



## GUIDELINES FOR THE “BEYOND TOURISM INNOVATION CHALLENGE”

### INNOVATIVE SOLUTIONS TO TRANSFORM AND REVITALIZE THE TOURISM SECTOR

#### 1. CONTEXT

The tourism sector is resilient by nature and has historically resurfaced from destabilizing and unforeseen events through stakeholder collaboration and innovation. Before COVID-19, tourism was one of the world’s largest economic sectors, supporting one in ten jobs (319 million) worldwide, and generating 10.4% of global GDP<sup>1</sup>. The sector has also contributed to SDG 8 “Decent Work and Economic Growth” encompassing the concept of sustainable tourism for development which supports social inclusiveness, **employment** and poverty reduction; and, **resource efficiency**, **environmental protection** and climate change (committed to reduce world CO2 emissions; conservation of heritage, wildlife and the environment; protection and biodiversity restoration).

According to the United Nations World Tourism Organization (UNWTO) **the tourism sector is one of the hardest-hit by the outbreak of COVID-19<sup>2</sup>**, and is at greater risk in the context of a weaker world economy<sup>3</sup>.

The Caribbean region is among the most tourism-dependent in the world. Just in The Bahamas, Barbados and Jamaica tourism accounted for between 31% and 43% of GDP in 2019 and between 33% and 52% of total contribution to overall employment. Other countries in the Caribbean region are expected to be affected in a similar way by a prolonged global health crisis, which may amplify the impact on their economic activity. In the Central American region<sup>4</sup>, the total contribution of the tourism sector to GDP was approximately 15% and 16% to overall employment, while for Belize alone it represented over 37% and 39%, respectively.

<sup>1</sup>World Travel & Tourism Council. March 2020. <https://www.wttc.org/about/media-centre/press-releases/press-releases/2020/open-letter-from-wttc-to-governments/>

<sup>2</sup> Taking the SARS scenario of 2003 as a benchmark and factoring in the dynamics of the geographic spread of COVID-19, UNWTO estimates that in 2020 global international tourist arrivals could decline between 1% and 3%, down from an estimated growth of 3% to 4% forecast in January 2020. This translates into a loss of US\$30 to 50 billion in spending by international visitors and a direct hit to SMEs that represent 80% of the sector, exposing millions of livelihoods, including vulnerable communities that rely on tourism.

<sup>3</sup> UNWTO. March 2020. Tourism and COVID-19. <https://unwto.org/tourism-covid-19-coronavirus>

<sup>4</sup> Mainly the Central American countries that are being targeted by the Beyond Tourism Challenge: Belize, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, Panama.

Given the significance of the tourism sector for the world economy, new models to further advance innovation in the sector are needed. Innovation can fuel the sector to recalibrate and emerge from this crisis ready to grow again and support global recovery efforts. A global crisis calls for global solutions forged by **strategic partnerships and solid collaboration developed among representatives from a variety of sectors** and levels under a “cluster approach”. The crisis offers an opportunity for the tourism sector **and its closely related supply chains to embrace digital transformation and boost innovation ecosystems in the public and private sectors.**

[IDB Lab](#) is supporting the sector’s revitalization through this Challenge focused on the following guiding questions:

- How can tourism organizations, governments, and related actors in the industry support the design of programs to prepare the **tourism workforce for the sector’s accelerated digital transformation**?
- How can tourism organizations, governments, and stakeholders currently working in the tourism supply chains work together to incorporate **eco-friendly measures to preserve natural resources and biodiversity**?
- How can the stakeholders who are part of the tourism value chain work together to meet the **growing demand for sustainable food systems**, the shift in global consumption patterns, and tourist preferences?

**Adoption of innovative technologies:** To compete at a global level and ensure consumer protection and confidence, the tourism sector needs to adopt innovations designed to improve the tourism experience and shape tourism offerings. Some examples include mobile technology to facilitate reservations and sharing experiences; virtual reality to bring remote locations closer to the traveler; Internet of Things (IoT) to customize the guest experience; biosecurity measures to warn and protect the travelers; and the use of big data for analytics to develop visitor profiles, insights and trends, among others.

