Financing and Investing for Sustainable Tourism
Global Sustainable Finance Conference 2014
Karlsruhe - Germany

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Before Rio+20: The Karlsruhe Declaration (2011)

THE KARLSRUHE DECLARATION
September 09, 2011

(Drafted by the delegates attending the 1st Global Sustainable Finance Conference, September 8-9, 2011 in Karlsruhe, Germany under the auspices of the World Federation of Development Financing Institutions (WFDFI) composed of regional associations (AADFI), Asia-Pacific (ADFIAP), Latin America and the Caribbean (ALIDE) and Asia Pacific (AFI)), the event organized by ADFIAP and ETech, Germany, will...
The 3 Dimensions of Sustainable Development
(88.) “We are committed to strengthening the role of the United Nations Environment Programme as the leading global environmental authority…, we invite the United Nations General Assembly in its 67th Session, to adopt a Resolution strengthening and upgrading UNEP in the following manner: “...universal membership” “...secure, stable, adequate and increased financial resources from the regular budget”
Rio+20: The Future We Want

• **Sustainable Tourism**

and

• **Replicating Best Praxis**

decided by the UN as important points to reach the future we want
Mission

The Partnership aims to transform the way tourism is done at all scales, through following seven thematic action lines:

- Promote good policy frameworks
- Facilitate climate change adaptation and mitigation actions
- Ensure environmental sustainability
- Promote sustainable tourism as a means of poverty alleviation

THEMATICAL ACTION
Global Sustainable Tourism Council (GSTC)

“Promoting the widespread adoption of global sustainable tourism standards to ensure the tourism industry continues to drive conservation and poverty alleviation”

At the heart of the GSTC work are the Global Sustainability Criteria and the GSTC Criteria for Destinations.
UNWTO: Sustainable Tourism for Development

PILLAR 5  Sustainability of the Natural and Cultural Env

Tourism has a special relationship with the environment. There are three main and interlinked dimensions of sustainability: economic, social, and environmental.
The world has already agreed

“17% of terrestrial and inland water, and 10% of coastal and marine areas (…) conserved and effectively managed”

CBD Aichi 2020 Target 11

“well designed and managed tourism can make a significant contribution”

“… the need to support sustainable tourism activities (…) that promote environmental awareness, conserve and protect the environment”

Rio+20, “The Future We Want”
Tourism can make it happen

Svalbard example:
• Cooperation tourism operators and conservation NGOs made Norway setting the Goal to make Svalbard the best managed wilderness area in the world

Basecamp Masai Mara (Kenya)
• Developed a nature conservancy example with Masai landowners

Costa-Rica example:
• Linking tourism and conservation is the main goal of the government
Several challenges need to be addressed

Only 1% marine protected areas reached, far away from 2020 target of 10%

Many existing national parks are just "paper parks"

USD 30 billion/annum needed for managing effectively a global network of national parks (0.5% of the World’s Tourism turnover)

Tourism and conservation industry is fragmented, locally oriented and has conflicting interests
Mission of “Linking Tourism & Conservation”

Linking Tourism and Conservation (LT&C) is an innovative and effective network designed to develop tools and incentives based on best practices of tourism supporting national parks and other protected areas to share with its members. We work with individuals, businesses, and governments to strengthen the benefits of both sustainable tourism and area protection and management. Sustainable tourism should aid in the creation, development and management of protected areas and actively support the targets of the United Nations Convention on Biological Diversity (CBD).
Objectives of “Linking Tourism & Conservation”

Objective: **Develop methods, tools and incentives for upgrading and replicating the world’s best examples of tourism supporting national parks**

Establish an international support organization to
• Promote best practices, best examples and different forms of tourism supporting national parks
• Cooperate with, and help coordinate, relevant organisations and stakeholders
The analysis produced by PricewaterhouseCoopers was in 2006 the first study in the world to analyse the possibility of combining ecological financial products with international financing of nature conservation based on case studies and to propose an appropriate company structure. The aim of the study is to inform potential investors and opinion multipliers about the opportunity to invest in nature conservation.
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Ottar Nakken
Co-Founder and Board Member of Linking Tourism & Conservation (LT&C).
International tourism, growth and diversification

- International tourist arrivals exceeded 1 billion in 2012 and is forecasted to reach 1.8 billion in 2030 (UNWTO)

- By 2015, emerging economies will receive more tourists than advanced economies

- Growth rate up to 2030 expected to be the double in emerging economies than in advanced ones (4.4% versus 2.2% per year)

- Tourism is estimated to account for 9% of world’s GDP and international tourist receipt reached 1075 billion USD in 2012

- Accounting for 250 million jobs worldwide, representing a fast entry to job market, particularly for women and youth.
International tourism, stimulating green economy

• Tourism, one of ten economic sectors key to greening the global economy. Global spending on ecotourism is increasing 20% each year. The Green Economy Report, UNEP, 2011.

