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TOURISM SECTOR FRAMEWORK DOCUMENT

ENVIRONMENT, RURAL DEVELOPMENT, AND DISASTER RISK MANAGEMENT DIVISION

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ABBREVIATIONS

ASEAN	Association of Southeast Asian Nations
CGE	Computable general equilibrium
DEM	Development Effectiveness Matrix
ECLAC	Economic Commission for Latin America and the Caribbean
FDI	Foreign direct investment
GTZ	German Association for Technical Cooperation
ICT	Information and communication technology
ILO	International Labor Organization
IMF	International Monetary Fund
IUCN	International Union for Conservation of Nature
LAC	Latin America and the Caribbean
MSMEs	Micro, small, and medium-sized enterprises
OVE	Office of Evaluation and Oversight
SAM	Social accounting matrix
SFD	Sector Framework Document
TTCI	Travel & Tourism Competitiveness Index
UNEP	United Nations Environment Programme
UNESCO	United Nations Organization for Education, Science and Culture
UNWTO	United Nations World Tourism Organization
WEF	World Economic Forum
WTTC	World Travel and Tourism Council

I. THE TOURISM SECTOR¹ IN THE CONTEXT OF THE BANK'S REGULATIONS AND SECTOR STRATEGIES

A. The tourism sector framework document as part of existing regulations

- 1.1 This sector framework document (SFD) has been developed in accordance with document GN-2670-1, "Strategies, Policies, Sector Frameworks, and Guidelines at the IDB." It aims to set out the IDB's goals in the tourism sector and guide its operational, dialogue, and knowledge generation activities with the countries, their governments, and private borrowers. In addition, this SFD is complemented by the Transportation SFD (with regard to access and connectivity in tourism destinations), the Citizen Security and Justice SFD (because of the need to improve security conditions in tourism destinations), the Labor SFD (because of the need to have efficient labor markets to create and maintain formal, quality employment in the sector), and the Integration and Trade SFD (for development of tourism attractions of a regional nature). In addition, it will be complemented by forthcoming SFDs: the Gender and Diversity SFD (to better capture the benefits of tourism for the poor and vulnerable population groups, in particular in terms of gender and ethnicity), the Water and Sanitation SFD and the Energy SFD (in relation to providing basic services that facilitate tourism activity at the destinations), the Climate Change SFD (in the areas of climate change mitigation and adaptation in tourist destinations), and the Environment and Biodiversity SFD (in order to strengthen environmental management in the region's tourism destinations).
- 1.2 The Tourism SFD covers the seven elements that sector frameworks must contain, pursuant to document GN-2670-1. Once it has been approved, the Tourism Policy (OP-726) will cease to be in effect, as indicated in document GN-2670-1. The current SFD incorporates those sections of the sector policy that are considered relevant, as set out in Annex II to document GN-2670-1.
- 1.3 The Bank will prepare an updated SFD three years after approval of this document. This is a flexible SFD that will allow the Bank to address the changing contexts and challenges faced by the 26 borrowing member countries. It will apply to Bank financing for sovereign and non-sovereign guaranteed operations in the tourism sector. The SFD is also adaptable to the individual circumstances and preferences of each country in terms of both the design and implementation of tourism projects.

¹ The tourism sector is the array of production units in different industries that provide consumption goods and services demanded by visitors (e.g. accommodation, food, transportation, travel agencies, and cultural and leisure activities). A visitor is a traveler taking a trip to a destination outside his/her usual environment, for less than a year, for any main purpose (business, leisure, or other personal purpose) other than to be employed by a resident entity located in the country or place visited. A visitor is classified as a tourist if his/her trip includes at least one overnight stay. Those visitors who do not stay overnight are classified as same-day visitors or excursionists (United Nations World Tourism Organization (UNWTO), 2008).

B. The Tourism SFD as part of the Strategy for Climate Change Adaptation and Mitigation, and Sustainable and Renewable Energy

- 1.4 The Tourism SFD falls within the framework of the Strategy for Climate Change Adaptation and Mitigation, and Sustainable and Renewable Energy (document GN-2609-1), the objective of which is to facilitate low-carbon development, environmental sustainability, and a reduction in climate change vulnerability in Latin America and the Caribbean (LAC). One of the outcomes that the Bank aims to achieve through implementation of this strategy is to reduce land-use change and deforestation, because these are the main source of greenhouse gas emissions in the region. To achieve this outcome, the strategy identifies tourism as one of the intervention sectors that are priorities and key engines of the Bank's climate change agenda. It prioritizes the following activities: (i) reinforcing the value of natural heritage through sustainable tourism development, and (ii) promoting sustainable tourism as part of global practices to conserve ecosystems and biodiversity. In light of this, the lines of action set out in this SFD include activities that will contribute directly to the outcomes provided for in the strategy, based on existing empirical evidence and lessons learned.
- 1.5 This SFD is also consistent with the "Sustainable Infrastructure Strategy for Competitiveness and Inclusive Growth" (document GN-2710-5), the objective of which is to support the construction and maintenance of socially and environmentally sustainable infrastructure, with a view to improving the quality of life of future generations. To achieve this objective, the strategy establishes that the Bank will work to increase the contribution of biodiversity and ecosystem services to sustainable development in LAC. The strategy acknowledges that the incomparable wealth of biodiversity and ecosystems in the region offers innumerable cultural, supply, regulatory, and support services that drive key economic sectors in the region, in terms of GDP, employment, and exports. Within these sectors, the strategy highlights tourism and emphasizes the creation of the Special Program and Multidonor Fund for Biodiversity and Ecosystem Services (document GN-2703). Based on empirical evidence and lessons learned, the proposed SFD prioritizes lines of action that are consistent with tourism-related activities under this Special Program: (i) integration of the value of biodiversity and ecosystem services into the sector; (ii) protection of priority regional ecosystems; and (iii) creation of new sustainable development business opportunities.
- 1.6 Similarly, this SFD is consistent with the "Sector Strategy to Support Competitive Global and Regional Integration" (document GN-2565-4), in that it prioritizes lines of action (based on international empirical evidence) that will contribute directly to the sustainable use of regional public goods that are shared tourist attractions,² while also facilitating the mobility of visitors and tourism services across borders.

² Regional public tourist attractions in LAC include the Amazon, the Andes and the Andean Highlands, the Caribbean, Iguazú Falls, Qhapaq Ñan [the Andean Road System], the Jesuit Missions, Mundo Maya [World of the Maya], the Pantanal, Patagonia, Ruta del Agua [Waterways Route], Ruta Colonial y de los Volcanes [Colonial and Volcano Route], and Ruta del Gaucho [Gaucho Route].

This supports the objective of increasing foreign direct investment in the tourism sector as one of the major economic activities in the region.

- 1.7 The Tourism SFD is of a strategic and indicative (rather than restrictive) nature. Specific interventions will be based on sector notes and country strategies, consistent with the demands of each country. Given the need to prioritize, this SFD indicates that Bank actions will focus on the following three challenges: (i) increasing the volume of economic benefits generated by tourism in LAC; (ii) improving the local capture and social distribution of these benefits; and (iii) protecting and enhancing the natural and cultural capital that provides the basis for tourism activity in LAC. To address these challenges, the Bank will give priority to the following actions: (i) supporting development and innovation in tourism products; (ii) placing poor and/or vulnerable local population groups at the heart of tourism development strategies; (ii) reinforcing the competitive position of local firms and human resources throughout the tourism value chain; and (iv) strengthening tourism governance and environmental management in the destinations. There are areas within the tourism sector in which the Bank—recognizing the expertise and capacity also developed by other institutions—seeks to strengthen partnerships and foster joint actions. This is particularly the case with respect to knowledge generation and the strengthening of sector governance.
- 1.8 This document consists of five sections that seek to address the seven elements that each SFD must contain. Section II presents the main findings of the international empirical evidence relating to the effectiveness of policies and programs in the tourism sector. Section III identifies the challenges faced by LAC in the tourism sector, based on the most recent available research. Section IV summarizes the lessons learned from Bank activities in the sector, based on the recommendations of the Office of Evaluation and Oversight (OVE), Development Effectiveness Matrixes (DEMs), Project Completion Reports, and Knowledge and Learning Sector analyses of a representative sample of recently-executed operations. The Bank's comparative advantages for working in the tourism sector in LAC are also laid out. Based on empirical evidence, lessons learned, and the Bank's comparative advantages, section V sets out the targets, working principles, dimensions of success, lines of action, and specific activities that the Bank proposes to prioritize in its sector work with the countries over the next three years, with a view to addressing the identified challenges.

II. INTERNATIONAL EVIDENCE REGARDING THE EFFECTIVENESS OF TOURISM SECTOR POLICIES AND PROGRAMS, AND IMPLICATIONS FOR THE IDB'S WORK

- 2.1 The tourism sector in Latin America and the Caribbean has been gaining ground more significantly in the last 20 years. As a result, knowledge gaps remain and more evidence is needed in relation to the effectiveness of policies, strategies, and interventions in the region's tourism sector. It is therefore worth noting that a large share of the available empirical evidence stems from evaluations carried out in

countries outside the region, albeit with positive indications in terms of the external validity of the results and their applicability to the region. Wherever possible, evidence relating specifically to LAC has been used. The references used constitute the best available evidence based on criteria of timeliness, relevance, and quality, with an emphasis on rigorous analyses and peer-reviewed journals. This second section presents a review of the literature covering the main findings of international research and studies in the area of tourism policy. These are used to define the dimensions of success and lines of action that guide the Bank's operational activities and analytical work in the sector, on the basis of which the Bank aims to attain the goal of promoting the inclusive, sustainable development of tourism in LAC, as described in section V.

A. Tourism generates economic benefits that can be enhanced through interventions aimed at developing tourism products³

- 2.2 Tourism is an important economic sector for many countries in the region—particularly the Caribbean islands. Numerous studies confirm the significant positive relationship between tourism growth and economic expansion, in both developing and developed countries (Croes and Vanegas, 2008; Balaguer and Cantavella-Jorda, 2002). Using panel data from 21 LAC countries for the 1985-1998 period, Eugenio-Martín et al. (2004) found that the tourism sector contributed to economic growth in these countries, particularly in low- and medium-income ones. In the specific case of Nicaragua, a cointegration and causality study using tourism earnings and GDP data from 1980 to 2004 showed that tourism growth boosted long-term economic expansion (Croes and Vanegas, 2008). An economic model developed by Fayissa et al. (2009) suggests that a 10% increase in tourism expenditure in LAC raises per capita GDP by 0.4%, compared to 0.3% in Africa. In Spain, 10% growth in tourism expenditure by foreigners generates a 0.05% increase in GDP (Blake, 2000). Consistent with these results, Seetarah (2011) found similar evidence for 19 island economies (including 10 Caribbean countries) using panel data for the 1990-2007 period. Moreover, the same author showed that tourism development in island economies can have a comparatively greater impact on growth than in non-island ones (both developed and developing).
- 2.3 Tourism sector growth is reflected in total tourism expenditure growth,⁴ a variable in which the number of tourist arrivals, the length of stay, and daily expenditure per visitor play a key role. From a macro perspective, several studies have found that the factors determining international tourist arrivals in developing countries are not limited to income in the country of origin, relative prices in the destination country,

³ Tourism products are those marketed to attract visitors to a specific destination that: (i) include a range of services (such as transportation, accommodation, and excursions) that are normally provided by private and public organizations; (ii) can be identified by a visitor upon arrival at the destination, associated with both a core demand segment and secondary segments; and (iii) incorporate both remunerated components (such as accommodation and food) and those provided for free (such as the climate, nature, and landscape). The latter relate to resources that substantially influence visitor consumption, even though they have no market price (UNWTO, 2012).

⁴ Tourism expenditure refers to the amount paid for the acquisition of consumption goods and services for own use or to give away, for and during tourism trips (UNWTO, 2008).

or the cost of the trip. Using rigorous regression methodologies with panel data from all countries worldwide for the 1985-1998 period, Eilat and Einav (2004) found that destination risk (measured by indicators of perceptions of safety and conflict) is the most statistically significant factor influencing tourism demand. In particular, Sequeira and Nunes (2008) used panel data for 123 countries over the 1985-2002 period to estimate that a 10% increase in a country's risk indicator can reduce the number of international tourist arrivals by 2%. Using econometric techniques similar to the one used by Eilat and Einav, and data for a similar time period, Eugenio-Martin et al. (2004) found that, in Latin America and the Caribbean, in addition to destination risk, per capita GDP growth and the level of physical infrastructure (particularly in countries such as Haiti, Honduras, and Nicaragua) are more significant determinants of international tourist arrivals than the relative prices of goods and services. Naudé and Saayman (2005) also arrived at this conclusion using panel data for 43 African countries for the 1996-2000 period. A similar result was obtained by Culiuc (2014), who—using a gravity model applied to 191 countries for the 1999-2005 period—found that international tourism is much less elastic with respect to GDP variations in the country of origin than the rest of the service sectors (0.6 versus 1.0).

- 2.4 There is evidence that public policies aimed at promoting the development of tourism products are effective—given a suitable macro context for tourism—in generating these economic benefits, in particular through investment in (i) the development of natural and cultural public goods that are attractive to tourists; (ii) the provision and improvement of basic infrastructure and services; (iii) marketing and promotion; and (iv) the development of regional circuits. In contrast, the evidence seems to indicate that public policies to promote private tourism investment based on fiscal incentives may be largely ineffective in terms of increasing net economic benefits.⁵ The main findings in each of these areas are discussed below.

1. Development of natural and cultural public goods that are attractive to tourists

- 2.5 The Bank has been providing support for government efforts in the region to restore and preserve natural and cultural assets for purposes of tourism—particularly in the case of sites designated by the United Nations Organization for Education, Science, and Culture (UNESCO) as World Heritage Sites.⁶ Empirical evidence from within the region and elsewhere demonstrates that this type of investment leads to an

⁵ For a description and classification by types of productive development policies for economic sectors, including tourism, see Stein, 2014.

