2. Coordination at national and regional levels?</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3. Is there access to expertise?</td>
<td></td>
</tr>
<tr>
<td>COMMITMENT</td>
<td>1. High-level government mobilization?</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2. Strong role and value system?</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3. Can the inward investment organization influence decisions and have an active role in government policy?</td>
<td></td>
</tr>
<tr>
<td>STRATEGY</td>
<td>1. Is there a clear and coherent, focused approach?</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2. Is the agency agile and flexible enough?</td>
<td></td>
</tr>
</tbody>
</table>

STAGE 2: ATTRACTIVENESS STRATEGY – ENABLING CONDITIONS

This stage is based on the levels of attractiveness or investment climate of the country, analysing its macroeconomic stability and its political, regulatory, legal and technological environment. These fundamentals drive investors and help to promote tourism assets from an external perspective. Once a country profile is developed, benchmark studies should be put in place to assess the position of competitiveness among other destinations in order to develop stronger strategies to compete for investors or differentiate when presenting a value proposition.75

STAGE 3: PROMOTION STRATEGY – ENABLING OPPORTUNITIES

At this final stage, the main objective is to create a value proposition for the country. Understanding its potentialities, identifying key projects and opportunities, but also taking advantage of the trends in order to develop an offer, and target investors. UNCTAD developed a very comprehensive knowledge-driven approach.76

Figure 3.2: Strategy development and targeting process

3.3 OPPORTUNITIES FOR SUSTAINABLE TOURISM INVESTMENTS

The COVID-19 pandemic has made clear that sustainable tourism requires sustainable investments at the center of new solutions, and not just of traditional investments that promote and underpin economic growth and productivity. It has also highlighted the importance of non-traditional investments that enhance innovation through the creation and diffusion of new solutions to decarbonize the sector. To harness the advantages of investments, it is critical that governments promote policies, as well as new investment vehicles to recover, retain and attract foreign direct investments. Only this way can we reimagine tourism and enhance the sector’s positive impact on people and planet as we accelerate the achievement of SDGs.

The urgency to balance the trade-offs between the environmental, economic and sociocultural challenges of tourism and meet the demand to drive digital technologies, might require extra political and financial commitment, as well as data-driven participation of several stakeholders. This is especially true of the private sector, which can enhance solutions, not only in response to the COVID-19 crisis, but also to develop solutions related to offers and destinations. Strategic public-private community partnerships in investments have a critical role to play in the economic recovery,72 from the effects of this pandemic, and in realizing the ambitious goals of protecting the planet and ensuring prosperity for all through sustainable investments in tourism as catalyst and multiplier sector globally.

The transition to a green industry requires changing technologies, as well as institutional structures and consumer practices and behaviours, all of which is known as sociotechnical transition. There are several opportunities for sustainable investments, from green hotel finances to green bonds, from hotel certifications and retrofitting to green startups. This change should be triggered by innovation on the one hand, and by policy changes induced by cultural shifts on the other hand.79 Therefore, sustainable and green investments might require private collaboration as a means to bridge finance gaps and facilitate external sources of funding.79

Collaboration of venture capital, private equity and institutional funds is key, in addition to multilateral cooperation and public financing investments that have played a crucial role in the development of many innovative technologies and emerging industries.80 However, the challenges associated with the transition towards a low-carbon economy are multifaceted – a lack of financing has proven being one of the major barriers for green innovation.81

Therefore, considering the references discussed earlier in these guidelines, focus should be set on the following main drivers to accelerate green transitions in the tourism sector:82

- Understand the complexity of sustainable tourism investments providing insights on emerging socioeconomic and technological changes to foster high-level cooperation and new institutional configurations;
- Encourage the development of hard and soft infrastructure to effectively respond to the growing and changing demand develop sustainable and inclusive finance mechanisms; and
- Foster digital and green technologies to add value to the linkages of the global tourism value chain to respond to opportunities of green transitions and strengthen its competitiveness.
4. CONCLUSIONS
Over the last decade the increase of international tourist arrivals has been growing constantly, driven in particular by demand from emerging countries in Asia and the Pacific. This has offered several economic opportunities, but also it raised major concerns regarding sustainability, inclusion and diversity. Nevertheless, tourism has been a global force for economic growth and development, and its labour-intensive nature has been driving employment across its value chain, creating linkages with other sectors and generating innovation in business models through travel tech startups that extended to its ecosystem.

