UNWTO
World Tourism Organization

Enabling Frameworks for Tourism Investment

Drivers and Challenges shaping Investments in Tourism

Series A Publication 1

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Series A: Enabling Frameworks for Tourism Investment,
Drivers and Challenges shaping Investments in Tourism
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Abbreviations

B2B	Business to Business
B2C	Business to Consumer
BN	Billion
CRM	Customer Relationship Management
CVC	Corporate Venture Capital
FDI	Foreign Direct Investment
FT	Financial Times
GDP	Gross Domestic Product
GHG	Global greenhouse gas
IFC	International Finance Corporation
ILO	International Labor Organization
IPA	Investment Promotion Agency
ITC	Information Technology and Communication
M&As	Mergers and Acquisitions
MENA	Middle East North Africa
NTO	National Tourism Organization
OECD	Organization for Economic Co-operation and Development
OLI	Ownership, Location, Internationalization
REITs	Real Estate Investment Trusts
SDGs	Sustainable Development Goals
SMEs	Small and Medium-sized Enterprises
TFDI	Tourism Foreign Direct Investment
TIS	Tourism Investment Strategy
TNC	Transnational Corporation
UNCTAD	"United Nations Conference on Trade and Development
UNEP	United Nations Environment Programme"
UNWTO	World Tourism Organization

Preface

The multi-dimensional nature of the tourism sector, 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 behaviors and expectations, the advantage of technology, and the urgent need for greater sustainability challenge the current business models, and present new opportunities for investors interested in the tourism sector.

UNWTO is developing a series of investment guidelines to help better understand and generate sustainable investments in the tourism ecosystem. The guidelines are divided into three series in order to understand, enable and mobilize tourism investments. They will also help develop new insights for policy making to address the current barriers, new opportunities and encourage sustainable investments in the tourism sector.

Series A: *Enabling Frameworks for Tourism Investments,* provides insights on drives, opportunities, and strategies for addressing current challenges and barriers when investing in the tourism sector.

Series B: *Good Practices and Case Studies on Tourism Investment,* promotes experiences and strategies that are working focused on innovations to attract, promote and mobilize investments.

Series C: *Policy Considerations on Tourism Investment,* provides insights for policy-making based on data driven evidence collected from Members States alongside contributions from other key relevant partners.

CONTENT

1. Introduction

Tourism is a global force for economic growth and development, generating US$ 1.7 trillion annually; this represents about 4% of global GDP and around 29% of service exports[1]. Its labor-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 (UNWTO, 2019).

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 per cent 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, $910 billion to $1.2 trillion in export revenues and 100-120 million direct tourism jobs. And it's not just people's livelihoods at risk. Efforts to ensure tourism is a driver of the Sustainable Development Goals (SDGs) are at risk of being rolled back (UNWTO, 2020a).

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 (Peeters et al., 2018). 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 socio-cultural 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 behaviors (Postma et al., 2017). Sustainable tourism will also require coordinated and ongoing high-level leadership agreement[2] 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 (OECD, 2018).

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. The Series A "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.

2. Drivers and trends shaping investments in tourism (Opportunities post-COVID-19)

2.1. Consumer behavior and demand drivers

Tourism is a global force for economic growth and development, generating US$ 1.7 trillion annually across its ecosystem; this represents about 4% of global GDP and around 29% of service exports[3]. Its labor-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 (UNWTO, 2019a).

According to UNWTO data, international tourist arrivals reached 1.5 billion in 2019 (UNWTO, 2020b), and are expected to reach 1.8 billion by 2030 (UNWTO, 2019a). This represents around 50 million additional arrivals per year, an increase of more than 150% compared to the period from 1995 to 2010. An estimated 88% of these tourists be from Asia (Kharas, 2017). For example, in 2018 around 10% of China's 1.4 billion people travelled internationally. It is estimated that by 2027, the number of passport holders is expected to reach 300 million, or 20% of the Chinese population (UNWTO, 2018).

Looking forward, it is important to comprehend the demographic of this new market (2030-2040), which will be predominantly Millennials and Generation Z[4]. Both are 'digital natives' and by 2040 they will represent the largest share of the global population at 2.3 and 2.6 billion respectively (Weinswig, 2016). Depending on their socio-economic groups, these behaviors may vary significantly. However, the overall trend is 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. The evidence suggests that Millennials consider tourism and travel experience a priority (Airbnb, 2016), taking four or more trips per year. These trips are characterized by their shortness, and their focus on authenticity and sustainability (Expedia, 2017). 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 traveler volumes and changing consumer behaviors and needs. This might present several investment opportunities, opening up new investments flows from traditional hard investments like accommodation infrastructure to soft infrastructure like digital solutions and support services around experiences and sustainability in a post COVID-19 reality.

Figures

Tables

Figure 1: New consumer behaviors

Source: UNWTO, 2020

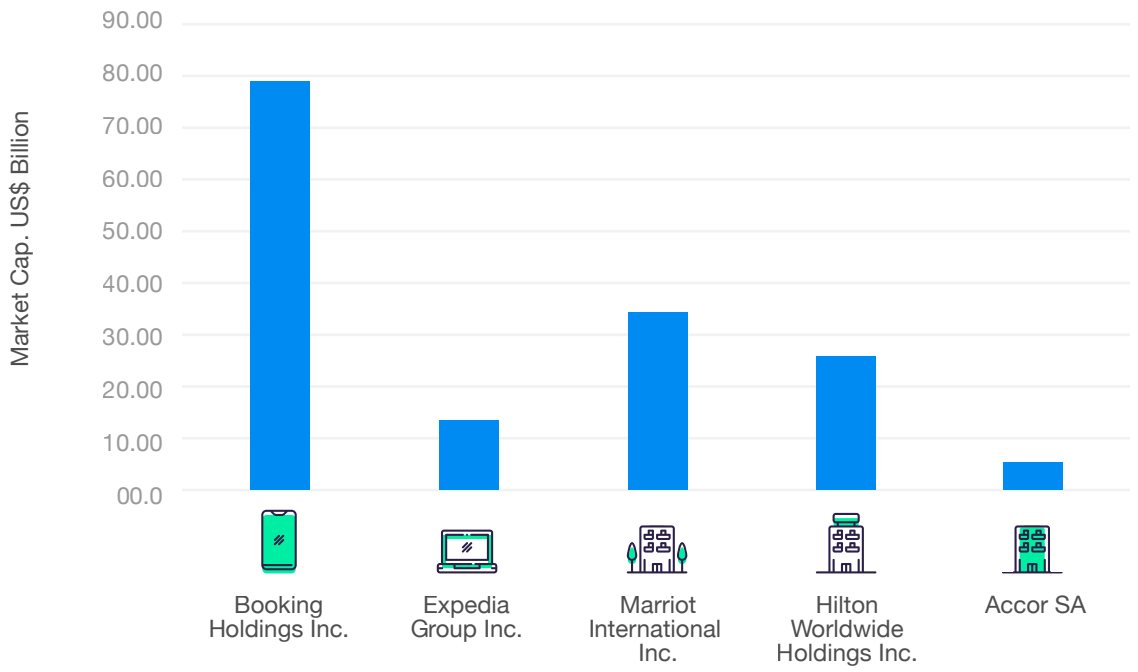
These digital natives are shaping new technologies such as: 5G, Cloud base Services, or Artificial Intelligence. All these offer increased speed of access to information, more intuitiveness in interactions the chance to extend a tourism experience before and after a trip. For example, Booking.com is expanding its network positions to shift to booking via mobile applications, recognizing the trends of the markets[5]. Other large players such as Google, Facebook, Alibaba, Amadeus are also investing in solutions to capture and deliver value to these new consumer behaviors.

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 behaviors or the development of new destinations (e.g. rural and green urban destinations). In this regard, the World Bank Group suggested that these periods of confinement due to COVID-19 have intensified the need for fresh air, but it also increased the flow of people from urban to rural destinations. These situations allow for a more sustainable recovery, which will not only help small communities, but will also combat climate change. However, these opportunities are not only for the rural areas, they also extend to urban destinations raising different challenges for public health protocols, innovation in transportation or green buildings among others (World Bank Group, 2020).

2.2. Innovation and technology drivers

These new consumer behaviors are shaping the tourism markets and serving as a unique opportunity 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 US$ 305 billion in value in the tourism sector, between 2016 and 2025 (WEF, 2017). 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.

Figure 2: Market capitalization billion (Booking, Expedia, Marriott, Hilton, Accor)



Source: M.A. Figueroa based on PitchBook, Crunchbase, 2020

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. As explained by Autio and Thomas, 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" (Autio and Thomas 2014, p.205).

Booking is the world's largest online travel agency by revenue, offering booking services for hotel and vacation rooms, airline tickets, rental cars, restaurant reservations, cruises, experiences, and other vacation 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 versatile business models, in comparison with traditional business models.