⁶ World Heritage Sites that the Bank has worked (or is working) on through its tourism programs include the Colonial City of Santo Domingo in the Dominican Republic; the City of Colonia del Sacramento in Uruguay; Copán in Honduras; Guanacaste in Costa Rica; the Churches of Chiloé in Chile; the Atlantic Islands and Carioca Landscapes of Rio de Janeiro, the Historic Center of Olinda and São Francisco Square in Brazil; Los Glaciares National Park, the Jesuit Missions, and Qhapaq Ñan in Argentina; Tihuanaco in Bolivia; and Tikal in Guatemala. Empirical evidence regarding the economic impact of preserving urban historical heritage for non-tourism purposes can be found in the Urban Development and Housing SFD (document GN-2732-2).

increase in tourism earnings. Throsby (2012) found that investments to restore the Old Bazaar in Skopje, Macedonia, financed by the World Bank and completed in 2005, helped to triple total daily expenditure by tourists from an average of US\$230 in 2000-2005 to US\$684 in 2005-2010. This was compared to an increase from US\$109 to US\$195 for the same periods at the Old Bazaar of Prilep (125 kilometers from Skopje and used as a control destination). The same author, studying investments to revitalize the Zemo Kala area of the Tblisi historic district in Georgia (financed by the World Bank through 2010), found that the resulting average expenditure per international tourist was three times greater than that of local tourists. In the control destination—the Metekhi Plateau, also in the Tblisi historic district—spending by foreign tourists was only 30% more than that of local tourists. Spending by individual foreign tourists in Zemo Kala was twice that of the same individuals in the control destination. Similar results were found by Plaza (2006) in relation to the increase in monthly stays by tourists in Bilbao, Spain, as a result of investments in the Guggenheim Museum. Interventions to develop the San Ignacio and Santa Ana Jesuit Missions in Argentina as tourist attractions—financed by the Bank under the Program to Enhance Tourism Sector Competitiveness (AR-L1004) and completed in 2012—showed an ex post economic return of 29%. Investments by the Government of Namibia in tourism in protected areas over the last 20 years are another noteworthy example in developing countries: these had an economic internal rate of return of 23% (Global Environment Facility, 2009).

2. Improvement of basic infrastructure and services for tourism

- 2.6 Public investment in physical infrastructure and basic services in tourism destinations can be profitable, but it must be accompanied by strong environmental and social planning and management. Using regression analysis with time series data for the 1975-2010 period, and based on the Granger causality test, Shoorabeer (2012) found that there was a direct relationship in Nepal between public investment in infrastructure and an increase in tourism expenditure. Similarly, using panel data for 32 Caribbean countries over the 1995-2006 period, ECLAC (2009a) found a positive correlation between technological penetration and tourist arrivals. With Bank support, Brazil decided, at the beginning of the 1990s, to promote tourism as an option to develop its Northeast region. With a total cost of US\$700 million (US\$400 million of which were financed by the Bank), phase one of the program to promote tourism development in Brazil's Northeast (PRODETUR) (BR-0204), approved in 1994, allocated 75% of its resources to improving and expanding eight international airports, building and rehabilitating 877 kilometers of highways and access roads, and supplying water and sanitation to 1.13 million people. The ex post evaluation conducted by the Bank of this project's investments in the Costa do Descobrimento destination in the state of Bahia (2001) concluded that every dollar of public investment fostered US\$7 in private investments and US\$1.82 in revenue for the economy of the Northeast. It generated a 27% internal rate of return. However, the evaluation also concluded that this expansion in tourism created two difficulties: (i) generation of negative social and environmental impacts in some municipalities because of the flow of migrants; and (ii) capture by the local population of only 38% of the benefits. PRODETUR

programs approved subsequently incorporated the measures necessary to address these problems.

- 2.7 In terms of connectivity, the empirical evidence has shown that small island states are more dependent on air transportation for the development of international tourism than other countries. In particular, Culiuc (2014) found that, for these countries, the addition or elimination of a direct flight is linked to a 10% increase or decline (respectively) in tourist arrivals from the relevant outbound market. Given this study's conclusion, there is a need for specific research in this sector and in regions such as the Caribbean and Central America to identify the policy tools that can ensure effective connectivity in terms of higher tourism expenditure and net benefits for destination countries.

3. Tourism promotion and marketing

- 2.8 According to the World Travel and Tourism Council (WTTC), national tourism organizations allocated US\$4.273 billion worldwide (0.43% of world tourism expenditure) to the promotion and marketing of tourism destinations.⁷ The Americas (including the United States and Canada) spent US\$578 million (0.29% of tourism expenditure in the region). Public investment in tourism promotion is justified by the fact that destinations involve a range of attractions with the characteristics of public goods that require a single brand and marketing strategy. In this respect, campaigns designed on the basis of rigorous demand studies and adjusted periodically according to the results of impact evaluations have been shown to yield returns. In Denmark, the return on every US\$1 invested in promoting leisure tourism was US\$16, while in Scotland and Australia the return was US\$20 and US\$64, respectively. In the case of Canada, the return ranged from US\$21 to US\$107, depending on what the campaign targeted (WTTC, 2012). These results are consistent with a previous cointegration analysis in Australia that found that public investment in tourism marketing generated an average return of US\$8 for every US\$1 invested (Kulendran and Dwyer, 2009).

4. Development of regional tourism circuits

- 2.9 Tourism can drive regional cooperation and integration. In the case of the European Union, ex post evaluations of the Territorial Cooperation Initiatives (INTERREG II and III, implemented between 1994 and 2006) found that cross-border projects aimed at developing and improving joint tourism products were comparatively more effective in achieving integration outcomes than projects in other economic sectors (LRDP Ltd, 2003; Panteia and Partners, 2010). In particular, one of these

⁷ A tourism destination is one in which tourism is a relevant and recognizable component in the decision of potential visitors to visit it. This relevance implies the existence of resources that are already being used to attract visitors, or that have the potential to attract them, as well as the infrastructure necessary for visitor access and accommodation. A destination may include one or more administrative units or parts thereof, and it may be associated with a key visitor segment. The relevant aspects of a destination include support services and tourist attractions and resources. It has physical and administrative boundaries that determine its management, as well as images and perceptions that determine its market competitiveness. It encompasses a variety of stakeholders, often including a host community (UNWTO, 2007, 2012).

evaluations highlighted tourism investment projects for the joint promotion and development of river-based attractions on the France-Belgium border. These led to an increase of between 27% and 50% in the number of visitors for both countries. Also of note were tourism projects in the Alpine region, which facilitated the joint management of seven cross-border nature parks and helped to place them on a financially sustainable footing (LRDP Ltd., 2003).

- 2.10 In Asia in 1992, the Association of Southeast Asian Nations (ASEAN) launched a series of regional integration investments aimed at promoting the tourism industries of member countries as a single destination, building on the similarities and complementarities between their scenic and cultural assets, as well as loose visa requirements and comparable levels of services and infrastructure. The United Nations World Tourism Organization (UNWTO, 2010) found that these efforts led to an increase in earnings from international tourism from US\$17 billion in 2000 to US\$54.6 billion in 2008. For this reason, tourism is one of the four pillars in ASEAN's regional integration efforts for the 2009-2015 period, together with air transportation, health, and e-commerce (Chheang, 2013). In the Greater Mekong subregion⁸ of Southeast Asia, a series of projects aimed at developing multinational tourism circuits from 1992 to 2007 were effective for promoting regional development (Asian Development Bank, 2008).
- 2.11 Policies to facilitate cross-border travel by tourists can be effective in accelerating tourism integration and generating economic benefits. The European Commission (2013) found that the Schengen Area lost 6.6 million potential tourists from six priority target markets⁹ in 2012 as a result of existing visa procedures. In contrast, it concluded that new visa rules that maintained the desired level of security but were more flexible and accessible would increase tourist arrivals from these same markets by 30% to 60% within five years. This would mean €130 billion in direct tourism expenditure and an additional 1.3 million jobs over the same period. In the case of ASEAN member countries, a visa facilitation policy would lead to an increase of between 2.8% and 4.8% in international tourism earnings over the 2014-2016 period (UNWTO and WTTC, 2014). In the case of countries belonging to APEC (Asia-Pacific Economic Cooperation), the increase in revenues resulting from such a policy would range from 9% to 14% for the same period (UNWTO and WTTC, 2013).

5. Fiscal incentive regimes for the tourism sector

- 2.12 Many of the countries in the region have fiscal incentive regimes aimed at stimulating private investment in the tourism sector. For several decades now, tax exemptions of various kinds and for lengthy periods have been granted in LAC to support the construction or remodeling of hotels, restaurants, or services catering to visitors. The International Monetary Fund (IMF, 2008) summarized the fiscal incentives used in the Caribbean countries to attract foreign direct investment

⁸ Consists of Cambodia, Laos, Myanmar, Thailand, Vietnam, and—in China—the Guangxi Zhuang Autonomous Region and the Province of Yunnan.

⁹ China, India, Russia, Saudi Arabia, South Africa, and the Ukraine.

(FDI): from 1997 to 2005, 60% of these were directed at the tourism sector in The Bahamas, Barbados, Belize, the Dominican Republic, Guyana, Jamaica, Haiti, Suriname, and Trinidad and Tobago. Nassar (2008) indicates that a reduction in the tax burden of one country in comparison to others with the aim of attracting FDI is a phenomenon that has intensified in the Caribbean over the last two decades. The proponents of this type of public policy indicate that tourism demand is highly elastic, as tourists can easily substitute products for those of similar destinations—particularly in the case of the Caribbean islands (IMF, 2008). This type of public policy is also common in Central America and a number of South American countries, and even at the subnational level. However, these subregions lack the detailed comparative analyses that are available for the Caribbean.

- 2.13 Studies suggest that fiscal benefits do not necessarily promote FDI in the tourism sector. Using panel data for six islands belonging to the Organization of Eastern Caribbean States, Chai and Goyal (2008) found that the effectiveness of fiscal incentives in attracting FDI is not statistically significant compared to the quality of the infrastructure and institutions. This is the case despite the fact that the governments of these islands forgo tax revenues ranging from 10% to 16% of GDP as a result of these exemptions. Other econometric studies drew this same conclusion, showing that fiscal incentives in developing countries are insufficient to offset an unattractive investment climate (involving elements such as poor infrastructure and weak governance). Such as climate affects private investment and FDI across a range of sectors, including tourism. There is therefore a need to first address deficiencies in these public goods, which can generate economic returns to private investments (Wells et. al, 2001; Organization for Economic Cooperation and Development, 2008; World Bank, 2013). Regional cooperation should also be fostered to avoid damaging fiscal competition among countries (World Bank, 2013). A comparison of the structure of fiscal incentives for tourism in Nicaragua (high) and Costa Rica (low) arrived at a similar conclusion. There was little difference in the resulting level of investment, although the difference in fiscal revenues in the two countries was significant (Lanuza Díaz, 2014). Given, moreover, that there is no clear evidence that the demand for tourism is any more elastic than the demand for other goods and services (IMF, 2008), the opportunity cost of tax exemptions for this sector in countries with fiscal constraints may be high. Gago et al. (2006) found that an increase in the tax burden on hotels and other accommodations in Spain had minimal effects on the hotel industry. In Mauritius—an island economy that is highly dependent on tourism—Gooroochum and Sinclair (2005) found that tax policies focused on the tourism sector were more socially efficient, as the impact on the welfare of the local population was reduced. Despite the conclusions of these studies, their focus on public finances fails to measure the economic effectiveness of these types of policies for development of the sector in the region. This aspect is essential for understanding the circumstances under which such policies may be appropriate.

B. The capture of benefits from tourism, as well as their distributional impact, can be improved by fostering production linkages and social inclusion at the local level

- 2.14 Tourism has multiplier effects on the rest of the economy that unleash local development. In an analysis of 20 countries (including 4 from the region),¹⁰ the overall multiplier for all productive sectors was found to be 2.7, while in the tourism sector it was 3.2 (WTTC, 2012). In Panama, a study of the impact of the tourism sector found that the multiplier effects were greater than in another seven economic sectors, and that 56% of the US\$2.87 generated for every US\$1 of tourist spending ends up in Panamanian households (Klytchnikova and Dorosh, 2012).
- 2.15 There is also evidence that tourism is positively correlated with reductions in poverty in LAC.¹¹ In Nicaragua, it was found that a 1% rise in foreign tourism earnings generates a decline of 0.51% in poverty (Croes and Vanegas, 2008). In Panama, it was found (using the social accounting matrix (SAM) method) that 20% of tourism-related household earnings were received by poor households. This proportion rose to 43% in areas that were highly tourism oriented and had a strong indigenous presence, such as Bocas del Toro (Klytchnikova and Dorosh, 2012). In Costa Rica, the Economic Commission for Latin America and the Caribbean (ECLAC, 2007) found that poverty among women falls by half when they are employed in tourism.
- 2.16 Two studies have measured the economic impact of tourism on different social groups in Brazil using household data. The first found that tourism accounted for 8.7% of income in households with the lowest income levels, compared to 2.1% in medium-income households and 3.2% in high-income households (Arbache et al., 2004). The second used a computable general equilibrium (CGE) model to determine the effect of a 10% increase in tourism expenditure on the income of different social groups. It found that the main beneficiaries were low-income households (US\$25 million) and very low-income households (US\$12 million), with high- and medium-income households receiving much less (US\$12 million and US\$7 million, respectively). It concluded that tourism could potentially reduce income inequality in a country (Blake et al., 2008).
- 2.17 Jiang et al. (2011) analyzed the correlation between tourism and human development indicators in 16 island states in Asia-Pacific, Africa, and the Caribbean.¹² They found evidence that tourism had a positive impact on GDP per

¹⁰ Argentina, Brazil, Jamaica, and Mexico.