A **skilled tourism workforce** is critical for the collective success of the sector. A qualified, well-trained, motivated and resilient workforce prepared to attract travelers and respond to the global tourism demands and expectations is essential. The industry must invest in up-skilling and reskilling its human capital and develop new talent by supporting entrepreneurship in tourism. Training opportunities geared towards new product development like nature, medical and wellness tourism should be supported. Well-prepared workforce should possess new skills useful for the recovery phase that are multidimensional, requiring a different mix of competencies that include the development of new products, marketing, market intelligence and digital skills in general. **These measures should be equally accessible to women and vulnerable groups, particularly youth, people with disabilities, rural and indigenous communities to establish a more inclusive and diversified supply chain.**

**Environmental sustainability.** Increased visits to main attractions create greater need to preserve biodiversity, not only to reduce the visitors’ footprint but to protect their health. Augmented numbers of visitors in fragile destinations require safeguarding biodiversity and

natural habitats, as disruptions of ecosystems can exacerbate infectious diseases. When ecosystems and species are disrupted and stressed, the risk of unleashing viruses from their natural hosts is higher<sup>5</sup>. Protecting nature and ensuring the sustainable use of natural resources play a significant role in the health of the tourist, and in the sustainable development of the sector.

Businesses in the tourism supply chains must reimagine tourism amenities while protecting the environment. Measures to conserve energy, water, and efficient and eco-friendly waste management processes such as upcycling, recycling should be embraced. **Transition to circular economy approaches** including agricultural and food waste management to reduce natural resource use and waste production, while designing new valuable by-products and co-products should be adopted. Likewise, **climate-smart agricultural innovations** are needed to meet the growing demand for sustainable food systems, and the shifting of global consumption patterns, with preferences and ethics that increasingly favor local and organic production (e.g., agro-tourism, nature-green tourism, from the sea to the table or farm-to-fork concepts, etc.). **There is an opportunity to improve coordinated action across all actors (producers, distributors, consumers, and others) in the tourism value chain to enhance the resilience of the sector as a whole.**

## 2. THE CHALLENGE

The Inter-American Development Bank (IDB), (IDB – as administrator of the Multilateral Investment Fund), through its innovation laboratory (IDB Lab), seek to identify business models that aim to transform and revitalize the tourism sector in **15 target countries: Bahamas, Barbados, Belize, Costa Rica, Dominican Republic, El Salvador, Guatemala, Guyana, Haiti, Honduras, Jamaica, Nicaragua, Panamá, Suriname and Trinidad and Tobago.**

To be considered, these models must have the following four characteristics:

- A. Introduce innovations in at least one of the two defined categories
  - 1) **workforce development**, or
  - 2) **environmental sustainability**, which includes safeguarding biodiversity, and adopting waste management, **circular economy models**, and **smart agricultural practices**
- B. Use innovative and disruptive technologies;
- C. Demonstrate financial sustainability; and
- D. Contribute to the country's economic, social, and environmental impact.

## 3. WHO CAN PRESENT PROPOSALS?

Applicants from the 48 member countries of the IDB Group are invited to participate, including innovators and entrepreneurs with **ready-to-implement solutions**, destination marketing organizations, businesses, public innovation agencies, social enterprises, NGOs, and similar applicants with demonstrated expertise in the tourism sector. **Applicants not**

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<sup>5</sup> <https://blogs.iadb.org/sostenibilidad/en/what-is-the-link-between-covid-19-and-the-ecological-and-climate-emergencies/>

located and registered in the target country where the project will be implemented, will only be considered if applying in partnership with a local organization registered in said target country.

IDB Lab will evaluate the capacity and track record with the IDB Group of the applicant organizations (the “Applicant”) to implement the proposed innovative business model. The models will also be analyzed to obtain evidence of their viability.

#### 4. AWARDS: IDB Lab Financing and participation in IDB regional networking events.

IDB Lab may consider the Applicants whose proposals are selected to receive financing to implement the proposed tourism business model in one of the 15 target countries.

Applicants whose proposals are selected will also be included among IDB Lab’s network of global innovators working in the region to exchange knowledge, experiences, best practices, and may have opportunities to participate in networking events organized by the IDB Group and its partners.