Since 2018, UNWTO has led open innovation initiatives through its Department of Innovation, Digital Transformation and Investments. These initiatives reached more than 5750 startups from 150 countries offering B2B and B2C innovative solutions to the tourism sector. These innovative solutions and new technologies strengthen the collaboration among the tourism stakeholders. also It has served as an opportunity to create value in a changing context and demanding new consumer behaviors.

Figure 3: UNWTO IDT Results

Tourism Startups Competitions & Challenges	**2** Global **2** Gastronomy **1** Sports **1** Rural Tourism **1** COVID-19 **6000+** Competing Startups from 150 countries
Tourism Tech Adventures	**11** Innovation Forums **60+** Public Private Partnerships
Tourism Online Academy	First course Nov. 2019 **4000+** registered
Tourism Investments Platform	**200+** Investors Globally **45 Million Euros Funded** First Green Investments Program in collaboration with IFC

Source: UNWTO, 2020.

In this regard, two travel tech startups that applied to open UNWTO innovation initiatives are Refundit and ByHours .Refundit, from Israel, is a startup that aims to change the VAT refund process, simplifying tax-free shopping. More than 50 countries allow tourists to get VAT refunds for purchases of products they take with them when they leave. This 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 1st prizewinner of the UNWTO Global travel tech competition (2019). After the competition, Refundit was able to raise US$9.8 million 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 offering more than 3000 hotels in Europe, the MENA region and the Americas. Its business model is built around a booking platform, focused on "microstays" of 3,6 and 12 hours. This business model is known as the pay-per-use model. ByHours already has more than 250,000 international clients in more than 600 destinations. They were finalists in the first tourist startup competition of the UNWTO "1st UNWTO Tourism Startup Competition" (2018), with the UNWTO they also were invited to a Travel Tech Adventure at Bahrain. ByHours has closed a new international funding round at US$9.4 million from lead investors such as Angel Ventures and DILA Capital, both from Mexico.

According to Majchrzak and Markus, digitalization stimulates value creation and collaboration, which is embedded in the relationships of social networks, enhanced by digital technologies and infrastructures creating new affordances (Majchrzak and Markus, 2012). Digitalization supports three key affordances: decoupling, disintermediation, and delocation. Decoupling reduces the importance of assets; disintermediation, reduces the power and cost for distribution; delocation reduces cost for coordination and increases efficiency in collaboration along different locations (Autio et al., 2018). 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.

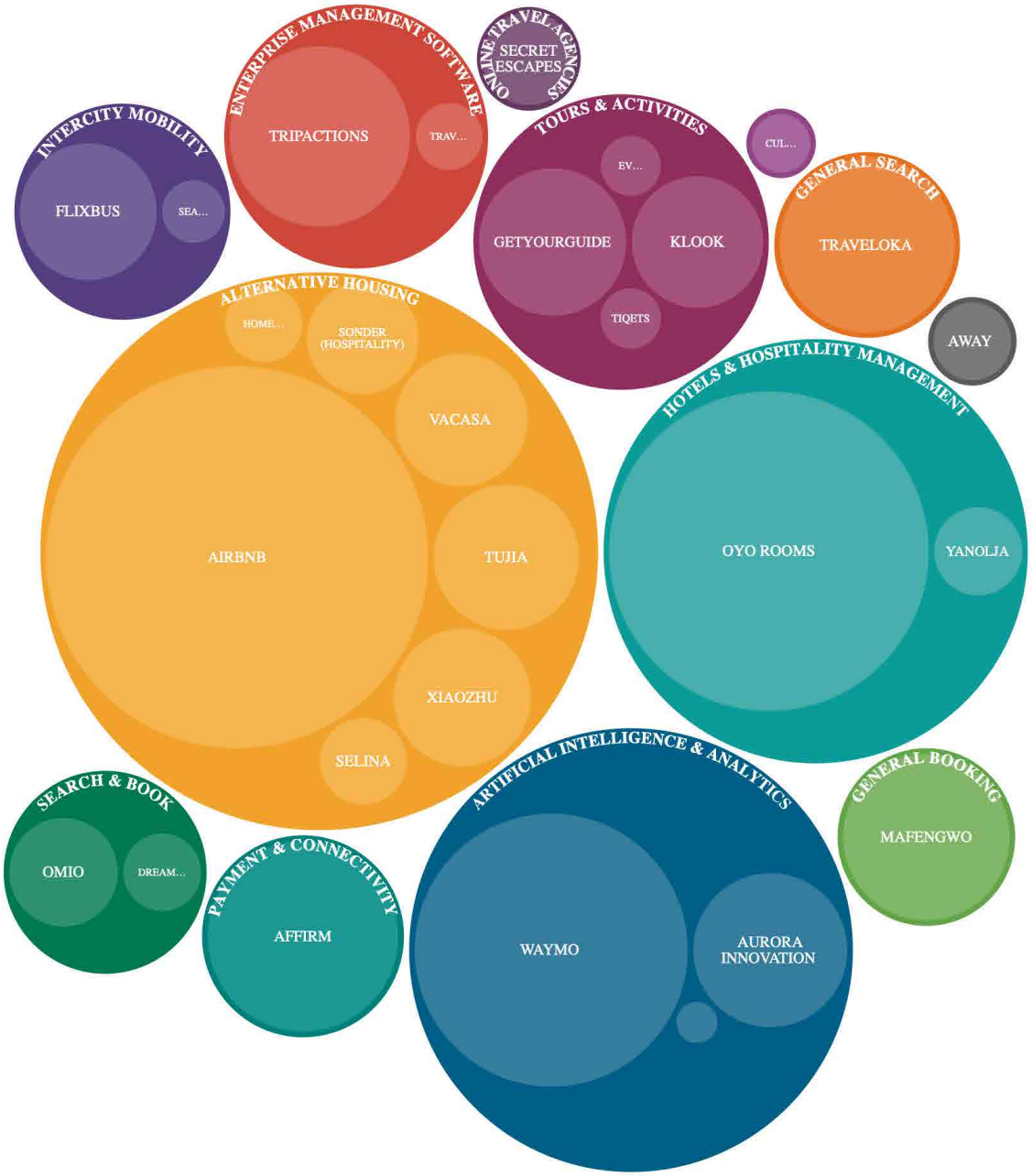
Figure 4: UNWTO Travel Tech Startup "Refundit" Case

- **Solution:** Tax-free shopping App
- **Country:** Israel
- **Intervention:** UNWTO Global Competition 2019
- **Funds Raised:** 9.8 Million US$
- **Investor:** Amadeus Venture (Lead Investor) and Co-Investors (Portugal Ventures)
- **Impact:** Tax authorities can enjoy big data analytics for control and fraud prevention
- **Public Private Collaboration:** Belgium, and Slovak Governments

Source: UNWTO, 2020.

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 has been invested in Travel & Mobility Tech startups from 2014 to 2019. The travel tech sector reached USD 61.6 billion[6] in unicorn valuations[7]. The potential growing demands and emerging markets have driven these flows of capital to new records. According to Morningstar Equity Research, only the booking market represents around a US$ 600 billion with growing expectations between 35.5 to 39.4% by 2029 (Morningstar Equity Research, 2020).