¹¹ Employment is one of the main ways in which the tourism sector can fuel local development and alleviate poverty, as it is a labor-intensive sector (Bolwell et al., 2008). According to the International Labor Organization (ILO), one direct job in the tourism sector creates an additional 1.5 indirect jobs in the host economy. Moreover, as tourism requires varying skill levels (from the most rudimentary to the most sophisticated), it allows women and other vulnerable groups to enter the labor market. In fact, women make up 56% of the tourism industry workforce worldwide (ILO, 2013).

¹² Antigua and Barbuda, Bahamas, Barbados, Belize, Cuba, Dominica, the Dominican Republic, Grenada, Guyana, Haiti, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, and Trinidad and Tobago.

capita and the Human Development Index,¹³ and that it helped to reduce the rate of infant mortality among children under 5 years of age. Outside the region, studies financed by the World Bank showed that between 10% and 30% of spending by foreign tourists in 10 developing countries in Africa and Asia flowed to and benefited the poor population in tourism destinations (Mitchell and Ashley, 2010).

- 2.18 Nonetheless, the positive impact of tourism on local development and poverty alleviation is not automatic (see Box 1). There is evidence to suggest that the net social benefits and distributional impact of tourism vary in response to policies that encourage linkages with the local economy and increase the participation of poor and vulnerable groups throughout the tourism value chain, irrespective of the type of tourism or tourism activity (Mitchell and Ashley, 2010). In developing countries, programs have been effective where they have enhanced the capacity of the local population, as well as indigenous people, women, and other poor or vulnerable groups, to produce and market tourism or tourism-related services that address the requirements of target demand. This has been achieved through (i) improved access to sector information and knowledge, with training and long-term, rather than one-off, technical support (Bah and Goodwin, 2003; Jamieson, 2004; Kubsa, 2007; Verdugo, 2007; Weru, 2007; Armstrong, 2012); (ii) access to capital and markets (Bah and Goodwin, 2003; UNWTO, 2005; Weru, 2007; Mtui, 2007; Mitchell and Ashley, 2008); (iii) land tenure, property rights, and legal support (UNWTO, 2004); and (iv) formalization of tourism products and services and improvements in their quality to bring them into line with the expectations and requirements of the target market (Bah and Goodwin, 2003; UNWTO, 2006; Garcia Lucchetti and Font, 2013). For example, an ex post evaluation of the impact of an intervention aimed at promoting training, formalization, and quality improvements in the Gambian tourism sector (financed between 1999 and 2002 by the United Kingdom's Department for International Development) found that businesses' revenues were boosted by 18% to 33% in the case of tour guides, more than doubled in the case of juice vendors in beach areas, and doubled or tripled in the case of craft market vendors (Bah and Goodwin, 2003). The type of activities described above, together with encouragement of the active participation of the vulnerable local population in planning and decision-making, avoid potentially negative social impacts from the tourism-driven development of destinations (Scheyvens and Momsen, 2008; UNWTO, 2010; European Commission, 2013).

¹³ Prepared by the United Nations Development Programme.

Box 1. Effects of some types of tourism on local development

There is evidence to suggest that the impact of tourism on local development can be influenced by the following factors linked to the structure or pattern of tourism expenditure: (i) the level of prepayment for services (prior to travel) by the tourist in his or her country or place of origin; (ii) overnight stay at the destination; and (iii) the type of accommodation at the destination.

Level of prepayment

In relation to the level of prepayment for services in the country or place of origin,¹⁴ enclave or all-inclusive tourists (usually those who stay in all-inclusive resorts or go on cruises) spend more money for the trip in the country or place of origin than other kinds of tourists, which therefore reduces the possibility that a larger share of tourism expenditure will be captured at the destination. An evaluation of the Balearic Islands in Spain based on econometric models (Alegre and Pou, 2006) concluded that the all-inclusive model leads to lower total daily spending at a destination than the other types of tourism, depending on the range of services that are prepaid in the country of origin (i.e. transportation only, transportation and food, bed and breakfast, half board, and full board). As a result, it reduces the chances that tourism revenues can be captured by and distributed among the various local economic stakeholders. The same evaluation found that all-inclusive tourists spend 9% more than the average tourist in their country of origin, but 39% less at the destination. Comparative statistical studies relating to the all-inclusive model in developing countries and emerging tourism destinations have arrived at the same conclusion. For example, in Zanzibar (Tanzania), Anderson (2011) found that all-inclusive tourists spent between 39% and 46% less than other kinds of tourists at the destination.

Overnight stay at the destination

In terms of overnight stays, a Bank study (2007) compared cruise tourism with tourism involving overnight stays. Based on 2,436 surveys carried out in 2005 and 2006, the study, financed with resources from operation RS-T1150, concluded that total local earnings and tax revenues from each overnight tourist were consistently much greater than those from cruise passengers in Belize, Costa Rica, and Honduras (Table II.2). In addition to this low economic return, the study concluded that cruise tourism caused environmental damage to marine and coastal ecosystems, as a result of passenger numbers that exceeded the carrying capacity of the areas visited. This affects the sustainability of this type of tourism. Added to its weak social benefits, Bresson and Logossah (2011) found that there is no complementarity between cruise tourism and overnight tourism in the Caribbean, a subregion that accounts for more than 50% of world cruise demand but receives less than 5% of sector earnings (Pinnock, 2012). Using a nonparametric estimation based on panel data for 15 Caribbean countries over the 1985-2004 period, the authors demonstrated that cruise tourism is in fact displacing overnight tourism, despite the fact that the latter is a critical determinant of sector growth in that subregion.

Table 1. Comparative analysis of selected indicators by type of tourist (US\$)

Indicator	Belize		Costa Rica		Honduras	
	Cruise passenger	Tourist	Cruise passenger	Tourist	Cruise passenger	Tourist
Total local earnings per visitor (US\$ million)	30.6	144	18.9	2,100	28.6	431
Taxes per visitor	7	36.25	2.09-2.50	26	9.50	31.40

Source: IDB, 2007.

Type of lodging

In relation to the type of accommodation, the empirical evidence shows that production chains linked to hotel accommodations yield greater benefits than residential tourism. The experience of Spain's coastal areas may serve as an example to LAC. Sun and sand tourism development began in Spain in the 1960s with subsequent real estate development. Based on input-output tables for six autonomous communities and 26 tourism-focused municipios on the Spanish coast, a 2005 Exceltur-Deloitte study showed that hotel-based tourism has a greater socio-economic impact than that based on second homes, both in absolute terms (despite a lower number of bed

¹⁴ The different kinds of trips can be divided into the following categories, based on the amount of services paid for by the tourist in his or her country or place of origin prior to travel: all-inclusive, full board, half board, bed and breakfast, accommodation and transportation, and transportation to the destination only.

spaces) and in relative terms (per bed space). In fact, a single hotel bed space creates the same economic impact as almost 11 residential spaces. Moreover, hotels create 9.5 times more direct employment, 1.4 times more indirect employment, and 2.8 times more fiscal revenues per bed space than residential accommodation. The study also suggests that hotel-based tourism offers opportunities for municipios to save on the delivery of utilities, as hotel spaces are more geographically concentrated and less subject to seasonal variation than residential ones, allowing municipal equipment to be scaled to a level commensurate with actual needs over the year as a whole. Similar results have been found for LAC. Bank studies carried out to prepare various PRODETUR tourism development projects (i.e. BR-L1300, BR-L1256, and BR-L1219) show that tourists staying in hotels create more jobs and have a larger multiplier effect on the local economy than tourists staying in their own residences or those of family members.

Types of tourism by motivation

In addition, no rigorous comparative studies have been undertaken to determine whether different types of tourism—categorized on the basis of the main motive for the trip and the resources that constitute the principal attraction for the tourist (e.g. sun and sand, nature, culture, mountains)—have a greater or lesser capacity to generate net social benefits and distributional impact. A first approximation has been produced by Mitchell and Ashley (2010), who compare the share of tourism expenditure captured by the poor in several African and Asian countries from the different types of tourism. However, because of issues such as limited sample size and the difficulty of controlling for factors that could affect the observable variable, the authors were unable to reach any definitive conclusions. A significant gap in knowledge therefore remains in this area.

C. The sustainability of economic benefits from tourism depends on interventions to improve environmental quality in the sector

- 2.19 Tourism can support biodiversity conservation and environmental protection (see Box 2). However, bad sector planning and management can have substantially negative consequences for the environment. This, in turn, has negative repercussions on the ability to attract the interest of tourism markets, harming competitiveness and reducing the chances that the sector will generate economic benefits. Using a SAM- and CGE-based model, Taylor et al. (2006) found that, although tourism in the Galapagos Islands accounted for three quarters of the 10% annual growth in its GDP from 1999 to 2005, the resulting migration to the islands increased pressure on the fragile ecosystems. Similar negative environmental effects resulted from tourism development in Brazil's Northeast in the 1990s. For this reason, subsequent projects in this part of the country included specific measures to deal with these impacts (paragraph 2.6).

Box 2. Tourism as a means of conserving biodiversity and protecting the environment

The tourism sector, when effectively planned and managed, helps to conserve biodiversity and protect the environment. As shown in a regression analysis of 160 countries, based on the method of least squares (Freitag et al., 2009), biodiversity represents a comparative advantage for tourist destinations. Its loss implies a reduction in the ability to generate tourism spending. Biodiversity conservation is therefore a requirement for maintaining the sector's economic benefits. An analysis of 251 studies of ecotourism cases worldwide found that 63% represented no risk to the ecosystems in which they operated, while 17% made a positive contribution to conservation, with planning, management, and monitoring being the central elements (Krüger, 2005). In LAC, a review of 27 private community-based tourism projects revealed that 89% of these allocated a significant share

of funds to conservation, demonstrating a strong determination on the part of the communities to protect their natural and cultural resources (Jones, 2008).¹⁵ In Peru, it has been demonstrated that private ecotourism investments support the conservation of areas in the Tambopata district, located in the Amazonian Department of Madre de Dios (Kirby et al., 2011). In Costa Rica, two thirds of the contribution of protected areas to poverty reduction in neighboring areas between 1973 and 2000 was attributable to their use for tourism purposes (Ferraro and Hanaver, 2014). This did not occur in Mexico, as similar use of the country's protected areas was not encouraged (Robalino et al., 2011).

Tourism earnings can support the financial sustainability of protected areas, as well as other methods of environmental protection and conservation. This can be of particular importance in developing countries, where public funding for conservation is limited. An estimated 20% of the mammals included in the Red List compiled by the International Union for Conservation of Nature (IUCN) receive at least 15% of tourism conservation funds (Buckley et al., 2012). In Tanzania, the protected areas system is financed entirely through tourism revenues (Eagles et al., 2002). In LAC, improvements to the systems for charging entry fees to tourists increased the share of revenues allocated to the maintenance of protected areas in Honduras (47%), Chile (38%), Ecuador (34%), and Argentina (30%) (Bovarnick et al., 2010). A study of the Osa Peninsula in Costa Rica found that 66% of tourists are prepared to pay an additional US\$177 for their visit to Osa, and US\$42 for their visit to Corcovado National Park. It also found that the salary of residents working in the tourism sector is double that of those working in the other productive sectors. For this reason, tourism workers show greater interest in the creation and effective management of protected areas (Center for Responsible Travel, 2011). A review of tourism concession contracts in protected areas in 22 countries demonstrated that such concessions, when well managed, represent an effective instrument for encouraging good practices to minimize and mitigate environmental impacts, because of the levels of environmental planning required and the level of monitoring to which concessionaires must be subjected (Wyman et al., 2011).

Tourism can also bring about improvements in the attitudes of residents towards conservation. A study in Cambodia found that ecotourism is more effective than direct payments by local communities as a mechanism for the protection of species and their habitats (Clements et al., 2010). A household survey conducted within a radius of 30 miles of the Manuel Antonio National Park in Costa Rica also found that tourism was the main reason for establishing protected areas (Broadbent et al., 2012).

- 2.20 In relation to ensuring the sustainability of benefits from tourism, there is a growing body of international empirical evidence on the positive effect of investments aimed at strengthening environmental management in the sector. These investments have targeted aspects related to the design and implementation of strategic environmental evaluations and plans for the environmental rehabilitation and management of destinations. They have also driven environmental certification for tourism destinations, products, and companies, and supported natural disaster risk management in tourism destinations. A number of the most noteworthy examples are summarized below.
- 2.21 In Spain's main sun and sand destinations, a total economic return of US\$1 billion was generated by public investments in environmental improvements (e.g. energy and water efficiency, solid waste management, emissions mitigation, and biodiversity conservation), carried out on the basis of the design and implementation of strategic environmental evaluations of the tourism sector. The return was greatest in the case of biodiversity conservation and restoration projects (UNEP, 2011). Similarly, a fixed effect model and propensity score matching were

¹⁵ In many cases, the indigenous or Afro-descendant population acts as the custodian of natural and cultural tourism resources. It is therefore important to involve these groups in the planning and use of these resources for tourism purposes in order to ensure their conservation.

used to measure the effect of implementing environmental measures under the “Blue Flag” certification initiative for tourist beaches, based on panel data from 141 Costa Rican beach communities over the 2001-2008 period. This study found that certification significantly increased tourist expenditure (Blackman et al., 2012). Comparable results were yielded when comparing panel data for certified and noncertified provinces in tourism-focused coastal areas of Italy (Capacci et al., 2014). An evaluation of the Costa Rican Tourism Institute’s Certification for Tourism Sustainability program demonstrates that participants with higher levels of environmental performance also receive higher tourism revenues (Rivera, 2002). Other studies confirm that tourists value and respond positively to environmental improvements, increasing their expenditure in destinations (Nahman and Rigby, 2008; Petroman et al., 2010; Rigall-i-Torrent et al., 2011; Halkos and Matsiori, 2012).