Selected Applicants will receive IDB funding once:

- (a) The proposed business model has been duly analyzed to obtain evidence of its viability;
- (b) The Applicant’s capacity to manage the financial resources and project execution experience has been evaluated; and
- (c) A legal written agreement to use IDB Lab funding and counterpart resources towards the implementation of the selected model/project has been signed by both parties (IDB Lab and selected Applicant cleared through the analysis process).

#### 5. TYPES OF FINANCING AVAILABLE AND REQUIREMENTS

Applicants can present their proposals and apply for a financing instrument that best fits their business model. These include non-reimbursable and/or reimbursable financing.

Please note that Applicants should be able to contribute at least 50% in **counterpart funds** for project budget (IDB 50% + Partner 50% = 100% Total Project Cost).

##### A- Grant (non-reimbursable financing)

- This type of financing is offered generally to NGOs, nonprofit organizations, or companies that implement innovative models with limited earning potential, but with clear social and environmental impact.
- Amount Range: between US\$250,000 – US\$500,000.
- Counterpart funds to be provided by the Applicant: 50% of the total budget, half in cash and half in kind.
- IDB Lab grant financing may not be used for: purchase of land or construction of infrastructure. Not more than 30% of IDB Lab financing may be used for equipment purchase, including software or other products. In addition, IDB Lab does not cover overhead, and there are some restrictions on financing administrative costs.

- IDB Lab grant financing may be used for technical assistance (individuals, firms or specialized agencies), specialized consulting services, trainings, events and workshops, production or reproduction of material (assessments, guides, manuals, infographics, etc.), travel expenses, communication materials (videos, case studies, etc.) and others needed to achieve the outcome of the project.
- Implementation period: Grants will be implemented during a period between 12 and 36 months from signing the legal agreement. The business model supported by the grant must achieve its objectives during this period.
- Required eligibility documents that need to be uploaded with the application:
  - Written evidence of counterpart resources to implement the model (similar to a letter of interest or commitment).
  - Registration (this must be a legal document establishing the Applicant as registered or authorized by the government to do business. Organizations with temporary authorizations/licenses to operate in the country where the project will be implemented will not be accepted):
    - i) Applicant **registered in the target country** where the project will be implemented: copy of Applicant's proof of legal constitution and incorporation under the laws of the target country where the project will be implemented.
    - ii) If applicant is registered in **one of the 48 IDB member countries other than the target country** where the project will be implemented: copy of Applicant's proof of legal constitution and incorporation under the laws of one of the IDB member countries, plus a copy of a collaboration/joint venture agreement with an Applicant registered in the target country where the project will be implemented.
  - Copy of the Applicant's bylaws and other documents on its corporate governance.
  - Copies of Applicant's latest annual financial statements for the last 2-3 years (2017-2019), of which the last one has been prepared by an external auditing firm.

## B- Loan (reimbursable financing)

- This type of financing is offered generally to private organizations that are already profitable and growing. It can also be offered to financial intermediaries.
- Amount Range: between US\$500,000 – US\$2,000,000.
- General conditions for the loans: medium to long-term tenor; grace period of up to 2 years; market interest rate; US\$ denominated. Specific loan conditions will be negotiated on a case-by-case basis depending on the proposed use of the funds, the business plan, the financial situation of the Applicant (assets, liabilities, equity, profitability) and the financial projections, among others.
- Counterpart funds to be provided by the Applicant: 50% of the total budget, half in cash and half in kind.
- IDB Lab loan financing may not be used for: purchase of land, purchase of shares in a company or repayment of other debts, among others. In addition, IDB Lab does not cover overhead, and there are some restrictions on financing administrative costs.
- IDB Lab loan financing may be used for: capital expenditures (such as equipment, machinery, software and other products) and working capital.