• Investing 0.1 – 0.2 % of global GDP between 2010 – 2050 in environmentally friendly tourism could drive economic growth, lead to poverty reduction, job creation and significant environmental benefits as reduced consumption of water, energy and emissions of CO2.

• Investment in green tourism would stimulate job creation related to environmental management, IT and other sectors and have further effects on many areas of local economy.

• The tourist sector is dominated by small and medium sized enterprises.
Linking tourism and conservation

- Tourism is worldwide the largest sector in society supporting protected areas
- More than 50% of all tourist visiting a foreign country make use in some way of protected areas (IUCN)
- Experience in protected areas can make tourists engaged in conservation
- Coordinated guiding, demonstration and awareness raising how tourism can support protected areas has major potential to raise investments into conservation via tourism.
Tourism value chain.
How to manage growth and complexity?

Support institutions: Ministry of Tourism, other authorities, Financial institutions.
- Construction and real estate
- Maintenance
- Food factories
- Food suppliers
- Artistic and photographers
- Web pages, CD, DVD, books
- Restoration
- Management
- Maintenance
- Wholesalers and distributors
- Technology shops

Indirect:
- Ministry of tourism
- Press & media
- Promotions
- Customs office
- Port authority
- Ministry of Transportation
- Immigration Agency

Direct:
- Internet
- Travel agents
- Air/Rail/Cruiseliners
- Tour operators
- Car rentals
- Bus
- Taxi
- Ferry
- Hotels
- Apartments
- Guesthouse
- Youth hostels
- Restaurants
- Bars
- Food shops
- Kiosk
- Shops
- Craft-men
- Handicraft workshops
- Cultural assets: archeology, ethnics, museums, tourism attractions, festivals ...
- Natural assets: Lakes, rivers, reefs..... Species of flora and fauna
- Guides and info centers
- Banks
- Groceries
- Retail outlets
- Internet

From origin to destination

Infrastructure, health and education support
Investment, finance and trade, policies and strategies required.

• Promotion of tourism in national policies.

• Tourism policies. Respect for the principles of sustainability; impact on environment, society and local economy

• GATS commitments in tourism and related service sectors

• Trade agreements

• Foreign direct investment policy and incentives for investment to assure sustainability.

• Investments in tourism related infrastructure
# Types of project financing

**Private**
- Commercial lending
- Securitization
- Private equity
- Venture capital
- Public offering

**Public & Private**
- Sovereign Guarantees
- Tax incentives and subsidies
- Social and Impact investment
- Community investing
- Diaspora investment
- Microfinance

**Public**
- National Development Bank
- Multilateral organizations
- Bilateral organisations
- IFIs/Regional Development Banks
Financial arrangements

- Equity requirement
  - Investors return/risks
  - Incentives for success

- Debt requirement
  - Risks
  - Terms

- Two type of loans to finance tourism projects (and other projects)
  - Project or non-recourse
  - Collateral

- Limited access to project or non-recourse financing in developing countries. A serious problem.

- Grants and soft credits
Where to move?

- Methodologies and examples are available
- Sustainability tourism competence in progress
- Change in direction
How to monitor the development

- Indicators to track progress towards a goal as well as demonstrate achievements and shortfalls.
- Example

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Example</th>
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<tbody>
<tr>
<td>Socio-cultural impacts</td>
<td>Social services (% derived from tourism)</td>
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<tr>
<td>Environmental impacts</td>
<td>Periodic surveys of flora and fauna</td>
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<tr>
<td>Economic impacts</td>
<td>Ratio of income attributable to tourism vs. non-tourism income generated activities</td>
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<tr>
<td>Performance indicators</td>
<td>Tourism employment, revenues from income, share of GDP</td>
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</tbody>
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Summary

Opportunities:
• Strong long term growth, especially in emerging economies
• Opportunities for efficient income distribution in a people-based activity
• Recovering quickly from crises
• Supporting green economy development, including nature conservation.

Risks:
• Political - strong dependency on policies
• Market - sustainable product quality
• Financial – lack of financing options in developing economies

Main recommendations:
• Public and Private Partnership arrangements
• Networking/ Cross sectors
• Monitoring by indicators
Thank you !