- 2.22 There is empirical evidence suggesting that investments to manage and reduce the risk of natural disasters are profitable and effective in ensuring the sustainability of benefits from tourism. In the case of risk reduction, several studies have confirmed that investments to mitigate the impact of disasters may offer returns in excess of US\$4 in reduced losses in various sectors, including tourism, for every US\$1 invested (Mechler, 2005; Moench et al., 2007). In particular, flood protection investments benefiting several economic sectors in Piura (Peru) and Semarang (Indonesia), including tourism, achieved economic rates of return of 31% and 23%, respectively. In Vietnam, investments to protect urban and tourist coastal areas against storms and typhoons through the restoration of mangrove forests attained a cost/benefit ratio of 52 (Mechler, 2005). In the area of disaster management, actions under the Program to Improve Competitiveness in the Tourism Sector (AR-L1004) and the Emergency Program in Response to the Puyehue Volcanic Eruption (AR-L1134) were aimed at restoring the lake-based tourism circuit in Argentina after it had been affected by ashes from the 2011 volcanic eruption. These actions demonstrated that every US\$1 invested generated a social return of US\$6.
- 2.23 **Summary.** Assuming a favorable economic backdrop for development of the sector, empirical evidence shows that interventions to support tourism product development are effective in increasing economic benefits from the sector, especially investments to develop publicly-owned tourist attractions, improve infrastructure and basic services, promote and market the tourism product, and develop regional circuits. Nonetheless, the impact of these economic benefits on local development and poverty alleviation is not automatic. The evidence presented confirms that interventions to reinforce linkages between tourism and local production chains in developing countries, as well as the social inclusion of poor and vulnerable groups in these chains, increase the local appropriation and distributional impact of the economic benefits of tourism, irrespective of the type of tourism. Lastly, it has been shown that the poor planning and management of tourism development can have substantially negative consequences for the environment. This, in turn, has negative repercussions on the ability to attract the interest of tourism markets, harming competitiveness and the chances that the sector will generate long-term economic benefits. In this respect, the empirical

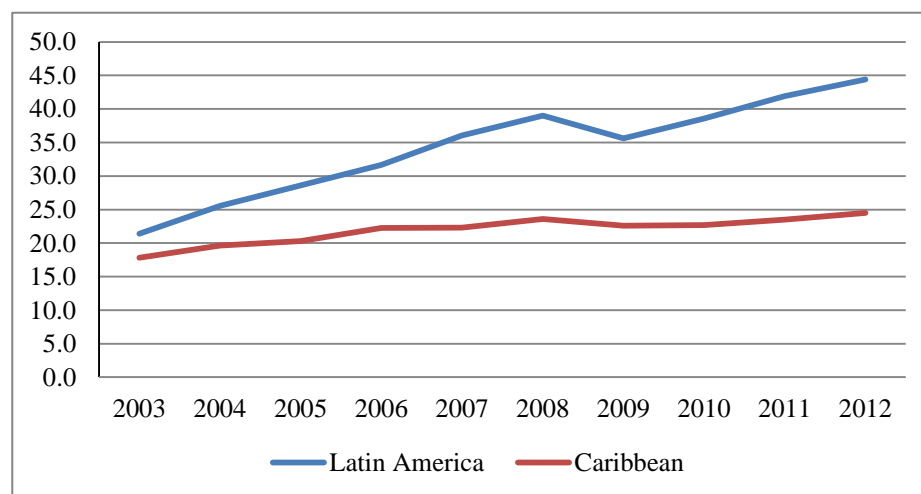
evidence shows that interventions to strengthen environmental management in the tourism sector—particularly by means of environmental evaluation and improvement measures, environmental certification, and natural disaster risk management in tourism destinations—are effective in ensuring the sustainability of tourism benefits. Conversely, uncertainties persist regarding the effectiveness of public policies in the tourism sector aimed at implementing tax exemptions, giving priority to various types of tourism (based on the main reasons for the travel), and improving air connectivity. In addition, knowledge on the impact of various types of interventions based on income level, gender, or ethnic diversity of the beneficiaries needs to be deepened.

III. MAIN CHALLENGES FOR THE REGION AND PROBLEMS THAT THE BANK WISHES TO ADDRESS IN THE SECTOR

- 3.1 LAC has enormous tourism potential, thanks to its wealth of natural and cultural resources. In terms of the former, the region has the greatest diversity of species and ecosystems in the world. Despite occupying only 16% of the world's land surface, it accounts for half of the world's tropical forests and 40% of its biodiversity (IDB, 2013). It contains 11 of the 14 land biomes (Blackman et al., 2012a) and eight of the world's 17 megadiverse countries (UNEP, 2010). This natural wealth translates into a diversity of landscapes that range from mountains, tropical jungles, and sweeping beaches to volcanoes, deserts, and glaciers, with the ability to capture the interest of tourist markets. In relation to cultural wealth, LAC offers important pre-Colombian cultures, rich colonial heritage, and substantial intangible assets, which make the region unique in the world. Of the UNESCO list of World Heritage Sites, 36 of the 193 natural sites, 90 of the 759 cultural sites, and 3 of the 29 mixed sites that exist in the world are in Latin America and the Caribbean.
- 3.2 This endowment of natural and cultural resources means that tourism is acquiring growing importance for the region's economies. According to the UNWTO, the number of foreign visitors¹⁶ to the region grew by 9.1% from 2003 to 2012, from 147.4 million to 160.9 million. Tourism expenditure jumped by 77.1%, reaching US\$74.9 billion (Figure 1). In 2013, the direct contribution of tourism to Latin American GDP was US\$142.5 billion, while in the Caribbean the sector generated US\$15.3 billion. The total contribution to GDP, including indirect and induced effects, was 9% in the case of Latin America and 14% in the case of the Caribbean. In terms of employment, tourism accounted for 6 million direct jobs and 16.7 million indirect and induced jobs in Latin America—equivalent to 3% and 8% of total employment, respectively. In the Caribbean, it accounted for 3.6% of total employment including only direct jobs, and as much as 11.3% of total employment including indirect and induced jobs. According to the WTTC, tourism also accounted for 5.8% of total investment in Latin America in 2013 and 11.3% in the Caribbean.

¹⁶ These figures include both tourists and excursionists.

Figure 1. Trends in tourism expenditure in the 2003-2012 period (US\$ billion)



Source: United Nations World Tourism Organization.

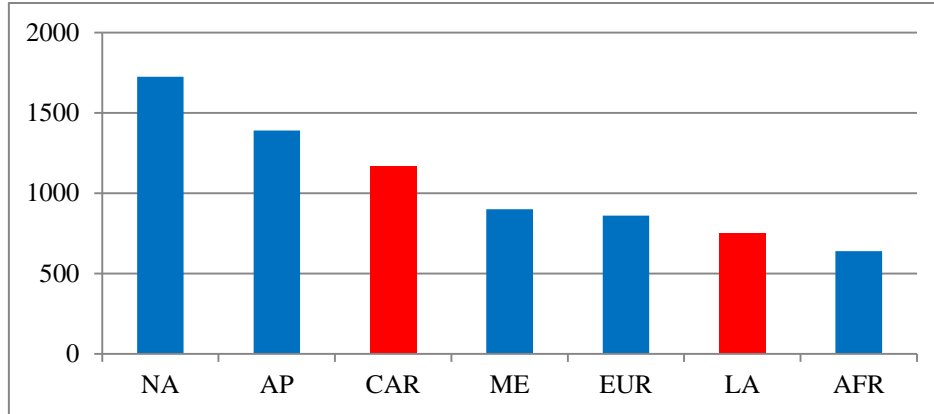
- 3.3 The Report on the Ninth General Increase in the Resources of the Inter-American Development Bank (document AB-2764) identifies the achievement of sustainable growth and reductions in poverty and inequality as key elements in the future development of Latin America and the Caribbean. Tourism has an important role to play in attaining these objectives, given its potential to boost economic and social development and preserve the environment, as shown in section II. However, despite the progressive consolidation of the tourism sector in the region based on its wealth of natural and cultural resources, such objectives can only be attained if economic activities linked to the sector are competitive, socially inclusive, and environmentally sustainable. Accordingly, this SFD identifies three challenges that must be addressed in LAC if the inherent benefits of tourism are to be maximized, supporting the objectives mentioned above: (i) the weak level of exploitation of the region's tourism potential as a means of generating economic benefits; (ii) the limited appropriation of tourism earnings at the local level and the weak distributional impact of benefits; and (iii) unsustainability of the benefits from tourism, owing to the degradation of natural and cultural resources.

A. Despite substantial tourism potential and the rapid growth seen in LAC's tourism sector, competitiveness and the economic benefits yielded are low compared to other regions of the world

- 3.4 There is no link between LAC's natural and cultural riches and the extent to which these have been tapped for the purpose of tourism. In other words, many of the resources that make up this wealth have not been developed as tourism products that can be marketed successfully for the target demand, thus affecting the region's ability to achieve greater economic benefits from higher tourism expenditure (both domestic and international). As a result, although spending per international tourist

arrival¹⁷ in Latin America is observed to have grown from US\$685 in 2003 to US\$752 in 2012, the latter figure is relatively low. According to the UNWTO, Latin America was one of the regions with the lowest level of spending per tourist arrival in 2012—lower than the world average of US\$1,040, and surpassing only Africa. In the case of the Caribbean, spending per international tourist arrival stood at US\$1,170 in 2012, yet this figure is still lower than those in similar emerging destinations such as Asia-Pacific (Figure 2).

Figure 2. Expenditure per international tourist arrival by destination region (US\$, 2012)

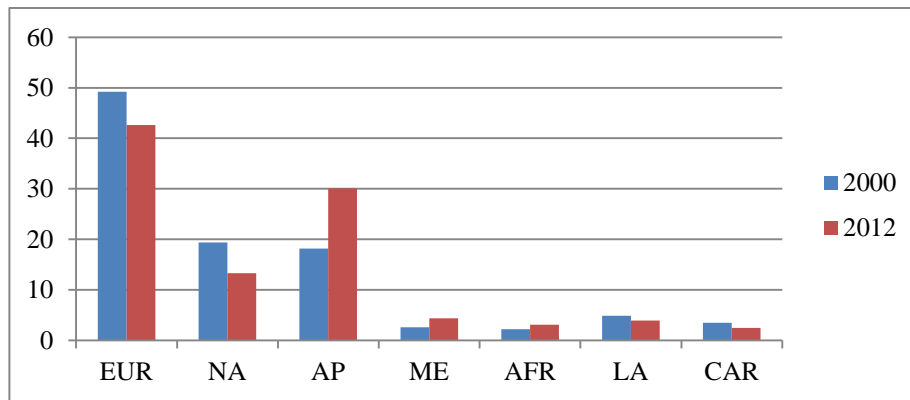


NA = North America; AP = Asia Pacific; CAR = Caribbean; ME = Middle East; EUR = Europe; LA = Latin America; AFR = Africa. Source: United Nations World Tourism Organization.

- 3.5 Moreover, international tourism expenditure has been growing at a slower rate in the region than in other areas of the world, leading to a decline in world market share. According to the UNWTO, international tourism expenditure in the Caribbean fell from 3.6% of the world total in 2000 to only 2.3% in 2012. A similar situation exists in Latin America, where the proportion declined from 5% in 2000 to 3.7% in 2012. It should be noted that the market share lost over the 2000-2012 period by the most established destination regions (Europe and North America) has been captured by all of the emerging destination regions except LAC (Asia Pacific, the Middle East, and Africa) (Figure 3).

¹⁷ International tourism is only part of overall tourism demand. However, there are no consistent figures for domestic tourism among the different countries, and this discussion of the region is therefore based on international demand data.

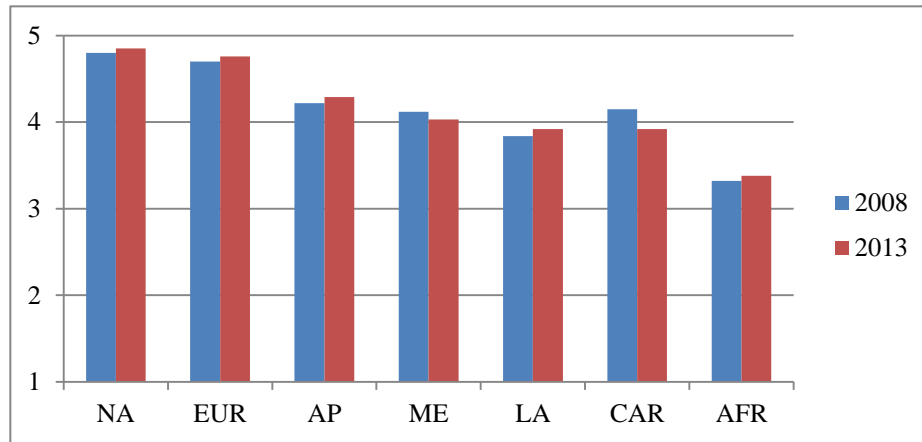
Figure 3. Percentage of international tourist spending by region (%)



Source: United Nations World Tourism Organization.