- Implementation period: once loan contract is signed, loan resources will be available for disbursement for a period of up to 2 years, after which the unused funds will be returned to IDB Lab. The loan amortization period will be negotiated on a case-by-case basis but will never be longer than 7 years from the date of contract signature.
- Required eligibility documents that need to be uploaded with the application:
  - Written evidence of counterpart resources to implement the model (similar to a letter of interest or commitment).
  - Registration (this must be a legal document establishing the Applicant as registered or authorized by the government to do business. Organizations with temporary authorizations/licenses to operate in the country where the project will be implemented will not be accepted):
    - i) Applicant registered in the target country where the project will be implemented: copy of Applicant's proof of legal constitution and incorporation under the laws of the target country where the project will be implemented.
    - ii) Applicant is registered in one of the 48 IDB member countries other than the target country where the project will be implemented: copy of Applicant's proof of legal constitution and incorporation under the laws of one of the IDB member countries, plus a copy of a collaboration/joint venture agreement with an Applicant registered in the target country where the project will be implemented.
  - Copy of the Applicant's bylaws and other documents on its corporate governance.
  - Copies of the Applicant's latest annual financial statements for the last 2-3 years (2017-2019), prepared by an external auditing firm. Companies that do not have externally audited financial statements will not be eligible for loan financing.

## 6. EVALUATION CRITERIA

Applications will be evaluated according to the criteria indicated below:

**Level of innovation of the model/Use of disruptive technologies (20%).** The Tourism Sector needs to embrace the digital transformation. IDB Lab is interested in supporting innovative business models rooted in technologies that can be piloted or scaled in order to: i) develop the skills of the tourism **workforce**, able to respond to the growing tourist demands and expectations, and/or ii) safeguard the **environment** by promoting sustainable practices like waste management (upcycling, recycling, and **circular economy models**), and use **climate smart agricultural practices** to supply the growing demand for sustainable food processes in the tourism industry.

**Degree of social and environmental impact (15%).** What is the impact on groups, communities and clients who will be involved with and/or benefit by the model/solution? How will the solution contribute to the sustainable development and expansion of enterprises, the workforce, and the environment, to ultimately impact economic growth

through the promotion of competitiveness, entrepreneurship, job creation and the improvement of lives?

**Excluded groups and communities (women, indigenous, disabled, etc.) or low-income populations (5%).** Special consideration will be given to models targeting these excluded groups and communities.

**Scalability potential (15%).** To what extent will the proposed model be scalable? Who would be the key scaling partners? Do these partners come from the private or public sectors?

**Financial sustainability of the next 3-5 years (15%).** IDB Lab is interested in the plan of the Applicant to attract additional investment or funding sources to sustain and grow operations, as well as how the business model expects to achieve financial sustainability after IDB Lab resources are exhausted. What is the revenue-generation model? In the case of loan applications, the ability of the Applicant to repay the loan will be closely examined.

**Capacity of the Applicant and its strategic partners (15%).** Why is(are) the Applicant(s) the best suited to implement the proposed project? What are your strengths? What is your capacity to manage the financial resources to develop the model? What is your level of expertise in the areas of Tourism and by extension the focus subsectors (workforce development and environmental sustainability)? How knowledgeable are you of cutting-edge technology and its application to your business? How willing are you to learn and adopt disruptive technology to aid in the growth and development of the sector? Has the Applicant or its members/shareholders ever received financial aid from the IDB Group? If so, please indicate projects, status and results achieved.

**Viability of execution and risks (15%).** What are the current obstacles for growth? What are required the implementation arrangements? What conditions will enable smooth implementation? IDB Lab needs to understand the risks that might affect the successful implementation of the project and achievement of the planned outcomes. How will these risks be mitigated?

## 7. HOW TO PARTICIPATE

The application process for all Applicants consists of two steps:

### Step 1: Complete online application

- ✓ Submit your proposal through the [online platform](#) within the timeframe specified (see Section 9). Final submission deadline is July 31, 2020 (midnight EST). Proposals will be examined only if they fully comply with the evaluation criteria and requirements described above. IDB Lab reserves the right to contact Applicants at any time during the application process.
- ✓ Note that you must **create an account** in order to access the [online platform](#).
- ✓ Upload estimated budget using template provided and submit through the [online platform](#).

## Step 2: Upload Eligibility Documents

Eligibility of the Applicant will be verified through several documents, which must be uploaded in the system. Legal documents can be sent or translated in one of the four official languages of the IDB Lab (English, Spanish, French and Portuguese). IDB Lab is not responsible if the files cannot be opened.