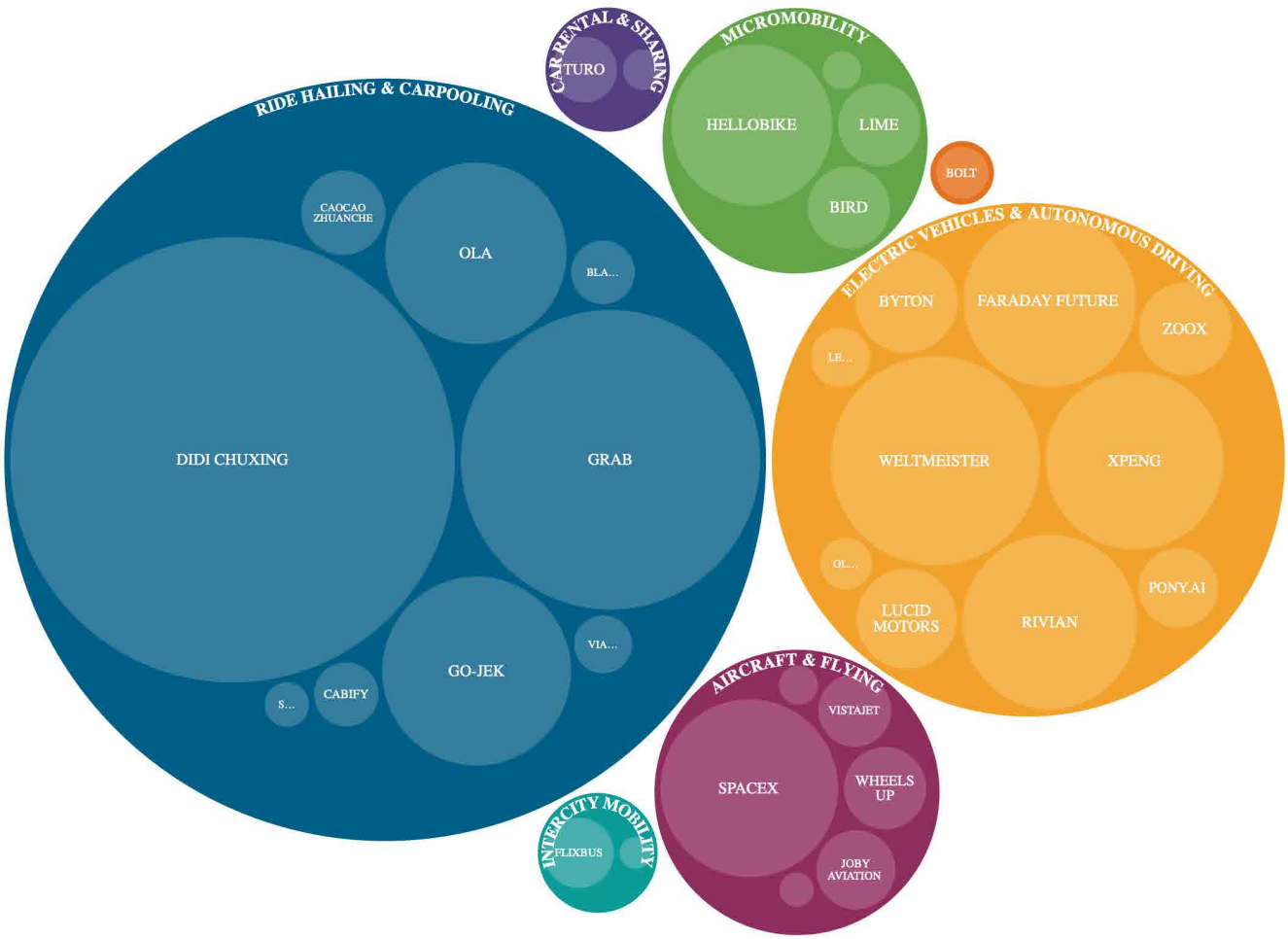
Figure 5 : Mapping Travel Tech Startups Funded (Non-Mobility)



Source: UNWTO based on PitchBook, Crunchbase, 2020

Moreover, investments in the Travel & Mobility Tech startups has reached several other sub areas such as: Alternative Housing, Hotels & Hospitality Management, Artificial Intelligence & Analytics, Tours & Activities, Enterprise Management Software, Payment & Connectivity, Smart Luggage, Ride hailing & Carpooling, Electric Vehicles & Autonomous Driving, Aircraft & Flying, among others. These sub areas have been expanding through the value chain reaching different actors, diffusion technologies, and increasing productivity in the sector as a whole.

Figure 6 : Mapping Travel Tech Startups Funded (Mobility)



Source: UNWTO based on PitchBook, Crunchbase, 2020

2.3. 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 (Odi, 2006, Tang et al, 2007). Recently, Sustainable Investments in the tourism sector has been oriented towards Green Transitions suggesting frameworks to shift from a growth-paradigm to a sustainable-paradigm in the long term (Peeters et al., 2018) 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 (UNWTO, 2019). This represented around 50 million additional arrivals per year, more than 150% increase compared to the period of 1995 to 2010. An estimated 88% of these tourists will be residing in Asia (Kharas, 2017).

Therefore, a significant level of investment will be required to support increasing traveler volumes and their changing needs. According to a report developed by International Tourism Partnership in collaboration with the International Finance Corporation (IFC), the hotel developments has been increasing 17.7 % from 2008 to 2018, and with a global pipeline of 2.4 million new hotel rooms in development. Furthermore, its reports mentioned the hotel sector is made up of almost 200,000 hotels containing over18 million rooms globally (International Tourism Partnership, 2020). Hence, the impacts of this growth must be managed, through broader collaboration from pre-investments to post-investments.

Current energy, transport, building and water infrastructure make up more than 60 % of global greenhouse gas emissions. Regarding the hotel industry, it accounts for around 1 % of global greenhouse gas (GHG) emissions (nearly equivalent to South Africa's annual emissions), 19 % of energy-related GHG emissions and consumes 40% of electricity globally (International Tourism Partnership, 2020).

According to UNWTO 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). Which forecasted, it 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[8] (37,800 million tonnes) (UNWTO, 2019b).

In this context, tourism´s contribution to sustainable development has been increasingly recognized by national and international policy makers, 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.

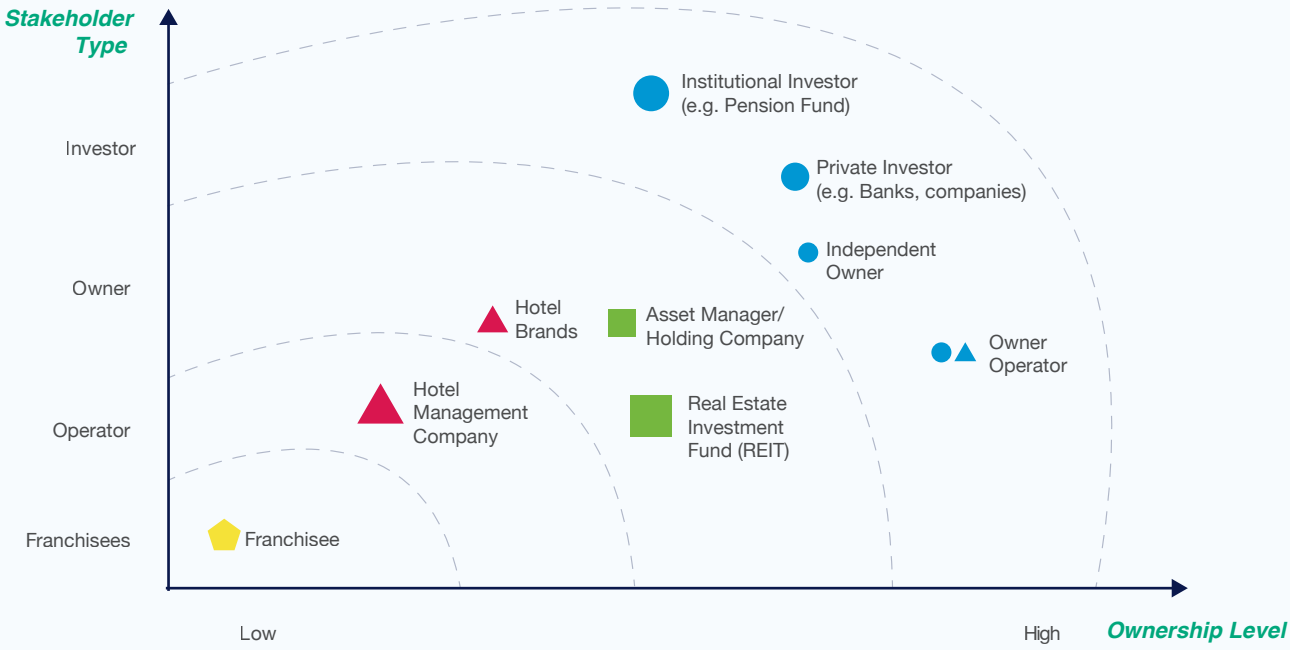
Figure 7: Finance Gap for SDGs

Source: UNWTO, 2020 based on OECD (2017); OECD, World Bank & UN Environment (2018)

On the other hand, 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. The current spending on infrastructure is between USD 3.4 to USD 4.4 trillion. However, 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 (OECD; The World Bank; UN Environment, 2018).

The hospitality sector is complex with 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 (ULI, 2019). 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 (JLL, 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 (International Tourism Partnership, 2020)

Figure 8: Simplified Hotel Ownership (Stakeholder Mapping)



Adapted from International Tourism Partnership, in collaboration with IFC, 2020

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. As recent research suggests, governments and investors might partner up based on sustainability characteristics and consensus to achieve sustainability in FDI Sustainable Investments (Sauvant et al, 2019). 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 on technical training in order to promote green finance to stimulate tourism recovery and ensure the development of a competitive and sustainable economic growth[9]. 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. It 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.

Figure 9: Investment Readiness for Green Finance UNWTO – IFC collaboration

Source: UNWTO, 2020.

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 at the developed countries, which will be further explained in detail in the FDI section further in the document. While COVID-19 has impacted near-term travel demand, technology companies like Booking have exhibited a solid financial health due to Asia-Pacific markets growth, where Travel Tech companies still are growing. Booking has been expanding its leadership in China with its Ctrip and Meituan-Dianping partnerships, and in its own Booking.com and Agoda.com platforms, which is crucial, as we see the Asia-Pacific region representing around one third of total industry online booking growth over the next five years (Morningstar Equity Research, 2020).