- 3.6 The low level of exploitation of LAC's natural and cultural assets to develop tourism products is reflected in the Travel & Tourism Competitiveness Index (TTCI) compiled by the World Economic Forum (WEF). The TTCI was created in 2007, and in 2013 it included 140 countries. It is a strategic tool that assesses the main components of tourism competitiveness (paragraph 2.3) by measuring the factors and policies that make the development of tourism attractive in different countries. The index consists of more than 75 indicators, grouped into three major subindexes: (i) the sector regulatory framework, which captures elements of tourism policy; (ii) business climate and infrastructure, which essentially captures hard elements necessary for tourism activity; and (iii) human, cultural, and natural resources for tourism, which captures the supply and availability of soft elements. The sources of information for these indicators are the WEF's annual survey of businesses and quantitative data of a public nature from international organizations, governments, institutions, and experts in the sector such as the International Air Transport Association, the United Nations Conference on Trade and Development, the IUCN, the UNWTO, UNESCO, and the WTTC. The WEF's annual business opinion survey for the tourism sector polls general managers and main business leaders in the 140 countries covered by the research. It provides unique data from the perspective of the people who make investment decisions in their respective economies. All the aforementioned indicators are measured on a scale of 1 to 7, with 7 being the best score. Figure 4 shows that—with the exception of Africa—Latin America and the Caribbean were the least competitive regions in the world for tourism in 2013 (3.92 in each case). In the Caribbean in particular, there has been a notable decline in performance since 2008, when it scored 4.15 on the index. Almost half of the 24 countries in the region that are included in the TTCI belong to the lowest third of country rankings.

Figure 4. Travel & Tourism Competitiveness Index by region



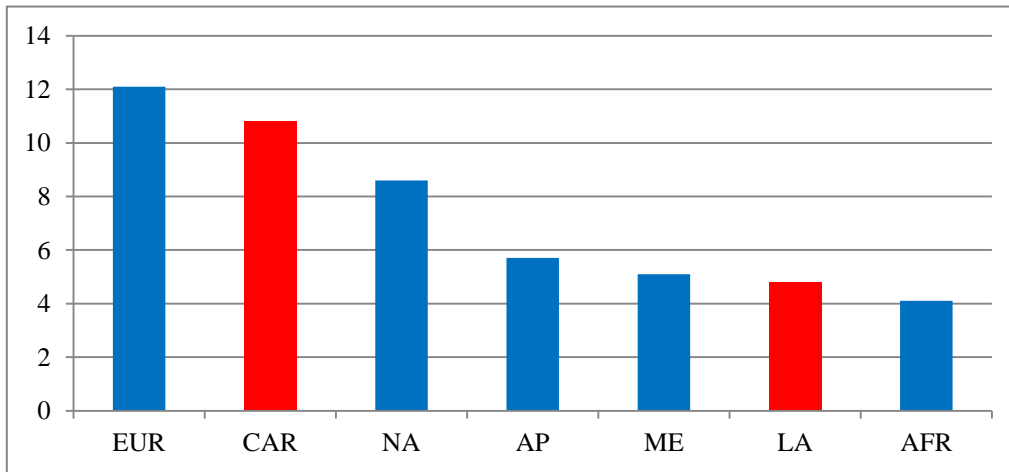
Source: World Economic Forum.

- 3.7 The region's lower level of tourism competitiveness (and, therefore, lower capacity to develop products with which to generate tourism spending) is largely the result of its institutional and infrastructural weaknesses (including connectivity and technology) relative to other regions in the sector. Thus, LAC's performance ranks below that of other regions with respect to the specific indicators that make up the TTCI. In the case of sector governance, Latin America and the Caribbean scored 4.39 and 4.65, respectively, on the relevant 2013 TTCI subindex. The latter includes and measures the priority given to the tourism sector within public policies, the level of public spending on the sector, the effectiveness of tourism marketing activities, and the coverage and timeliness of sector statistics. Other regions, such as North America, scored higher (5.04). In the case of tourism connectivity, the index reflected in the TTCI on air infrastructure and the index that reflects land infrastructure assess the ease of access to a country and the movement to key tourism destinations and attractions within the country, based on the range and quality of transportation services offered by their airports (in the case of the first index) and roads, railroads, and ports (in the case of the second index). In 2013, Latin America scored 3.02 and 3.05, respectively, on these indicators, while the Caribbean scored 3.02 and 3.72. North America, meanwhile, scored 6.42 and 4.87, respectively. The same situation applies to infrastructure for the adoption of information and communication technology (ICT), which are increasingly essential for purposes of planning itineraries and the purchase of trips and lodging and, therefore, for the operation of a modern tourism industry. In 2013, Latin America and the Caribbean scored 2.93 and 3.01, respectively, on the specific TCCI index that measures and assesses the degree of penetration and quality of ICT for transactions between tourism companies and related businesses and for the production and sale of goods and services to tourists. That index also assesses the level and type of use of the internet in the sector. North America's score was 5.01 that same year.

The region's relatively weak scores for governance and connectivity and ICT infrastructure for tourism—key elements for tourism competitiveness—are the

result of the low levels of quality public investment that are directed at the sector. According to the WTTC, public spending in support of Latin America's tourism sector was 4.8% of total sector GDP in 2013, surpassing only Africa (4.1%) (Figure 5). This reflects the low priority of the sector in public policy (related to the weakness of sector institutions) and, therefore in the allocation of public budgets. In the case of the Caribbean, the ratio of public spending on tourism to total sector GDP was 10.8%, exceeding that of North America (8.6%) and Asia Pacific (5.7%). However, expenditure per international tourist arrival is much lower than in these two latter regions (Figure 2), indicating a low level of efficiency.

Figure 5. Ratio of tourism sector public spending to sector GDP by region (% , 2013)



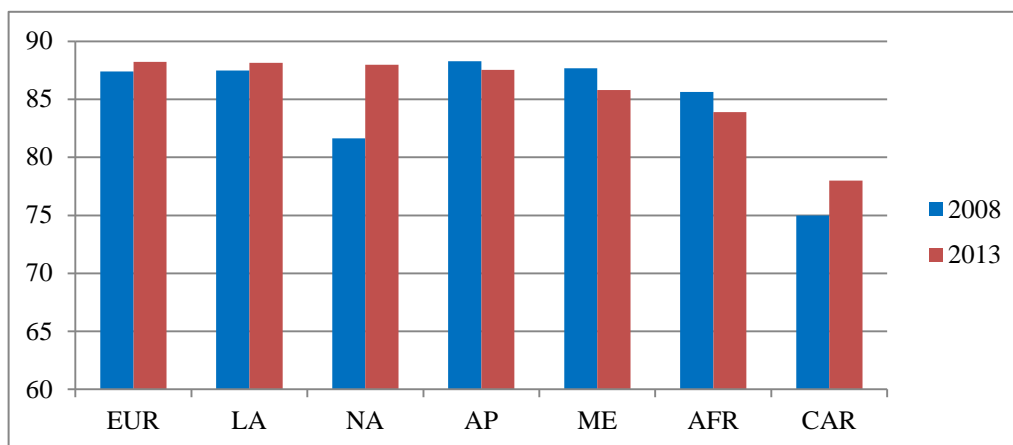
Source: World Travel and Tourism Council.

B. Both the appropriation of benefits from tourism and the distributional impact of these benefits are limited in LAC destinations.

- 3.8 The potential of tourism to bring about economic development is directly linked to its capacity to contribute to the local economy. In destinations where the benefits cannot be captured locally, the economic development achieved through tourism is reduced. The opportunities for capturing the benefits of tourism are linked to the types of relationships that prevail among the stakeholders that make up the tourism production chain (including the degree of local participation).
- 3.9 There is still considerable room in LAC to improve local appropriation of the benefits of tourism, and this could enable a better distribution of these benefits among the local population and foster poverty reduction (paragraph 2.15). A quantitative indicator of the degree of appropriation relates to the proportion of total purchases by tourism providers (including imports) that are sourced in the national economy, reflecting existing domestic economic linkages. Figure 6 shows these figures for various regions of the world. Compared to the other regions, linkages between the tourism sector and the local economy are weakest in the Caribbean. The productive linkages are more numerous in Latin America, but there are no

available data concerning the social groups that benefit, including traditionally excluded groups such as indigenous peoples, Afro-descendants, and women.

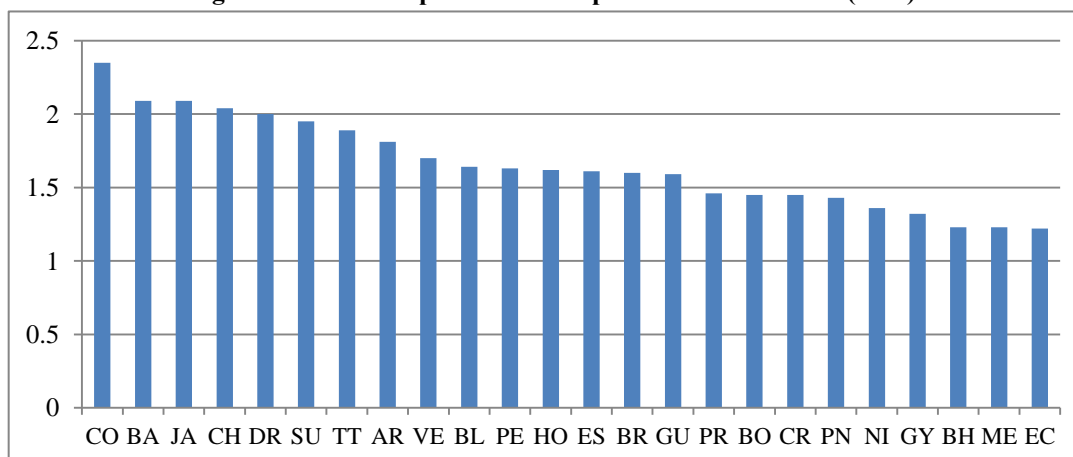
Figure 6. Share of tourism sector purchases sourced domestically, by region (%)



Source: World Travel and Tourism Council.

- 3.10 Based on WTTC data, the direct, indirect, and induced effects of tourism expenditure on the economies of 24 countries in the region were analyzed, with reference to the tourism multiplier effect. A higher multiplier is associated with greater benefits to the local population. In every single country, without exception, it was found that each unit of tourism expenditure has positive indirect and induced effects on the respective local economies. However, the magnitude of these effects differs. In four countries, the tourism multiplier effect exceeded 2.0, yet in nine of them it was less than 1.5. It should be noted that the tourism multiplier is lowest in countries in which the tourism sector accounts for a significant share of GDP, or which receive the largest numbers of international tourist arrivals, such as Mexico and The Bahamas (Figure 7).

Figure 7. Tourism expenditure multiplier in LAC countries (2013)



Source: World Travel and Tourism Council.

- 3.11 The limited ability of human resources in the region to secure employment in tourism or establish tourism or tourism-related enterprises is one of the main factors that limit the capacity to generate productive linkages and increase the sector's multiplier effect. According to the WEF's TTCI (paragraph 3.6), in 2013 Latin America and the Caribbean scored 4.78 and 4.62, respectively, on the indicator relating to the availability and level of training of skilled labor for tourism activities. These figures show that there is considerable room for improvement in terms of creating greater local benefits.¹⁸ For example, North America scored 5.69 on this indicator. Although there is no data broken down for specific vulnerable groups, it is known that women in LAC are a minority with regard to men in positions as managers and leaders of tourism enterprises (ILO, 2013).

C. The sustainability of benefits from tourism in LAC is vulnerable to climate change, natural disasters, and the level of conservation of natural and cultural assets

- 3.12 According to the UNWTO (2012), the number of international tourist arrivals in LAC will rise from 51 million in 2010 to 110 million in 2030—a figure that includes neither excursionists nor domestic tourism. This growth raises two challenges for environmental sustainability, depending on the nature of the particular attraction and its surroundings. First, in areas of high natural or cultural value with unrestricted access (e.g. protected areas), visitor numbers in excess of carrying capacities may cause a deterioration in these assets over the long term. Second, in areas that are vulnerable to natural disasters and climate change (e.g. marine and coastal areas in the Caribbean), tourism may be undermined if prevention challenges are not addressed. Both challenges are discussed below.

1. Deterioration of natural and cultural assets

- 3.13 Tourism in LAC is closely linked to the natural environment. As a result, long-term sector competitiveness is highly dependent on the quality of its ecosystems and the biodiversity contained therein. More than 50% of international tourists visiting Peru, Argentina, and Costa Rica indicate that the natural environment is the main reason for visiting the country, while 94% of Caribbean tourism enterprises consider that their business also depends on it (Slinger, 2002). Eight megadiverse countries (Bolivia, Brazil, Costa Rica, Colombia, Ecuador, Mexico, Peru, and Venezuela) account for 56% of the region's share of the world tourism market. Yet, the sector is facing environmental sustainability problems. According to the WEF's TTCI (paragraph 3.6), Latin America scored 4.2 in 2013 on the indicator relating to the effectiveness of public interventions to ensure the sustainable development of tourism—below the world average. The main causes of this situation relate to (i) lax

¹⁸ According to the ILO (2013), a problem LAC faces is informality in the labor market. This also affects the tourism sector, reducing the appropriation of economic benefits by the local economy. Although the level of informality in the sector cannot be measured, owing to a lack of reliable statistics at the regional level, a study in Brazil estimated that in 2011 54% of jobs in the tourism sector were informal. This figure indicates that the problem may exist in the tourism sector in other countries in the region. The Bank's interventions to address the issue of informality will be carried out pursuant to the guidelines set out in the Labor SFD (document GN-2741-3).

environmental regulation of the tourism sector (3.7); (ii) weak regulatory enforcement capacities (3.3); and (iii) weak delivery of the basic services that would ensure the quality of the natural environment in the country for tourism activity (4.0).

- 3.14 A salient example of environmental sustainability issues related to tourism activity can be found in the region's protected areas. A significant share of the growth in LAC tourism focuses on these areas, and this will continue to be the case. Almost 70% of all international tourists visiting Peru, Costa Rica, and Argentina visit at least one protected natural area during their trip. In addition, the region has five of the nine countries with the highest number of accommodations for ecotourists in the world,¹⁹ with 99% of these accommodations located within or on the outskirts of a protected area (ICF, 2004). However, many protected areas are unprepared for tourism activity. The IUCN and the Biodiversity Indicators Partnership (2010) rate the management effectiveness of protected areas in LAC at 0.51 (on a scale of 0 to 1), surpassing only Africa (0.49). The management of as many as 46% of the region's protected areas is inadequate, with serious deficiencies, while only 16% are managed in a manner deemed acceptable.