The tourism ecosystem and its multi-dimensional nature, combined with the dynamic nature of investment capital presents a complex picture, making understanding and measuring tourism investments challenging. In addition to the subsectors’ inputs and outputs of tourism, there has also been a growth of capital flows towards travel tech startups despite the fact that they are not considered TNC. They have been generating information signals to the FDI markets with an apparent trend on the shifts from traditional investments towards non-traditional investments in the tourism sector.

Green investments in the tourism sector open opportunities not only for retrofitting, but also driving innovations and technologies for decarbonization and creation of value that respond to the increasing demand of new consumer behaviours. Green finance could not only stimulate tourism post-COVID-19 recovery, it could also represent an opportunity to target FDI and enhance the sector’s positive impact on people and the planet as we accelerate the achievements of SDGs.

Enabling frameworks for tourism investments require new quality data and new knowledge to go beyond the attraction and promotion of investments, towards smart and sustainable investments. This might require tourism stakeholders’ participation beyond the public-private community partnerships in order to understand the nature and dimensions of the tourism sector. The generation of data-driven frameworks should be able to measure equity and non-equity tourism FDIs, but also their impacts on labour, technology and sustainability.
INTRODUCTION


CHAPTER 1

13. Ibid.
18. Booking.com is a top-10 travel application in 127 markets versus 24 for Expedia, according to App Annie on February 2020.
22. For further information please consult: World Tourism Organization (2021), Travel Tech Startup Ecosystem and Investment Landscape, UNWTO, Madrid, DOI: https://doi.org/10.18111/978928442708.

ENDNOTES

32. Sustainable Hospitality Alliance (2020).
38. Sustainable Hospitality Alliance (2020).
42. World Tourism Organization (2020c).
CHAPTER 2


53 World Tourism Organization (2020d).

54 International Labour Organisation (2020).


57 Domestic value added in OECD countries.


62 IDI Intelligence Financial Times and World Tourism Organization (2019).


64 World Tourism Organization (2020e), UNWTO World Tourism Barometer, volume 18, issue 1, January 2020, UNWTO, Madrid. DOI: https://doi.org/10.18111/wtobarometereng.

65 IDI Intelligence Financial Times and World Tourism Organization (2019).


69 IDI Intelligence Financial Times and World Tourism Organization (2019).

70 Ibid.

71 Organisation for Economic Co-operation and Development; The World Bank; and UN Environment (2018).

72 Based on Churchbase, 2020.

73 Morningstar Equity Research (2020).


75 For further reading, please consult the following publication: World Tourism Organization (2019c), New Business Models in the Accommodation Industry – Benchmarking of Rules and Regulations in the Short-term Rental Market, UNWTO, Madrid, DOI: https://dx.doi.org/10.18111/9789284421084.


82 Organisation for Economic Co-operation and Development (2020).
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The COVID-19 pandemic has made clear that sustainable tourism should no longer be considered a niche part of the tourism sector. Instead, its principles should guide everything the sector does. All stakeholders have now the opportunity to develop global partnerships and initiatives to effectively rethink investment frameworks and to develop solutions related to destinations.

UNWTO strongly believes that strategic public-private partnerships on investments have a critical role to play in the economic recovery from the effects of the COVID-19 pandemic. For this reason, UNWTO has developed a series of Investment Guidelines to enhance coordination and cooperation and mobilize global investment mechanisms to respond to a global crisis. Enabling Frameworks for Tourism Investment provides insights for understanding and enabling the conditions and barriers to mobilize tourism investment and so build a competitive, sustainable and inclusive tourism sector beyond the attraction and promotion approaches.