The growth of demand and the increasing number of Travel Tech startups in emerging markets generate networks of hotel properties and other services, 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 inclusion of different actors that are part of the tourism value chain. For example, UNWTO foresees a positive future for tourism in Africa estimating tourist arrivals will grow to 134 million by 2030.

Furthermore, the role of tourism as an engine of socio-economic 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 sub region represented a growth in North Africa was 11% and 8% in the South Sahara Region in 2019 (UNWTO, 2020a).

3. Barriers and limitations to investments in tourism (Overcoming challenges)

3.1. Measuring capital formation in tourism

One of the biggest challenges in tourism economics is the measurement of its outputs. According to UNCTAD, tourism as an economic activity involves several sub sectors from real estate infrastructure to personalized services. 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 (UNCTAC; 2007,2010). There is an increasing application of what is called a tourism satellite account (TSA). 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" (WTO 2004, p. 13-14).

The TSA framework identifies 12 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. Therefore, on the basis of UNCTAD research, it appears that Foreign Direct Investment (FDI) and Transnational Corporation (TNC) presence is concentrated in 12 classified industries (UNCTAC 2007,2010).

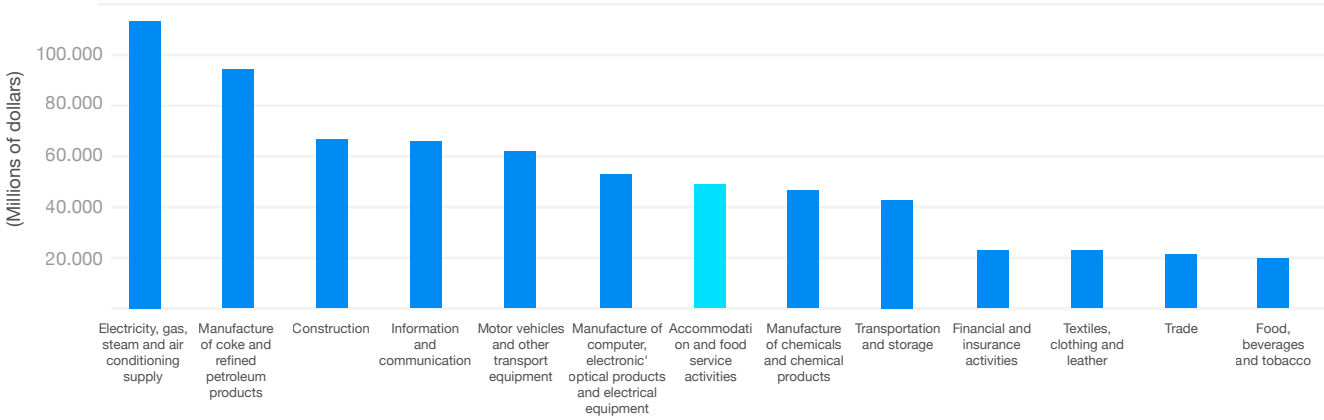
Table 1: Tourism FDI industries concentration

Activity	Frequency with FDI appears to occur		
	Frequent	Occasional	Rare
Hotels and similar	✓		
Restaurants and similar	✓		
Second homes	✓		
Passenger transport rental equipment	✓		
Railway passenger transport services		✓	
Air passenger transport services		✓	
Road passenger transport services			✓
Water passenger transport services			✓
Passenger transport supporting services			✓
Travel agencies and similar			✓
Cultural services			✓
Sports and other recreational services			✓

Source: UNCTAC, 2007, 2010.

The difficulties when it comes to measure FDI in the tourism sector are partly determined by the motives international investors decide to invest abroad. According to UNCTAC, "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)." (UNCTAC 2007, p.15). This definition used the very well-known theoretical approach proposed by Dunning, that says that a foreign firm will only invest abroad if three factors come together simultaneously: i) Ownership: The company possesses ownership-specific advantages which allow it to compete effectively with local companies; ii) Location: There are benefits to locating in the host country (such as a large market, cheap labor, a rich cultural heritage or a pleasant climate); and iii) Internalization: There are benefits from directly controlling the business activity in the host country rather than hiring a local firm to provide it (Dunning,1993).

Figure 10: Value of announced Greenfield FDI projects, by sector/industry, 2019



Source: UNCTAD WIR, 2020.

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. For example, according to the World Investment Report 2020, the "accommodation, and food service activities" presented Greenfield values that might represent explicit direct tourism sub sectors and its flows of capital. (UNCTAD, WIR 2020) However, it doesn't account for other implicit and indirect sub sectors such as transportation, food and beverage production, or other information and financial services. These sub sectors use labor, 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.

This guideline uses 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 publications is to gain knowledge regarding tourism investments, and generates information to fill the current gap on the matter.

Table 2: Top 10 Subsectors Tourism FDI Globally (fDi Intelligence classification) (by number of projects 2015-2019)

Rank	Subsectors
1	Accommodation
2	Travel arrangement & reservation services
3	Software publishers, except video games
4	Performing arts, spectator sports, & related
5	Internet publishing & broadcasting & web search
6	Amusement & theme parks
7	Gambling industries
8	Other amusement & recreation industries
9	Other (Software & IT services)
10	Museums, historical sites, & similar

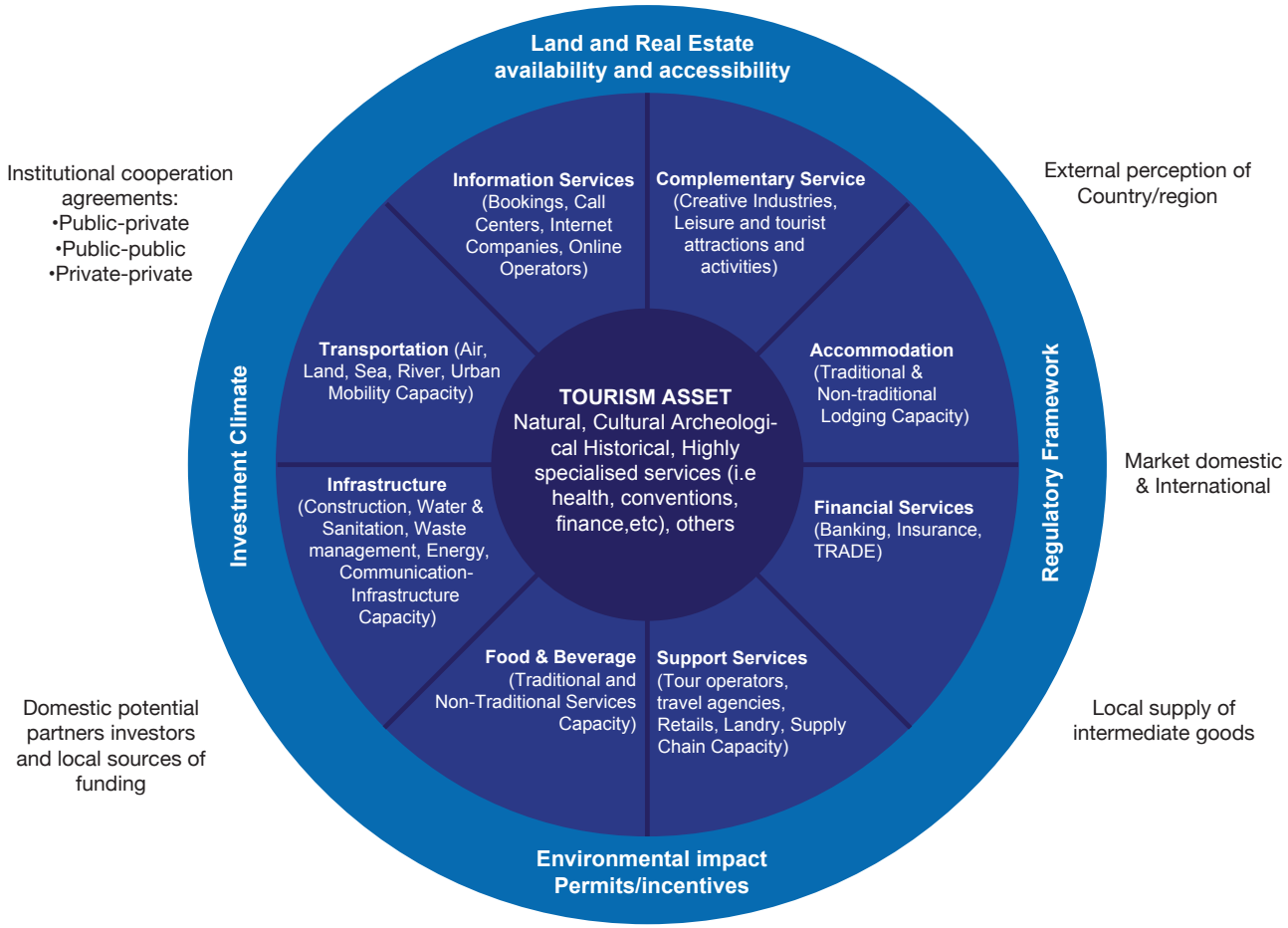
Source: fDi Intelligence Financial Times, UNWTO, 2020

3.2. Evolving value chains and ecosystems in tourism investments

Tourism is a global force for economic growth and development, generating US$ 1.7 trillion annually. This represents about 4% of global GDP and around 29% of service exports[10]. Its labor-intensive nature drives employment. In addition, tourism directly accounts for one in 10 jobs in the world: in 2019, the tourism sector supported around 300 million jobs globally (UNWTO, 2019a).