Table 2. Management effectiveness of protected areas by region²⁰

	EUR	Oceania	Asia	LAC	AFR
Average management effectiveness of protected areas	0.57	0.56	0.53	0.51	0.49
Proportion of protected areas with management effectiveness that is:					
Clearly inadequate (<0.33)	8%	11%	16%	13%	22%
Basic, but with serious deficiencies (0.33-0.5)	23%	25%	25%	33%	31%
Basic (0.5-0.67)	39%	35%	34%	37%	31%
Acceptable (>0.67)	29%	29%	26%	16%	17%

Source: IUCN and Biodiversity Indicators Partnership, 2010.

- 3.15 Another significant share of tourist arrivals in LAC is often linked to the region's culture, and this will continue to be the case. This may result in the overuse or deterioration of this heritage if effective measures are not taken to control and manage the problem. This, in turn, would lead to an erosion in the attractiveness and competitiveness of LAC tourism with respect to other regions in the world (Naumov, 2014). A noteworthy example is that of Machu Picchu (Peru), a World Heritage Site that is recognized as one of the most important cultural tourism destinations in LAC. Here, the pressure and insufficient management of almost 900,000 visitors each year to the historic Inca city are endangering the structural integrity and cultural authenticity of the site and its surroundings, including the Inca Trail (Larson and Poudyal, 2012).

¹⁹ These countries are Costa Rica, Ecuador, Guatemala, Mexico, and Peru.

²⁰ North America is excluded from the study owing to a lack of comparable data.

2. Many of LAC's tourism destinations are located in areas that are vulnerable to natural disasters and climate change

- 3.16 The Intergovernmental Panel on Climate Change has confirmed that the consequences of climate change will be negative for the tourism sector unless the necessary steps are taken in the areas of prevention and mitigation (ECLAC and the German Association for Technical Cooperation (GTZ), 2009). Visitor numbers could be reduced by rising temperatures in tourists' countries of origin, greater water scarcity, deteriorating beaches and coral reefs, and increasing numbers of hurricanes and tropical diseases in the destination countries, among other consequences of climate change (Mimura et al., 2007). Coastal tourism—which is crucial for the economies of the Caribbean and Central America, as well as countries such as Mexico and Brazil—would be particularly affected. A study by Simpson et al. (2012) of 906 coastal tourist resorts in 19 Caribbean countries concluded that, if sea levels were to rise by one meter, 30% of the resorts would be at risk of flooding. Around 60% would be damaged by erosion, owing to a lack of adequate coastal protection and management. Bueno et al. (2008) found that unless measures are taken, an increase in the number of hurricanes resulting from climate change would inflict losses totaling US\$22 billion annually on the Caribbean tourism sector and its associated infrastructure by 2050, and US\$46 billion annually by 2100 (equivalent to 21% of GDP). ECLAC (2011) indicates that variations in temperature, sea levels, and the number of natural disasters in the Caribbean could reduce tourist arrivals by 6% to 9% over the next four decades if no measures are taken.
- 3.17 In addition to being vulnerable to extreme natural events exacerbated by climate change, tourism in LAC is vulnerable to natural disasters resulting from natural climate variability and geophysical events such as earthquakes or volcanic eruptions. These also cause loss of life and infrastructural damage, and they reduce the attractiveness of a destination to potential visitors. In the case of Cancún—one of the main tourism destinations in Mexico and in Latin America as a whole—the costs of damage caused by Hurricane Wilma in 2005 were estimated at US\$1.8 billion, more than 90% of which were borne by the tourism sector (ECLAC, 2006). In 2000, the Belizean tourism sector suffered losses totaling US\$80.2 million as a result of Hurricane Keith (ECLAC, 2003). In Argentina, the Puyehue volcanic eruption in 2011 affected the lake-based tourist circuit, particularly Bariloche and Villa La Angostura. Under the Emergency Program in Response to the Puyehue Volcanic Eruption (AR-L1134), it was estimated that in the first three months after the eruption the Argentine economy suffered economic losses totaling US\$155 million, with an additional reduction of US\$168 million in annual tourism tax collections.
- 3.18 Limited disaster risk management capacity in LAC may aggravate the aforementioned impacts on the tourism sector. Compliance with legal, institutional, and budgetary conditions in 11 of the region's countries was evaluated as part of a Bank analysis of governance and public policies in the area of disaster risk

management (under way in 2014).²¹ These conditions are crucial in order for disaster risk management processes²² to be implemented in eight sectors,²³ including tourism. The study concluded that the tourism sector fulfills, on average, only 8% of these conditions. Its rate of compliance is the second lowest of the eight sectors analyzed, and it is significantly lower than the average level of 24%.

- 3.19 **Summary.** This section has laid out the three challenges in the tourism sector that the Bank believes must be addressed in LAC if the sector is to contribute to sustainable development, poverty reduction, and improved equity in the region. The dimensions of success established later in this document are determined by the insufficient exploitation of the region's tourism potential (which affects the competitiveness of the sector and its ability to generate economic benefits); the limited distributional impact of these benefits; and the vulnerability of the sector to climate change, natural disasters, and the level of conservation of natural and cultural heritage (all of which affect its long-term sustainability).

IV. LESSONS FROM THE BANK'S EXPERIENCE IN THE SECTOR

A. Reports by the Office of Evaluation and Oversight (OVE)

- 4.1 The 1989 Evaluation Report on IDB Financing for Tourism Projects (document RE-156) is the most recent OVE evaluation examining the Bank's actions in the tourism sector. The document reviews the links between tourism and development in the region, and describes the main outcomes of Bank loans and technical cooperation operations in the tourism sector during the 1977-1986 period, as well as the problems encountered and recommendations to be implemented. The operations analyzed were generally aimed at providing basic infrastructure and services to enable and facilitate tourism development, as well as at recovering publicly-owned natural and cultural tourist attractions and training human resources. The document concludes with a recommendation that the Bank further support the countries in the tourism sector, owing to its developmental relevance in terms of foreign exchange earnings and employment creation, its widespread indirect and induced impacts on the local economy, and the improvements in services and quality of life that the resident population can benefit from. The OVE evaluation has been taken into account in this Tourism SFD in that it draws conclusions, described in this section, that continue to be relevant to guide the Bank's action in the sector.
- 4.2 A more recent OVE evaluation of the Multilateral Investment Fund (MIF) as a Bank instrument does not focus exclusively on the tourism sector; however, the portfolio analyzed does include a representative sample of tourism projects aimed at

²¹ The 11 countries evaluated were Argentina, Chile, Colombia, Costa Rica, Guatemala, Jamaica, Mexico, Panama, Peru, the Dominican Republic, and Haiti.

²² The natural disaster risk management processes included risk identification, risk mitigation, response readiness, and post-disaster recovery.

²³ The eight sectors analyzed were the environment, agriculture, health, housing, education, tourism, transportation, water and sanitation, telecommunications, and energy.

the private sector. As part of the Second Independent Evaluation of the Multilateral Investment Fund (document MIF/RE-2-4), carried out in 2013, the Fund's portfolio over the 2005-2011²⁴ period was analyzed. The tourism projects evaluated were aimed at promoting entrepreneurial skills, job training, and market access. The document sought to answer questions about the relevance of the interventions, their effectiveness in achieving results, the sustainability of the actions, and the main areas for opportunity or improvement.

4.3 The following opportunities and recommendations contained in these two OVE evaluations are relevant for the strategic orientation set out in this SFD:

- a. **Environmental and social monitoring.** The development of tourism can create broad environmental and social benefits. However, uncontrolled growth also brings with it substantial environmental and social risks and problems. To avoid these, experience has shown that careful planning, management, and socioenvironmental controls are needed in the sector, with the participation and coordination of the different stakeholders involved in tourism activity (public sector, private sector, and civil society).
- b. **Hotel financing.** Financing for hotels should depend on the magnitude of the resulting environmental and social impacts and whether there is a demonstrated need for Bank financing. Selection of the type and size of accommodations should be determined through a viability analysis that takes into account market requirements, socioenvironmental costs, and, therefore, the expected net social benefit.
- c. **Sector know-how.** Success in achieving tourism program outcomes depends on exhaustive supervision by the Bank, as well as the existence of an executing agency that specializes in the sector (e.g. the Ministry of Tourism) and has the technical capacity necessary to conduct rigorous and accurate analyses of needs and opportunities in tourism. This also helps to avoid the dispersion of efforts towards other sectors and projects with objectives unrelated to tourism. For interventions to be sustainable over the long term, professionals with specific expertise in the tourism sector are required in the Bank and in the executing agencies, as well as among local actors.
- d. **Focus on destination demand and strategic vision.** In the tourism sector, the majority of MIF projects prior to 2010 were developed with a supply-side perspective. As a consequence, they were unsuccessful in terms of their effectiveness and impact on the market and were ultimately unsustainable. The MIF's tourism strategy, which was modified in 2010, evolved towards meeting the requirements of target demand and promoting the greater inclusion of micro, small, and medium-sized enterprises (MSMEs) in the value chain, while attempting to incorporate the tourism destination concept. Although necessary, these changes were ultimately insufficient. Outcomes continued to fall short of expectations, as the projects faced challenges in

²⁴ The MIF created the Sustainable Tourism project cluster in 2004.

developing links with public tourism policies that could make a comprehensive intervention in the destination a reality. This would involve acting on other relevant elements in addition to private services²⁵

- e. **Key role of public policy.** Successful tourism development demands that direct support for private sector activities be channeled not to individual initiatives, but instead to initiatives that are part of a comprehensive destination intervention strategy, therefore involving the participation of other relevant agents in their configuration (particularly the public sector). Those MIF projects that were successful were executed in partnership with public institutions, as this allowed support for the private sector under the programs to be linked to official promotion strategies and the tourism development objectives of public policies in the destination. In particular, project effectiveness in providing financing to microenterprise depended on public policies to develop a solid legal and regulatory framework and ongoing workforce training, among other things.
- 4.4 To address these opportunities and recommendations, this SFD proposes the following: (i) a set of guiding principles for future Bank actions in the area of tourism that will ensure comprehensive interventions in the destinations, as well as social and environmental sustainability in the sector; and (ii) strategic lines of action that will prioritize Bank action in areas such as development and innovation in demand-driven products, social inclusion in the value chain, and the strengthening of environmental management in the tourism sector. In particular, the three dimensions of success proposed in section V encompass specific lines of action and activities to address these recommendations.

B. Results of the Development Effectiveness Matrix

- 4.5 Since the Development Effectiveness Matrix (DEM) was introduced in 2009, progress in the evaluability of expected development outcomes in the implementation of 18 approved sovereign-guaranteed tourism projects has been significant, exceeding the Bank average. This progress has been seen in all four of the dimensions used in the DEM to assess evaluability: (i) program rationale (problems identified and evidence-based solutions proposed); (ii) monitoring and evaluation; (iii) ex ante economic analysis; and (iv) risk management. Using a scale of 0 to 10 (with 10 being the maximum score), Table 3 shows that the tourism projects approved since 2010 have consistently received higher scores than the overall average for the Bank in each of the four dimensions assessed. Since 2011, 100% of tourism projects have been classified as highly evaluable, with an impact evaluation plan already prepared by the time of approval. In particular, all tourism

²⁵ One of the few successful examples in the tourism sector was the Program for the Consolidation of Ecotourism in Mendoza, under which the executing agency succeeded in linking the program to the province's official strategy for tourism promotion and development. The project also received a high rating in relation to its market impact and contributed to the province's public policies. In contrast, the project for the Promotion of Tourism to the Missions in the Guaraní World failed to achieve a similar degree of success, as it focused on developing supply rather than demand. It also failed to link program objectives to public tourism policies (OVE, 2013).

projects approved over the last three years, without exception, obtained the highest possible score in the categories of risk management and ex ante economic analysis. In every year during the same period, the average scores for the two remaining dimensions (program rationale and monitoring and evaluation) surpassed the Bank average, ranging from 8.4 to 9.9 (compared to the Bank's average of 6.9 to 8.8). In the case of non-sovereign guaranteed projects, the three tourism operations approved since 2009 that have been subject to an evaluability analysis received an average score of 9.1 (highly evaluable).²⁶

Table 3. Summary of DEM results for sovereign-guaranteed tourism projects. Evaluability

Dimension being assessed:	2009		2010		2011		2012		2013	
	Tourism	Bank	Tourism	Bank	Tourism	Bank	Tourism	Bank	Tourism	Bank
1. Project rationale	4.8	6.7	9.0	7.6	9.2	7.9	8.4	8.3	9.9	8.8
2. Monitoring and evaluation	5.3	5.0	7.7	5.9	8.7	6.9	8.5	7.5	8.4	7.8
3. Ex ante economic analysis	0.0	3.9	9.6	6.0	10.0	8.9	10.0	9.8	10.0	9.6
4. Risk management ²⁷	7.5	7.3	8.2	7.7	10.0	9.2	10.0	9.8	100%	99%
Overall evaluability ²⁸	4.4	5.7	8.6	6.8	9.5	8.2	9.2	8.7	9.5	8.7
% of projects that are highly evaluable	0%	22%	86%	41%	100%	86%	100%	99%	100%	100%
% of projects with an impact evaluation plan already prepared at the time of approval	0%	11%	86%	27%	100%	31%	100%	38%	100%	100%
Number of projects	1	114	7	135	3	122	1	125	6	108

Source: IDB.