Documents required:

- 1) Written evidence of counterpart resources to implement the model (letter of commitment or interest).
- 2) Registration (this must be a legal document establishing the Applicant as registered or authorized by the government to do business. Organizations with temporary authorizations/licenses to operate in the country where the project will be implemented will not be accepted):
  - i) **Applicant registered in the target country where the project will be implemented:** copy of Applicant's proof of legal constitution and incorporation under the laws of the target country where the project will be implemented.
  - ii) **If Applicant is registered in one of the 48 IDB member countries other than the target country where the project will be implemented:** copy of Applicant's proof of legal constitution and incorporation under the laws of one of the IDB member countries, plus a copy of a collaboration/joint venture agreement with an Applicant registered in the target country where the project will be implemented.
- 3) Copy of the Applicant's bylaws and other documents on its corporate governance.
- 4) Copies of the Applicant's annual financial statements for the last 2-3 years (2017-2019), prepared by an external auditing firm. Loan applicants must comply to be eligible.

## 8. SELECTION PROCESS

The process will have three phases. IDB Lab reserves the right to update, modify, cancel or suspend this process at any time, without any prior notice.

### Phase I

After completing your application on the [online platform](#), and uploading the required documents, an IDB Group technical team will review, analyze, and pre-select the proposals.

### Phase II

Due diligence visits or interviews with the pre-selected Applicants will be conducted to verify the viability of the model. Pre-selected applications will also be reviewed by an Advisory Panel. Subject to the outcome of the due diligence, the pre-selected proposals will proceed to Phase III.



### Phase III

IDB Lab will select proposals according to the evaluation criteria described in Section 6 above. Selected proposals will be announced as per timeline established (see Section 9 below). Once the best way to implement the model has been assessed, a project team from IDB Lab will provide support to the selected Applicant(s) to initiate the design of the project (which includes developing a project plan and other documents necessary to request official internal IDB approval). This process may last up to six months, depending on the maturity of the model and the implementing capacity of the selected Applicants.

\*Note that final approval is subject to internal IDB procedures with the understanding that for a project to be selected to receive IDB Lab funds, it must have been approved by all those directly involved in the IDB and IDB Lab approval process. Likewise, a legal agreement must be signed which sets forth how IDB Lab financing and the counterpart resources will be used to implement the model.

## 9. TIMELINE

- Digital Launch: June 15, 2020
- Proposal Submission: June 15 – July 31, 2020
- Final Submission Deadline: July 31, 2020 (midnight Eastern Time)
- Review of Applications (pre-selection, due diligence, final selection): August 2020
- Expected Announcement of Selected Proposals: September 2020

DATES ARE APPROXIMATE AND SUBJECT TO CHANGE

### [FREQUENTLY ASKED QUESTIONS](#)

PLEASE E-MAIL QUESTIONS TO: [BeyondTourism@iadb.org](mailto:BeyondTourism@iadb.org)

## NOTICE AS TO DISCLAIMERS AND RESERVATION OF RIGHTS

The IDB reserves the right to eliminate participants at any part of the process and this decision shall be final and binding. The IDB may decide to not select an Applicant if the submissions did not meet the requirements or did not have sufficient quality.

The IDB may search for publicly available information regarding Applicants and may seek to verify details referenced in the application. The IDB reserves the right to cancel the competition at any time.

All decisions of the IDB are final and binding, with no process for appeal.

Applicants that submit content that is offensive, illegal, etc. and those that disparage the IDB or other sponsors will be eliminated.

IDB will not consider participants who are ineligible to participate in IDB projects or contracting under its sanctions protocol.

Applicants must attest that the submittal is original and that they are not infringing on any copyrights or other intellectual property. Any such infringement may result in disqualification. Applicants are responsible for all content such as photos, images, videos, graphics, written content, audio files, information, or data uploaded or submitted.

The IDB will not be responsible to maintain the intellectual property of the proposals submitted.

In order to receive IDB funding, selected Applicants must sign an agreement with the IDB which includes relevant commitments, representations, and grants of indemnity by the Applicant.

IDB reserves the right to disseminate and share the identity of the Applicants and any other information deemed relevant.

These terms and conditions may be updated at any time and will be made available to all participants online.