Notably, tourism employs more women and young people than any other sector. In OECD countries, women account for 60% of tourism workers (Stacey, 2015). Around 32% of people working in tourism are between 15 and 34 years old. There is evidence that for every US$1 of tourism exports, 89 cents of domestic value added is generated (OECD, 2020). Other 56 cents are directly generated, while 34 cents come from indirect impacts. More than 30% of this value comes from indirect impacts[11] on the local value chain, that is through links to other sub sectors 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 enterprises (SMEs) (OECD, 2019).

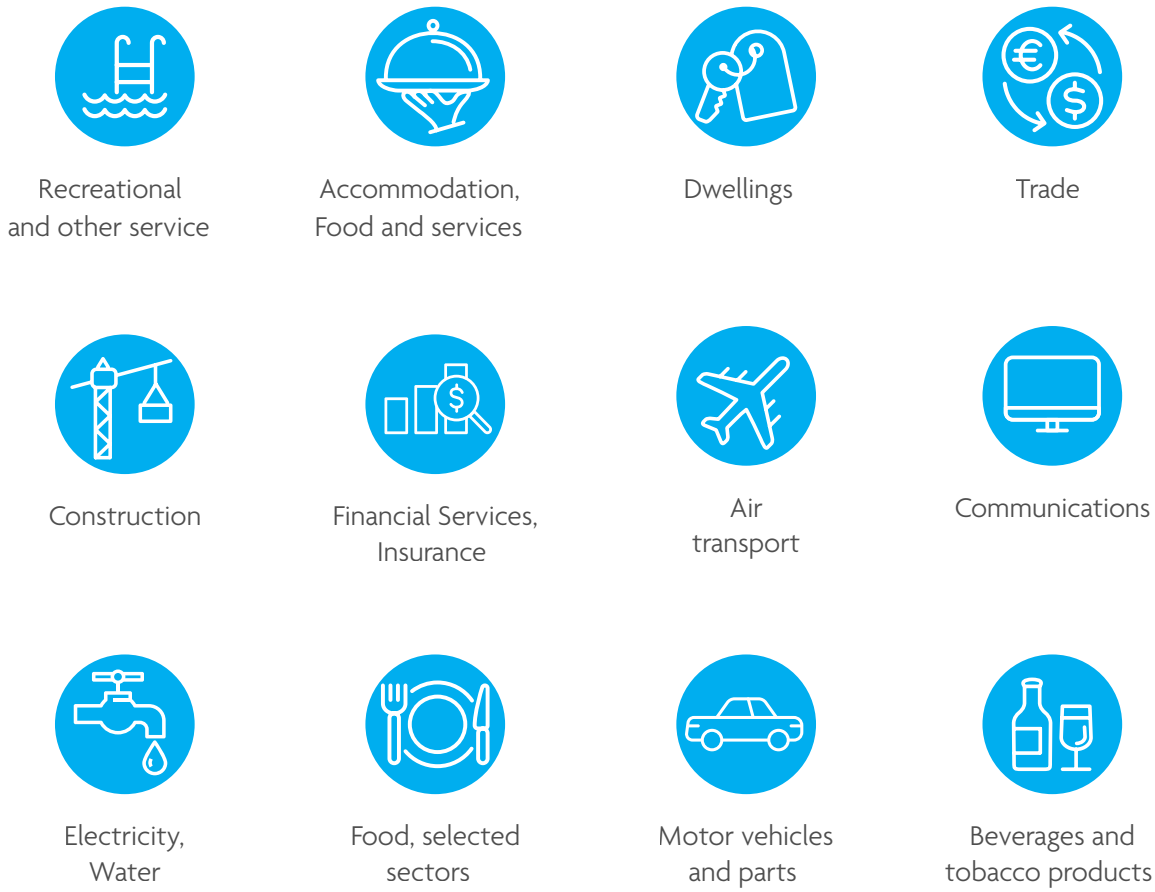
Figure 11: Tourism Ecosystem



Source: UNWTO, 2020.

From a traditional perspective, the tourism sub sector outputs include: recreational services, accommodation, food, services, dwellings, trade, construction, 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 generates spillover effects due to multi-dimensional dynamics (Mirza and Giroud, 2004).

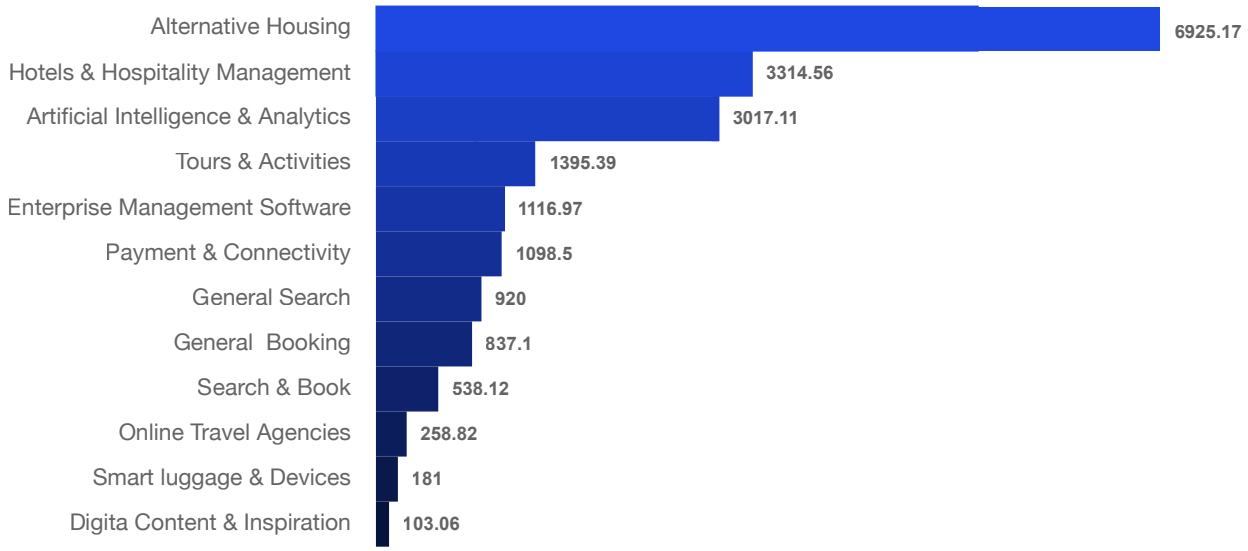
Figure 12: Tourism Sub sector outputs



Source: UNCTAD, GTAP V10 database, 2020

Furthermore, from a non-traditional perspective, there are other tourism sub sector outputs emerging from the flows of capital allocated to travel tech innovations. From UNWTO investment research, we identified two main groups of subsectors based on capital raised. The first group is related to travel tech non-mobility sub sectors outputs that includes: alternative housing, hotels & hospitality management, artificial intelligence & analytics, tours & activities, enterprise management software, payment & connectivity, among others.