4.6 Impact evaluations of Bank tourism projects using rigorous measurement methods will help to determine the effectiveness of the interventions proposed in this SFD, as well as to make any future adjustments to the lines of action put forward. The commitment to the Bank's results-based agenda is reflected in a substantial increase in the use of rigorous methodologies for evaluating sovereign-guaranteed tourism projects. Since 2011, 100% of these projects have attempted to measure their direct contribution to sector development challenges by using impact evaluation methodologies—a figure higher than the Bank average (Table 3). These evaluation plans are innovative as they rely on new approaches to impact evaluation in the area of tourism, using rigorous methodologies for this purpose. They are also consistent with the Bank's guidelines for preparing tourism impact evaluations using simulation models (Technical Manual No. ID-TN-229).²⁹ This methodology, based on the use of simulation models (particularly SAM and CGE), can be used to

²⁶ As a result of the recommendations contained in the document "Overview: Mid-term Evaluation of IDB-9 Commitments" (document RE-425), the Bank has adjusted the DEM for non-sovereign guaranteed projects.

²⁷ Since 2013, the DEM has continued to evaluate the risk management dimension, but does not award scores for it or include it in the overall evaluability calculation. Of the tourism projects approved in 2013, 100% received a favorable DEM rating for risk management, meaning that the identified risks were reasonable and the projects included adequate mitigation measures and the metrics necessary to monitor implementation.

²⁸ Calculated as a simple average of the scores for each of the four dimensions assessed.

²⁹ The Bank is currently working on the update of this manual.

measure the ways in which tourism expenditure permeates throughout the economy, as well as to estimate income increases for the local population as a whole and for specific social segments such as the poor. It will therefore allow not only the direct effects of tourism on the local economy to be captured, but also the indirect and induced effects. In addition to the simulation methodology, other Bank tourism projects (i.e. AR-L1140 and ES-L1066) incorporate a complementary quasi-experimental methodology that will allow the effect of a project on the creation of business incentives to be gauged, together with its impact on MSME creation and survival, sales, jobs, and wages for the disadvantaged local population. The Bank is also launching efforts to reinforce results attribution analyses for sector interventions by using the synthetic control method (i.e. BR-L1219). In summary, all of these methodologies will allow the impact of tourism on wealth creation, poverty reduction, and social equity improvements to be measured and understood.

C. Lessons from the Bank's experience in the sector

- 4.7 The Bank's projects in the sector have yielded a series of lessons learned that have been compiled in multiple Project Completion Reports and presented in several loan proposals, Knowledge and Learning Sector analyses, and other knowledge products prepared by the institution. Table 4 summarizes the main lessons learned according to the type of intervention.

Table 4. Lessons learned from Bank tourism projects by type of intervention

Development model/tourism product
<ul style="list-style-type: none"> • Tourism development should be governed by a comprehensive strategic framework focused on destinations, products, and specific demand segments that can compete successfully in the market. • The structuring focus in tourism development programs (and the one that determines the rest of the investments) should be a tourism product strategy, since the product is the key element that motivates and is the <i>raison d'être</i> of tourism travel. • To avoid low-impact investments, marketing efforts should be launched when the products are ready to be introduced to the market and should be based on thorough demand data and assessments of return on investment. • To achieve the desired socioeconomic and environmental benefits, it is essential to have the private sector's consensus and involvement in the selected tourism development model.
Infrastructure and basic services
<ul style="list-style-type: none"> • Tourism development cannot be based exclusively on the availability of infrastructure and basic services or hard elements. While these are a necessary condition and can enable tourism, they remain insufficient to attract target demand. Basic services alone are never the reason for a tourism trip. • Investments in basic infrastructure must be complemented by soft actions to strengthen tourism sector governance, helping to ensure the sustainability of investments and facilitate appropriation of the benefits from higher tourism spending. Measures are also necessary to avoid or minimize potential negative environmental and social effects linked to fast growth in tourism. • In order to narrow the gap in infrastructure and basic services in tourism destinations, private sector participation needs to be leveraged through financing mechanisms and regulatory frameworks that foster public-private cooperation.

Tourism sector governance
<ul style="list-style-type: none"> • Tourism is a fundamentally local phenomenon from the point of view of production and consumption. For this reason, the strengthening of capacities in agencies involved in tourism planning and management should be implemented at both the national level and, above all, the subnational level. Such balance is necessary to ensure controlled land use and long-term sustainability in destinations. • To strengthen sector governance and public and private decision-making processes, suitable systems for the collection, analysis, and dissemination of tourism information and statistics are required. • Given tourism's linkages to other economic sectors, and its potential social impact (both positive and negative), its planning and management should involve the participation and cooperation of all public, private, and civil society stakeholders relevant to development of the sector.
Social impact
<ul style="list-style-type: none"> • Investments should be planned and phased in order to avoid and mitigate any possible negative social consequences from fast tourism growth (for example, migration or the loss of cultural values). • To improve the capture of socioeconomic benefits by poor or vulnerable groups (particularly women, indigenous people, and Afro-descendants), their level of participation in the tourism value chain (and the conditions for that participation) must be strengthened, in particular through the provision of long-term technical support, facilitation of access to capital, and active participation in sector planning and decision making. • Private investment offers strategic opportunities for incorporating local communities in the tourism value chain, either as tourism service providers or as suppliers of tourism businesses.
Environmental management
<ul style="list-style-type: none"> • Tourism development should be based on a real environmental commitment, at the level of both planning and investment. Long-term development plans are needed for each tourism destination in order to ensure sustainability. • To prevent and mitigate environmental impact, systems are needed to monitor environmental quality and biodiversity in tourism destinations (particularly in the case of environmentally sensitive or fragile areas), in addition to regulatory frameworks and environmental monitoring and control systems for tourism activities. • The adoption of sustainable practices by private tourism companies contributes to improving environmental management of the destinations.

- 4.8 The Bank's non-sovereign guaranteed projects in the tourism sector apply the lessons learned indicated above as well as international good practices aimed at getting private tourism companies, and in particular hotels, to contribute more to the local economy and generate a positive net benefit for the local community by: (i) increasing the company's ties with the local economy; and (ii) generating positive social and environmental impacts (see examples in Table 5 and the applicable principles in paragraph 5.2).

Table 5. Examples of good practices in the tourism-related private sector

The Bank participated in the financing of Marriott Courtyard's Caribe Hospitality in Jamaica (JA-L1045), incorporating significant social and environmental actions into the business concept, such as: LEED certification, the training and hiring of at risk youth, and the establishment of business ties with local MSMEs, especially those owned by women. Another noteworthy example is the Inter-American Investment Corporation's project in Jamaica with the local company Seawind, which uses high-efficiency advanced technologies in the use of water and energy and favors the local value chain. The MIF also has experience with tourism projects that incorporate MSMEs into the value chain, such as the operation in the Dominican Republic (DR-M1034).

- 4.9 A lesson learned that cuts across all tourism sector projects is the need to strengthen capacities for the monitoring and evaluation of the outcomes and impacts of interventions. This is important in both sovereign and non-sovereign guaranteed projects in the sector. There is still a significant need to continue deepening our knowledge of the effectiveness of tourism projects in promoting the development of the region, although the Bank's efforts to include impact evaluations in project designs will yield significant information in this respect.³⁰

D. The Bank's comparative advantages in the region

- 4.10 Since its creation, the Bank has shown a strong commitment to the impact of the tourism sector on development in LAC, through sovereign-guaranteed and non-sovereign guaranteed loan and technical cooperation operations. The resulting lessons learned (Table 4) demonstrate the rich experience that has been achieved by the Bank, which has allowed it to develop comparative advantages with respect to other multilateral institutions. Over the last five years, it has been able to position itself not only as one of the main sources of financing in the sector, but also as a leading source of expertise. From 2009 to 2013, the Bank approved 18 sovereign-guaranteed tourism projects³¹ in nine countries, for a total of US\$1.008 billion. In contrast, the World Bank approved three projects in three countries over the same period, for a total of US\$160.61 million, while the Andean Development Corporation approved one project for US\$21.51 million. Looking ahead, the Bank's commitment to measuring the effectiveness of its interventions in the sector (Table 3) will ensure the availability of evaluations that can be used to improve project quality. These evaluations will also strengthen the Bank's knowledge base and capacities, enabling it to further capitalize on the tourism sector as an instrument for generating economic growth, social equity, and environmental sustainability in host communities and countries in the region.

³⁰ In 2012, the Bank began implementing a strategy to monitor the impact evaluation plans contained in sector projects approved since 2009. The first step in this strategy was the identification of representative projects in key thematic areas (i.e. protected areas and biodiversity, cultural heritage, and poverty alleviation). These were selected based on criteria of portfolio relevance. The Bank is paying particular attention to the design of baselines in these projects, as well as questionnaire design, sample selection, and the subsequent estimation of determining factors and the effect of these projects on key aspects such as race, ethnicity, and gender.

³¹ Includes 17 investment loans and one policy-based loan.

- 4.11 Since its realignment, the Bank has been able to support countries in developing their tourism sectors through comprehensive and simultaneous interventions that address the challenges of competitiveness, social inclusion, and environmental sustainability discussed in this SFD. Within the Bank's organizational structure, the tourism sector has been integrated into the environment, natural resources management, and disaster risk management sectors, all within the department that is also responsible for infrastructural issues. This has allowed the institution to respond in an innovative way to its clients' demand for multisector assistance in developing the sector. This aspect, in addition to its ability to promote synergies and complementary work with its private sector window (which has a direct tie to the tourism market), has allowed the Bank to offer a range of resources to the countries, which explains its leadership in the sector in LAC. Thus, while the Bank approved a total of US\$442 million over the 2002-2007 period for sovereign guaranteed operations and US\$42 million for non-sovereign guaranteed operations, from 2008 to 2014 it approved a total of US\$1.069 billion in sovereign guaranteed operations and US\$86 million through its private sector window.³² This reflects growing demand on the part of borrowing member countries for Bank support in the sector.
- 4.12 There are areas within the tourism sector in which the Bank—recognizing the institutional competence, expertise, and capacity already developed by other institutions—seeks to strengthen partnerships and foster joint actions. At the regional level, the Bank has a strategic partnership with the World Tourism Organization (UNWTO),³³ formalized through a Memorandum of Understanding signed by both institutions in 2004. This partnership is a key complement to the Bank's operational experience, and it acts to the benefit of the region's tourism sector thanks not only to the pivotal value of the UNWTO's power to convene, coordinate, and create consensus among actors,³⁴ but also to its ample experience in other regions of the world that may be of relevance to Latin America and the Caribbean.³⁵ Recent areas of collaboration have been related to: (i) support for the sustainable use of the region's cultural heritage for the purposes of tourism; (ii) promotion of the sector as a key driver of development, social inclusion, and regional integration (particularly in small island states); and (iii) the regional strengthening and harmonization of national tourism statistics systems. The Bank will deepen and widen this relationship through the participation and technical

³² Broken down as follows: US\$42 million in a regional facility of the Structured and Corporate Financing Department, US\$23 million from the Inter-American Investment Corporation, and US\$19 million from the MIF.

³³ The UNWTO is the United Nations specialized agency responsible for promoting the developmental contribution of tourism. It is the main international agency and global forum for tourism policies and know-how.

³⁴ Its membership includes 156 states, including six associate members and more than 400 affiliate members, the latter representing the private sector, academia, tourism associations, and local tourism authorities.

³⁵ The UNWTO has specific programs that offer direct and specific support to member states in each region of the world. These regional programs are directed at the Americas (including North America, Latin America, and the Caribbean), Africa, Asia Pacific, Europe, and the Middle East.

support of the UNWTO in implementing the Bank's knowledge agenda for the sector over the next three years (paragraph 5.6), as well as its operational activities—particularly those relating to the strengthening of tourism sector governance (paragraph 5.9).

- 4.13 The Bank has the necessary knowledge and experience to lead the technical dialogue with its borrowing member countries, their governments, and private borrowers, and with strategic partners, as well as to implement the analytical and operational agenda set out in section V. However, given the countries' increasing demand for support in this sector (paragraph 4.11), there is room for the Bank to strengthen its skills and response capacity, particularly in areas such as sector financing, public-private partnerships, creation of business shared value, corporate environmental responsibility, and impact evaluation. It is therefore important that the Bank's technical capacities and the knowledge of its human resources are kept up-to-date in these specialized areas.³⁶
- 4.14 Based on the empirical evidence, lessons learned, and the comparative advantages described, there are areas of intervention in the sector that will not be priorities for Bank actions over the next three years. These include: (i) interventions that are inconsistent with a long-term development plan for the destination that addresses the requirements of target tourism demand and is based on a strategic vision of competitiveness, social inclusion, and environmental sustainability; (ii) interventions based exclusively on the provision of infrastructure and basic services, without links to improvements in key tourism products for target markets; (iii) interventions in types of tourism involving value chains that make no effort to enhance the capture and distributional impact of the economic benefits of tourism at the local level and/or to conserve the natural and cultural assets on which development of the tourism activity is based.

V. GOALS, PRINCIPLES, DIMENSIONS OF SUCCESS, AND LINES OF ACTION TO GUIDE THE BANK'S OPERATIONAL AND RESEARCH ACTIVITIES

A. Goals and principles of the Bank's work in the tourism sector

- 5.1 Tourism in the region relies on exploiting the continent's rich natural and cultural assets, which are typically publicly-owned. Effective State intervention can therefore be justified in order to mitigate two types of problems that may occur with respect to sector development: (i) underutilization of relevant assets, which prevents the maximization of social benefits (income, employment, foreign exchange), particularly where the access of potential visitors to the assets is limited by physical conditions or management weaknesses; or (ii) overexploitation of assets, which affects the ability to create long-term economic benefits based on these assets (i.e. sustainability), particularly where stakeholder access is uncontrolled.

³⁶ The details of the associated strengthening plan will be presented in the context of annual budget discussions.

5.2 The Bank's goal in the sector is to promote the inclusive and sustainable economic development of tourism in LAC. Three basic principles will apply simultaneously to future interventions in the sector by the Bank's public and private sector windows.