Figure 13: Travel Tech Sub-Sectors Funded (Non-Mobility)
(Total Raised in Millions US$)

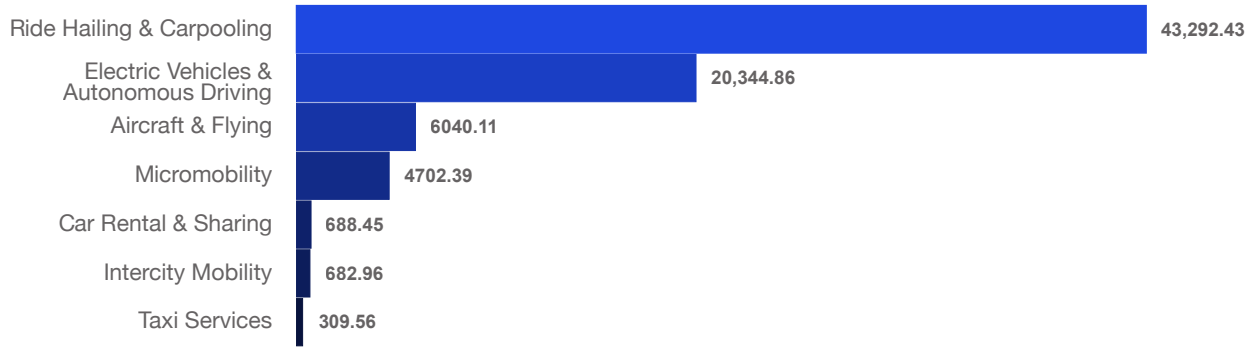


Source: UNWTO based on PitchBook, Crunchbase, 2020

The second group is related to travel tech mobility sub sectors outputs, such as: ride hailing & carpooling, electric vehicles & autonomous driving, aircraft & flying, micromobility, car rental & sharing, intercity/urban mobility, taxi services. Both of these sub groups' outputs 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 sub sectors 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, 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 regards to new regulations and finding incentives to mobilize smart capital. Integration of the tourism ecosystem and its stakeholders that are part of each sub sectors, both traditional and non-traditional is essential.

Figure 14: Travel Tech Sub-Sectors Funded (Mobility)
(Total Raised in Millions US$)



Source: UNWTO based on PitchBook, Crunchbase, 2020

4.2. Attractiveness and Foreign direct investment in tourism

According to fDi Intelligence from the Financial Times and UNWTO data[12], the Tourism Foreign Direct Investment (TFDI) reached USD61.8bn globally, which, in turn, created more than 135,000 jobs in 2019 (fDi Intelligence Financial Times/ UNWTO, 2020). This translates into 715 FDI projects in 2019, compared with the 648 FDI project 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 UNCTAD's World Investment Report 2019, 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 the developed part of the world, where FDI flows dropped by almost 27-30%, the lowest number in the last fifteen years. However, in the case of developing countries there was an increase of 2 % compared to 2017.

Figure 15: Tourism FDI global perspective

TOURISM FDI GLOBALLY, 2015-2019

Year	Capital investment ($m)*
2015	20,642
2016	20,256
2017	22,053
2018	71,133
2019	61,746
Total	**195,832**

Source: **fDi** Markets (www.fdimarkets.com)
* Includes estimates

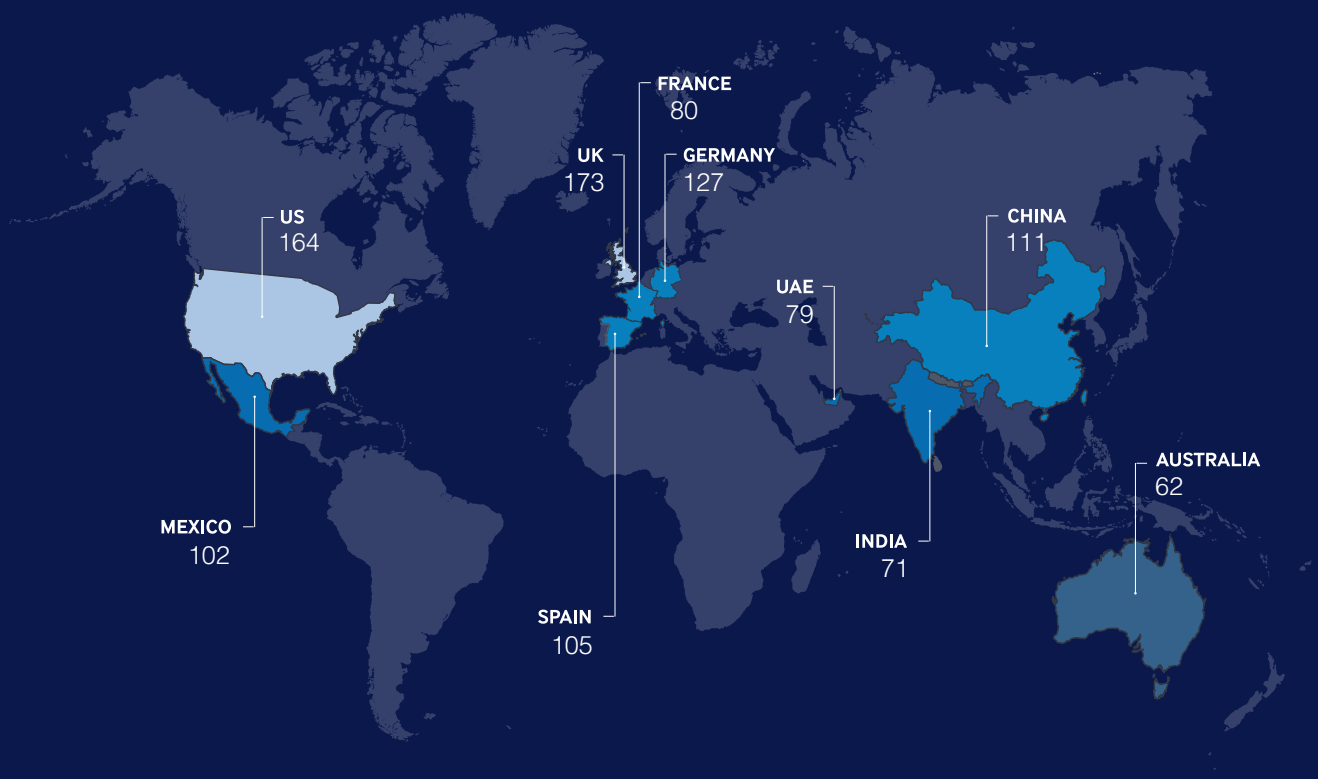
TOURISM FDI, H1 2019 VS H2 2020

Global	Projects	Capex ($m)*	Jobs
First half of 2019	373	34,757	70,707
First half of 2020	141	9,326	19,688

Source: **fDi** Markets (www.fdimarkets.com)

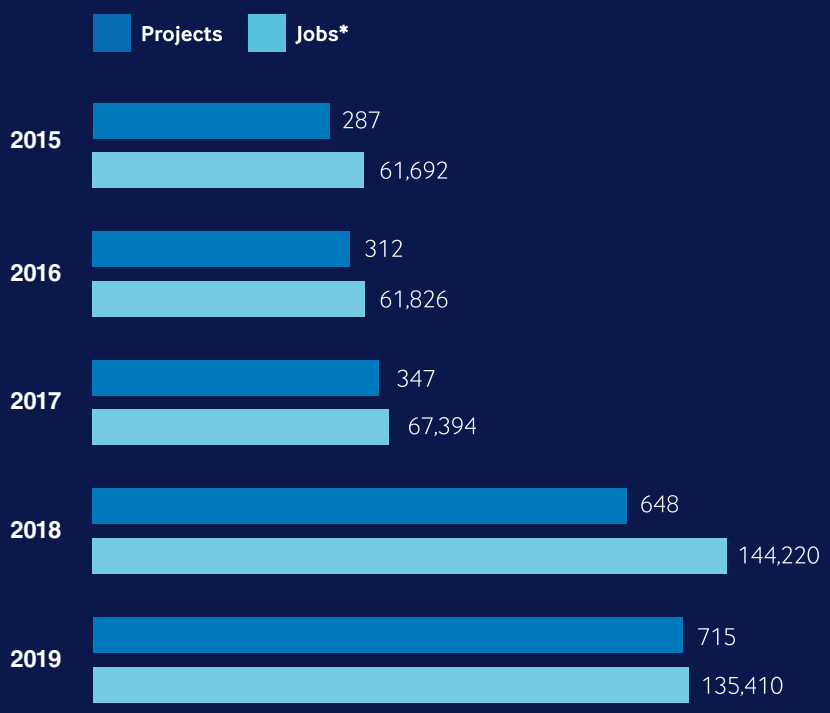
TOP 10 COUNTRIES FOR TOURISM FDI PROJECTS, 2015-2019

- **1-33**
- **33-66**
- **66-99**
- **99-132**
- **132-165**
- **165-198**



Source: fDi Intelligence Financial Times, UNWTO, 2020

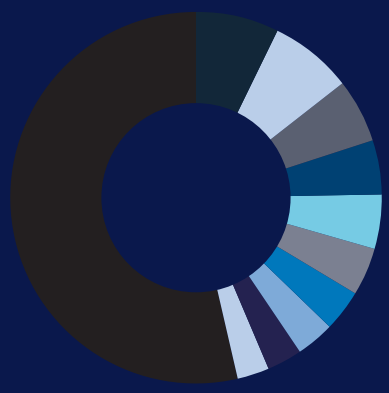
TOURISM FDI GLOBALLY, 2015-2019



Total projects **2309**

Total jobs **470,542**

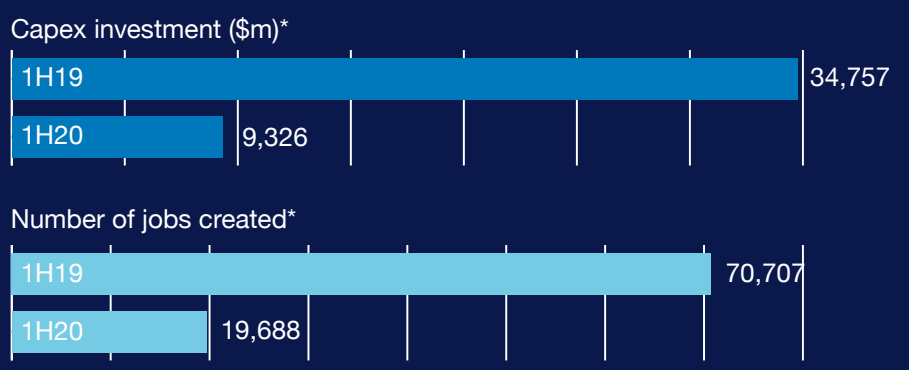
PROPORTION OF GLOBAL TOURISM FDI PROJECTS, 2015-2019



7.49%	UK
7.10%	US
5.50%	China
4.81%	France
4.55%	Germany
4.42%	Spain
3.46%	Mexico
3.42%	India
3.07%	UAE
2.69%	Australia
53.49%	Other