- a. **Economic return principle:** interventions will seek to achieve an economic return that incorporates the evaluation of externalities affecting social welfare, with a view to increasing the net benefits derived from tourism activity, pursuant to the guidelines in the technical manuals prepared by the Bank for the tourism impact evaluation (paragraph 4.6).
- b. **Social principle:** interventions will support social inclusion, aiming to use impact indicators to monitor the benefits accruing to the local population that depends on the sector—particularly the poor and/or vulnerable groups of women, indigenous peoples, and Afro-descendants.
- c. **Environmental principle:** interventions will preserve the services of the ecosystems in which sector economic activities are carried out, in a manner consistent with Environment and Safeguards Compliance Policy OP-703, as well as the Bank's Special Program for Biodiversity and Ecosystem Services (document GN-2703).

B. Dimensions of success and their lines of action

5.3 To promote the inclusive and sustainable economic development of tourism, the three challenges faced by the sector in LAC (identified in section III) must be addressed in a comprehensive manner: (i) the weak exploitation of the region's tourism resources for product development, which affects sector competitiveness; (ii) the limited appropriation and distributional impact of these benefits among local and vulnerable populations, which affects the sector's ability to promote social inclusion; and (iii) the risk of degradation of the natural and cultural assets that provide the basis for tourism activities, affecting long-term sector sustainability. In this regard, this SFD proposes three dimensions of success—outcomes which it is hoped will be attained through its planned interventions—encompassing the economic, social, and environmental dimensions of the tourism sector. First, a tourism sector that generates greater economic benefits through the more effective exploitation of the region's tourism resources, demonstrating that the competitiveness challenge has been overcome. Under this first dimension of success, the market failures that lead to the underutilization of natural and cultural heritage in the sector will be addressed. Second, a local population (and poor and vulnerable groups in particular) that appropriates a larger share of the economic benefits generated by the sector, demonstrating that the challenge of local development and social inclusion has been overcome. Third, natural and cultural assets that are sustainably exploited by the sector so that economic benefits are maintained over time, demonstrating that the environmental sustainability challenge has been overcome. Under this third dimension of success, the market failures that lead to the overexploitation of natural and cultural heritage by tourism will be addressed.

- 5.4 Each of the three proposed dimensions of success gives rise to well-defined lines of action. These will guide the Bank's operational and knowledge activities to support LAC's tourism sector for the duration of the SFD period, through its public and private sector windows. These lines of action have been identified on the basis of interventions that have proven empirically to be more effective in promoting the inclusive and sustainable economic development of tourism: (i) developing and innovating tourism products within an effective tourism governance framework; (ii) placing the local, poor, and/or vulnerable groups at the heart of tourism development strategies; (iii) reinforcing the competitive position of local firms and human resources throughout the tourism value chain; and (iv) strengthening environmental management in the destinations.
- 5.5 Under the lines of action for each dimension of success, this SFD proposes a series of operational and analytical activities that the empirical evidence—together with the Bank's own lessons learned and project evaluations—has shown to be most effective for achieving the identified goal. In this respect, it is proposed that the Bank's operational activities in a country's tourism sector be approached in a comprehensive manner, based on a long-term destination development plan that responds to the requirements of target tourism demand and makes it possible to incorporate a strategic vision to boost sector competitiveness, social inclusion, and environmental sustainability. To this end, first it is proposed that the interventions adopt territorial and thematic approaches in destinations (particularly those belonging to regional tourist circuits) and demand segments that can compete successfully in the market. Second, and linked to the territorial approach, interventions in destinations will not be based solely on the provision of infrastructure and basic services. While these elements facilitate tourism activity, they are insufficient to develop or innovate tourism products and attract target demand. Third, and linked to the thematic approach, the distributional impact of the economic benefits derived and the potential for these to be captured at the local level will be considered when selecting the type of tourism or tourism subsector (including hotels) that will receive support from the Bank's operational activities. These activities will be executed by the sector and private sector divisions with organizational responsibility for the area concerned. Country strategies will specify the operational activities to be implemented in each case, consistent with the particular needs and conditions of each country.
- 5.6 The analytical activities proposed for the period of this SFD aim to begin strengthening the Bank's sector dialogue capacities, both at the regional level and with each country. This will be achieved through the generation and dissemination of key knowledge regarding the effectiveness of public policies where significant areas of uncertainty exist (paragraph 2.23) and measurement of the impact of our operational interventions on the sector in the region. Accordingly, it is proposed that analytical activities be undertaken through a knowledge program that focuses on (i) analysis of the impact of tax exemptions for the tourism sector in a sample of

the region's countries³⁷ (paragraph 2.13); (ii) analysis of the distributional impact of different types of tourism in a sample of the region's countries (Box 1); (iii) analysis of policy instruments to improve air connectivity for the purposes of tourism, particularly in the Caribbean and Central America (paragraph 2.7); and (iv) impact evaluations of representative sovereign-guaranteed and non-sovereign guaranteed operational interventions in each of the dimensions of success. These evaluations should focus on the key determinants in each case, distinguishing where appropriate by beneficiary income level, gender, or ethnicity, so as to continue to generate lessons going forward (paragraph 4.9).

1. Dimension of success 1. The economic benefits derived from tourism increase over time

- 5.7 The first dimension of success addresses the challenge presented by the weak level of exploitation of the region's tourism resources, which limits the competitiveness of the sector and the generation of economic benefits. Based on the international evidence and experiences laid out in section II, the activities planned in the lines of action under this dimension will prioritize interventions by the Bank's public and private sector windows to develop products that boost tourism expenditure in destinations, as an indicator of economic benefits stemming from the sector. The following line of action is proposed under this dimension.
- 5.8 **Line of action:** development and innovation of tourism products within a governance framework and business climate in the sector that are effective in boosting competitiveness and attracting private investment.
- 5.9 **Activities:** it is proposed that the Bank prioritize the following activities in its dialogue with the countries over the SFD period:
- a. Formulation, implementation, and evaluation of public policies for the sector aimed at (i) ensuring the efficiency and effectiveness of instruments to foster private investment in tourism (including the preparation and dissemination of studies regarding the impact of tax exemptions for the sector at the country level (paragraph 2.13)); (ii) improving the allocation and quality of public spending on the tourism sector; and (iii) facilitating cross-border travel by tourists.³⁸
 - b. Strengthening of the institutional framework at the national and subnational levels to improve planning and management in tourism destinations in the short, medium, and long terms, in particular through (i) support for partnerships and mechanisms to coordinate the public and private sectors and civil society (responding to the multisector nature of tourism activity); (ii) the

³⁷ This analysis will consider both the economic and fiscal impacts generated by these exemptions, as well as the effect that other factors (such as availability of public goods) can have on the effectiveness of such exemptions.

³⁸ Activities will be carried out in a manner consistent with the Sector Strategy to Support Competitive Global and Regional Integration (document GN-2565-4).

design and implementation of sector regulatory frameworks; and (iii) the development of systems for both tourism information (e.g. the Tourism Satellite Account and tourism statistics) and destination quality, including the harmonization of such systems at the regional level.³⁹

- c. Development⁴⁰ of publicly-owned natural and cultural assets (particularly in regional tourism circuits).⁴¹
- d. Provision of quality connectivity and basic services infrastructure for visitors in the destinations and regional circuits, while also addressing the needs of the resident population and emphasizing public-private financing and management mechanisms.⁴² This will include the preparation and dissemination of studies to define and evaluate efficient mechanisms to improve air connectivity for the purposes of tourism, particularly in the Caribbean and Central America (paragraph 2.7).
- e. Promotion of technological adoption and innovation throughout the tourism production chain to make it possible for the development, management, and/or marketing of tourism products, services, and destinations to be more effective, efficient, and competitive, coordinating private and public efforts to this end.
- f. Improvement of security conditions in the destinations, particularly those that belong to regional tourism circuits.⁴³ To this end, activities will be supported that are consistent with the Citizen Security and Justice SFD aimed at: (i) promoting the sector's institutional capacities in the areas of strategic planning, risk identification, information, management, monitoring, and evaluation of the safety of tourists and visitors; and (ii) strengthening the police in tourism matters, in particular through staff training and the use of technology.
- g. Design and implementation of cost-effective strategies for the promotion and marketing of tourism destinations and products, aimed at capturing target demand.
- h. Through the private sector window, development support, innovation, and improvements in quality and market access of private tourism services (including hotels) that generate net social benefits and have a positive

³⁹ Activities will be carried out in a manner consistent with the Sector Strategy to Support Competitive Global and Regional Integration (document GN-2565-4).

⁴⁰ Upgrading of heritage assets by means of physical installations and management tools that allow them to be visited and used by targeted tourism markets.

⁴¹ Activities will be carried out in a manner consistent with the Sector Strategy to Support Competitive Global and Regional Integration (document GN-2565-4).

⁴² Activities will be carried out in a manner consistent with the Transportation SFD (document GN-2740-3) and the forthcoming Water and Sanitation and Energy SFDs, where appropriate.

⁴³ Activities will be carried out in a manner consistent with the Sector Strategy to Support Competitive Global and Regional Integration (document GN-2565-4) and the Citizen Security and Justice SFD.

distributional impact, regardless of the size of the business or the purchasing power of the target tourist demand (paragraph 4.3.b).

- i. Preparation and dissemination of impact evaluations of representative projects within the lines of action in order to determine best practices, focusing on the key determinants in each case and distinguishing where appropriate, by the income, gender, and ethnic diversity of the beneficiaries.

2. Dimension of success 2. The share of economic benefits from tourism that is appropriated by the local population and vulnerable groups rises over time

5.10 This dimension seeks to address the challenge of ensuring that the benefits derived from tourism have a greater and more equitable impact on the local population and on vulnerable groups such as women, indigenous peoples, and Afro-descendants. To this end, the dimension focuses on correcting market failures that currently hinder social inclusion and the appropriation of benefits from tourism, through the reinforcement of local linkages within tourism value chains. Based on the evidence and experiences presented in section II, the activities planned within the lines of action under this dimension will prioritize interventions to increase the tourism multiplier effect, as well as the share of tourism expenditure that remains in the local economy and reaches target social segments. Two lines of action are proposed under this dimension:⁴⁴

5.11 **Lines of action:** (i) place the local population and/or poor households and other vulnerable groups, such as women, indigenous peoples, and Afro-descendants, at the heart of tourism development strategies, in line with market requirements; and (ii) expand the participation of the local communities and population in the tourism value chain, in line with market requirements.

5.12 **Activities:** it is proposed that the Bank prioritize the following activities in its dialogue with the countries over the SFD period:

- a. Design and implementation of social inclusion plans for the tourism sector, based on diagnostic assessments of the tourism value chain that make it possible to identify and implement opportunities for local participation and the inclusion of poor and vulnerable groups. This will include, in particular, the promotion of mechanisms that enable the inclusion of these groups in the sector's planning, development, and decision-making processes as well as the preparation and dissemination of studies of the distributional impact of different types of tourism (paragraph 2.18; Box 1).
- b. Promotion of credit and guarantee mechanisms for the financing of key stages of the tourism value chains, with emphasis on local MSMEs.

⁴⁴ The lines of action and the priority activities will be carried out in a manner consistent with Indigenous Peoples Policy OP-765 and Gender Policy OP-761.

- c. Technical assistance and training for local MSMEs and human resources in the tourism sector, with a view to adjusting the quality of service to the expectations and requirements of the target demand. This will include support for the formalization and promotion of job skill certifications issued by accredited agencies,⁴⁵ while ensuring equality of opportunity for women both in terms of employability in managerial and leadership positions and sector entrepreneurship capacity.⁴⁶
- d. Preparation and dissemination of impact evaluations of representative projects within the lines of action in order to determine best practices, focusing on the key determinants in each case and distinguishing by the income, gender, and ethnic diversity of the beneficiaries.

3. Dimension of success 3. The region's natural and cultural heritage is exploited in a sustainable manner by the tourism sector

- 5.13 This dimension addresses the challenge of ensuring the sustainability of natural and cultural assets involved in the development of the sector—particularly those assets with unrestricted access. Based on the evidence and experiences presented in section II, the activities planned within the lines of action under this dimension will prioritize interventions to expand the resources available for ensuring conservation of the natural and cultural heritage of destinations in the long term. One line of action is proposed under this dimension.
- 5.14 **Line of action:** strengthen environmental management in tourism destinations.⁴⁷
- 5.15 **Activities:** it is proposed that the Bank prioritize the following activities in its dialogue with the countries over the SFD period:
- a. Strengthening of regulatory frameworks and environmental monitoring and control systems for tourism activities in the destinations.
 - b. Preparation and implementation of strategic environmental evaluations of policies, plans, and programs in the area of tourism development.
 - c. Design and implementation of comprehensive disaster risk management plans—including those relating to the effects of climate change—in vulnerable tourism destinations.⁴⁸

⁴⁵ The activity will be carried out in a manner consistent with the guidelines set out in the Labor SFD (GN-2741-3).

⁴⁶ This activity will be carried out in a manner consistent with the Gender Equality in Development Policy (OP-761).

⁴⁷ The line of action proposed and its activities will be carried out in a manner consistent with the forthcoming Biodiversity and the Environment SFD.

⁴⁸ This will be carried out in a manner consistent with Disaster Risk Management Policy OP-704.

- d. Design and implementation of plans for the sustainable use of natural and cultural assets,⁴⁹ with emphasis on fragile ecosystems and protected areas, and including strategies for the monitoring and recovery of environmental quality in destinations, biodiversity, and the conservation status of the assets.
- e. Design and implementation of environmental certification systems aimed at tourism destinations, products, and firms.
- f. Preparation and dissemination of impact evaluations of representative projects within the lines of action in order to determine best practices, focusing on the key determinants in each case and distinguishing, where appropriate, by the income, gender, and ethnic diversity of the beneficiaries.

⁴⁹ Includes both tangible and intangible natural and cultural assets, and those linked to indigenous peoples and Afro-descendants.

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