Source: **fDi** Markets (www.fdimarkets.com)

TOURISM FDI, H1 2019 VS H2 2020



Source: fDi Intelligence Financial Times, UNWTO, 2020

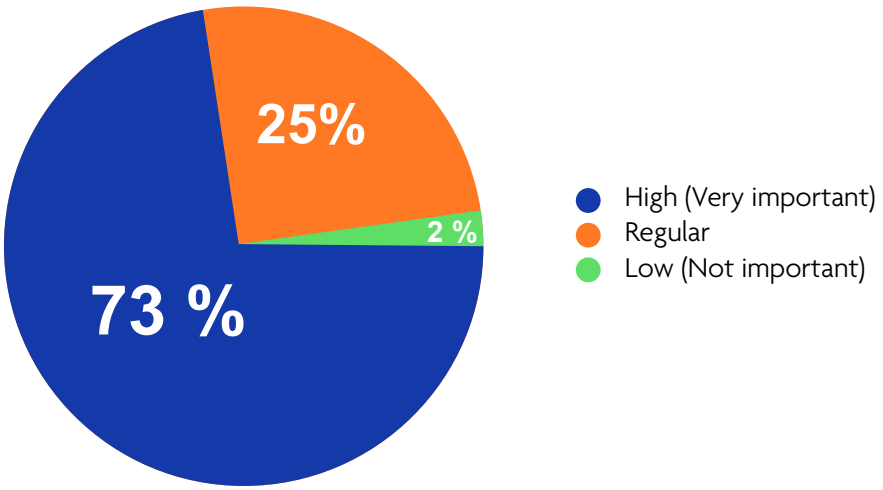
Nevertheless, the COVID-19 pandemic has hit the tourism sector hard. Data suggests that global FDI into tourism plummeted by 73.2% in the first half of 2020, compared to that of 2019, putting an end to the sector's record high years. This data has a close relationship with UNWTO' scenarios for international tourist numbers decline, which could fall between 60 and 80% this year 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 $910 billion to $1.2 trillion in export revenues[13].

Regarding the distribution of tourism FDI projects in different countries, the UK was the largest recipient of tourism FDI between 2014 and 2019 with 173 projects, followed by the US (1164) 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: United Kingdom, United States, 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 (fDi Intelligence Financial Times/ UNWTO, 2020).

There is evidence that the world's major sources of FDI in tourism are located in developed countries (as much as 90%). Less than 10% of total outward tourism related FDI stocks is concentrated in developing countries (UNCTAD, 2007, 2010, 2020). However, there is a trend to increase the efforts particularly in Latin America and the Caribbean, where FDI reached new record levels. It created more than 56.000 jobs in Mexico 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 (fDi Intelligence Financial Times/ UNWTO, 2020).

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 Generation, and 70.5% demanded support on Tourism Investment Strategy.

Figure 16: Importance of capacity building on tourism investments



Source: UNWTO, 2020

4. Frameworks to foster sustainable and inclusive tourism investments (Tourism investment Innovations)

4.1. From Traditional investment to Non-Traditional investment

From a Traditional perspective, during the period 2015-2019 USD195bn were invested on tourism FDI, two thirds were invested in the regions of Asia-Pacific (41%) and Europe (27%), while the remaining is evenly distributed among North America (6%), Latin America and The Caribbean (14%) and Middle East and Africa (11%) it is important to notice that, while the FDI investments in North America has been declining, there is a increment on investments in Latin America and the Caribbean (fDi Intelligence Financial Times/ UNWTO, 2020).

The average capital investment per project during the period 2014-2018 reached US$73 million. In 2018, the capital investment per project was US$94 million, compared to US$63 million 2017. At the same time, there was an average number of jobs created of 199 jobs per project for the same period (2014-2018). Although the number of tourism projects hit a record high (715) in 2019, capital investment (US$ 61bn) and job creation (135.410) fell by 13.2% and 6.1% respectively from 2018.

By capital investment, Spain was the largest recipient of investment, attracting USD20.4bn in tourism investment between 2015 and 2019, followed by China with USD12.8bn and the Philippines USD12.4bn. Regarding job creation, Mexico ranks first with more than 56,000 jobs created, followed by China (more than 34,000 jobs) and the US (almost 25,000 jobs)in the same period (fDi Intelligence Financial Times/ UNWTO, 2020).

Table 3: Top 10 parent companies Tourism FDI globally (By number of projects 2015 -2019)

Rank	Companies	Number of Projects
1	Marriott International	96
2	Selina	62
3	Accor	50
4	Hyatt International	44
5	InterContinental Hotels Group (IHG)	44
6	Melia Hotels International (Sol Melia Hotels & Resorts)	33
7	Barcelo	28
8	Wyndham Destinations	27
9	Minor International	26
10	Booking Holdings (The Priceline Group)	25

Source: fDi Intelligence Financial Times, UNWTO, 2020

Regarding the sub sector outputs the "accommodation" was the most prominent sub-sector of tourism FDI projects globally, with more than 1249 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. According to the fDi intelligence of the Financial Times, in tourism, investors are paying increasing attention to the social and environmental footprintof the projects they assess. They seem willing to prioritize developments that lift communities and preserve ecosystems, as long as financial sustainability is also taken into account. As such, climate-related requirements regarding infrastructure quality are an opportunity for the tourism sector to move the climate and development agendas forward and develop infrastructure systems that deliver better services while also achieving climate goals and the SDGs[14]. The top ten 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 based on the available information. Both Venture Capital and Corporate Venture Capital have been growing. Around USD 449 billion was invested in Travel & Mobility Tech startups between 2014 and 2019. At the same time, Travel Tech startups reached USD 61.6 billion in unicorn valuations[15]. During the same period, Corporate Venturing activity has increased in Travel & Mobility solutions. It has even surpassed sectors such as fin-tech 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 & Mobility Tech Startups were led by China, surpassing the United States 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.

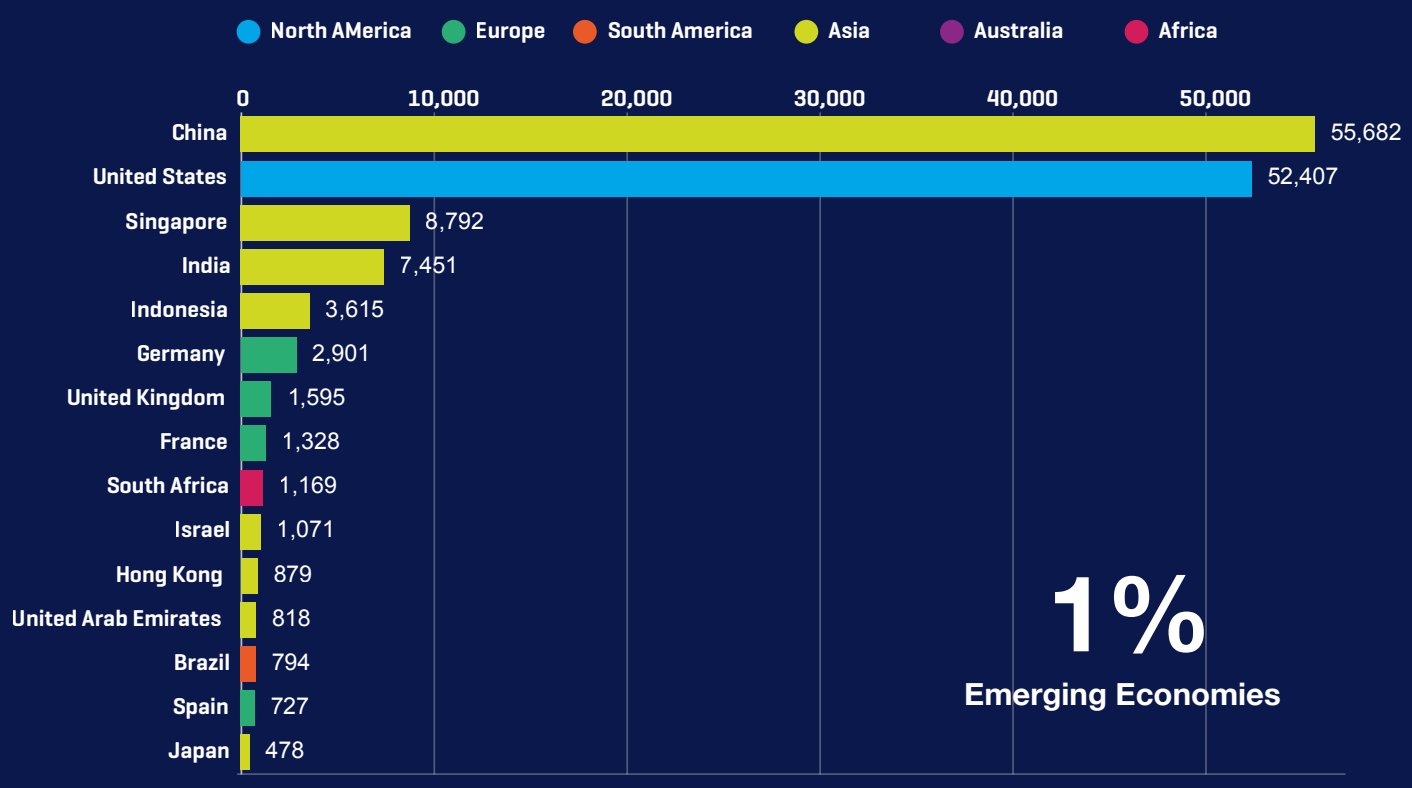
Table 4: Top 10 Most Active Investors In Travel & Mobility Tech

Rank	Investor	Number of Investments
1	Plug and Play	146
2	500 Startups	101
3	Y Combinator	76
4	Accel	68
5	TechStarts	60
6	SOSV	51
7	Sequoia	51
8	SVAngel	38
9	GGV Capital	37
10	NEA	37

Sources: UNWTO based on PitchBook, Crunchbase, 2020

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 startups solutions in emerging economies as well as open opportunities to invest in untapped markets with growing potential demand.

Figure 17: Top 10 Most Active Countries In Travel & Mobility Tech



Sources: UNWTO based on PitchBook, Crunchbase, 2020

As mentioned at the beginning of the document, there is evidence of growth in emerging markets. The expansion of Booking.com and its consolidation in Asia 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-Pacific region representing around one third of total industry online booking growth over the next five years. (Morningstar Equity Research, 2020). The opportunity for early investing in emerging markets opens up 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 will grow to 134 million by 2030. This trend is highly relevant for opening up the debate for governments and private investors to engage in a conversation to implement new investment mechanisms to accelerate innovation and digitalization of the tourism sector in emerging markets.

4.2. Tourism investment attraction, promotion and mobilization strategies

In order to provide a practical technical note to develop 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), iii) Promotion Strategy (Enabling Opportunities)

1 **Organizational Strategy (Enabling Capacities):** Attracting FDI requires a clear vision and ownership to undertake such a mandate, it is well established that national Investment Promotion Agencies (IPAs) usually take on that role. However, thus 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. For some other cases, the strategy is outsorced . In a survey developed by UNWTO, 43.2% underlined that IPAs have the mandate to attract tourism FDI; 38.6% mentioned the ministry or vice-minister of tourism has that role; 13.6% said that a different ministry is in charge; and 2% mentioned other situations, like outsourcing (UNWTO, 2020). Loewendahl suggests a process focused on organization, coordination, commitment and strategy (Loewendahl, 2018).

Table 5: Organizational Strategy Good Practice Scorecard

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

Source: Loewendahl (2001, 2018).

2 **Attractiveness Strategy (Enabling Conditions):** This stage is based on the levels of attractiveness or investment climate of the country, analyzing 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, a good practice is to create benchmark studies to asses the competitiveness position among other destinations in order to develop stronger strategies to compete for investors, or differentiate when presenting a value proposition.

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 (UNCTAD, 2010)

Figure 18: Strategy Development and Targeting Process

Sources: UNWTO (2020) based on UNCTAD (2010) "Promoting Foreign Investment in Tourism"

Figure 19: Enabling Framework for tourism FDI

Source: UNWTO (2020) based on UNCTAD (2010) "Promoting Foreign Investment in Tourism"

4.3. 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 tradeoffs between the environmental, economic and socio-cultural challenges of tourism and meet the demand to drive digital technologies, might require extra political and financial commitment as well as the 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 partnerships in investments have a critical role to play in the economic recovery, 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.

According to Markard, Perez and Mazzucato, the transition to a green industry requires changing technologies as well as institutional structures and consumer practices and behaviors, all of which is known as socio-technical 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 (Markard et al., 2012). Therefore, sustainable and green investments might require private collaboration as a means to bridge finance gaps and facilitate external sources of funding (Mazzucato & Perez 2014).

There is evidence of collaboration from Venture Capital, Private Equity, and Institutional Funds. In addition, multilateral cooperation and public financing investments that have played a crucial role in the development of many innovative technologies and emerging industries (Mazzucato, 2013; Mina et al., 2013, O'Sullivan, 2005; Perez, 2002). However , the challenges associated with the transition towards a low-carbon economy are multifaceted. For example, a lack of financing has proven to be one of the major barriers for green innovation (Howell, 2014; Iyer et al., 2015; Leete, et al., 2013; Stucki, 2014).

Therefore, considering the references discussed earlier in this guideline, we encourage focusing on the following main driversto accelerate[16] green transitions in the tourism sector:

1) Understand the complexity of sustainable tourism investments providing insights on emerging socioeconomic and technological changes to **foster high-level cooperation** and new institutional configurations.

2) Encourage the development of **hard and soft infrastructure** to effectively respond to the growing and changing demand to develop sustainable and inclusive finance mechanisms.

3) 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.

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. 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 labor-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 sub sectors 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. This might generate evidence 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 to drive innovations and technologies for decarbonization and creation of value that respond to the increasing demand of new consumer behaviors. Green finance could not only stimulate tourism recovery post COVID-19, but it could represent an opportunity to target FDI and enhance the sector's positive impact on people and planet as we accelerate the achievement of SDGs.

Enabling Frameworks for Tourism Investments require quality new data, and new knowledge to go beyond the attraction and promotion of investments, towards smart and sustainable investments. This might require a stakeholder's participation beyond the public-private partnerships in order to understand the nature and dimensions of the tourism sector. The generation of data-driven frameworks should be able use to measure equity and non-equity tourism FDI, but also to measure its impacts on labor, technology and sustainability.

Notes

1. OECD (2017), "OECD Policy Statement – Tourism Policies for Sustainable and Inclusive Growth"

2. UNEP (2011), Towards a Green Economy: Pathways to Sustainable Development and Poverty Eradication - A Synthesis for Policy Makers.

3. UN Environment (2017). "Sustainable Tourism Growth", Presentation to the OECD from Arab Hoballah, Executive Director, SEED, Entrepreneurship for Sustainable Development. June 21 2017, Paris, France.

4. OECD (2017), "OECD Policy Statement – Tourism Policies for Sustainable and Inclusive Growth"

5. Millennials (born in the early-1980s to mid1990s) and Generation Z (born in the late-1990s to early-2010s).

6. Booking.com is a top-10 travel application in 127 markets versus 24 for Expedia, according to App Annie on Feb, 2020.

7. M.A. Figueroa based on Crunchbase analysis and CBInsights (2020). The Global Unicorn Club (including whisper valuations).

8. Startups valued at one billion or more.

9. IEA's current policies scenario/baseline.

10. https://www.unwto.org/green-investments-for-sustainable-tourism

11. OECD (2017), "OECD Policy Statement – Tourism Policies for Sustainable and Inclusive Growth"

12. Domestic value added in OECD countries.

13. fDi Intelligence, Financial Times/UNWTO (2020), Tourism Greenfield FDI Investments report.

14. World Tourism Organization (2020), World Tourism Barometer, Volume 18, January 2020, UNWTO, Madrid.

15. OECD/The World Bank/UN Environment (2018), Financing Climate Futures: Rethinking Infrastructure, OECD Publishing, Paris.

16. M.A. Figueroa based on Churchbase, Pitchbook, 2020.

17. OECD (2020), OECD Tourism Trends and Policies 2020, OECD Publishing, Paris.

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