UNWTO
World Tourism Organization

UNWTO INVESTMENT GUIDELINES

STRATEGIES TO SAFEGUARD TOURISM INVESTMENTS DURING COVID-19

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With the kind collaboration of:

WAIPA World Association of Investment Promotion Agencies

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These second *UNWTO Investment Guidelines – Strategies to Safeguard Tourism Investments during COVID-19* have been developed and prepared by Miguel Ángel Figueroa, Senior Expert, Department of Innovation, Education and Investments, and Ahmed Omic, Research Consultant WAIPA, under the supervision of Natalia Bayona, Director, Department of Innovation, Education and Investments.

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FOREWORD

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The COVID-19 pandemic has hit hard investments in the tourism sector. Announced foreign investment in the tourism sector fell from USD 48.5 billion in 2019 to USD 12.6 billion in 2020. This represents foreign direct investment (FDI) into tourism plummeted by 73.2% in the first half of 2020, compared with the same period in 2019. The drop in the tourism sector is among the highest, especially when comparing with the global FDI that collapsed by 35% in 2020. As a result, the sector has lost USD 1.3 trillion in export revenues in 2020 which suggests around 100 million to 120 million direct tourism jobs at risk with an estimated loss of over USD 2.5 trillion in global GDP.

As the global FDI remains weak in 2021. The demand for international travel remained very weak at the beginning of 2021, as well, international tourist arrivals plunged by 87% in January 2021. In this context, the World Tourism Organization (UNWTO) has prioritized *investments* as one of our key areas as we move forward towards the economic tourism recovery. We believe that sustainable investments and its cross-sectorial impact has a multiplier power to strengthen strategic large regional projects, but also the promotion of investments that stimulates entrepreneurship and innovation of micro-, small- and medium-sized enterprises (MSMEs), which along with tech startups are an important driver of innovation and job creation.

For this purpose, we joined forces with the World Association of Investment Promotion Agencies (WAIPA) to strengthen the capacities of our Member States to take measures to safeguard, attract and promote tourism investment projects during and after the pandemic for a faster economic recovery. We expect a rebound in international travel in the second half of the year, if major travel restrictions are lifted and traveller confidence improves, especially due to the large pent-up demand. However, such improvement largely depends on the containment of the pandemic, which itself relies on the success of the vaccination programmes and the effective coordination of health and safety travel protocols, among other factors.

Therefore, in the midst of the pandemic, and against a backdrop of continued uncertainty, as we enter the second half of 2021, we hope this new *UNWTO Investment Guidelines – Strategies to Safeguard Tourism Investments during COVID-19* will provide practical measures and strategies to safeguard investments and formulate strategies for a sustainable recovery.

INTRODUCTION

BY BOSTJAN SKALAR
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The COVID-19 pandemic heavily disrupted the tourism industry leaving a deep imprint on its structure. The World Tourism Organization (UNWTO) and World Association of Investment Promotion Agencies (WAIPA) hence joined forces to develop this report outlining the key trends in the tourism industry and strategies to safeguard tourism investments during these unprecedented times that can contribute to the industry resilience and future recovery.

Tourism is a labour-intensive industry that involves numerous economic activities making it one of the key sectors for economic development. Due to these characteristics, it is part of most countries' development agendas. Investment promotion agencies (IPAs), institutions primarily established by their respective governments to promote and facilitate flows of overseas investments, can play an important role in the development of a country's tourism industry. Moreover, foreign direct investments (FDIs) are widely recognized as important source of overall economic growth, and IPAs are commonly the first entity contacted by foreign investors, giving the investors a main role in the overall site selection process.

The tourism sector is highly exposed to the impact of the pandemic. The entire value chain, including airlines, hotels, restaurants, attractions, travel agencies, communities, direct and indirect providers, etc., has experienced severe disruptions. Overall international tourism arrivals dropped by a staggering 73% in 2020 as countries worldwide have imposed travel restrictions to suppress the spreading of the virus. Furthermore, the global FDI into tourism dropped by almost 74% in the first half of 2020. IPAs are playing a significant role in alleviating the impact of COVID-19 on investments by underpinning aftercare and policy advocacy services enabling existing investors to continue their operations.

The recovery of international tourism arrivals is depending on several factors, mainly a continued and efficient roll-out of COVID-19 vaccines and the effective coordination of health and safety travel protocols that shall result in significant improvement in traveller confidence and a major lifting of travel restrictions. Due to the uncertainty, investors are likely to step back from the allocation of capital to greenfield projects. However, certain drivers could incentivize investments in a post-pandemic tourism sector, such as new consumer behaviour, innovation and technology, travel tech startups, green investments, and cross-border mergers and acquisitions.

To safeguard tourism investments in the current landscape, a holistic approach of IPAs and their respective governments is required. In the short term, IPAs need to focus on retention and survival of existing investors in the realm of tourism while governments should offer support via incentives including direct financial support for debt obligations, tax rebates/relief, various form of subsidies, employment support, to name only a few. In the medium/long term, it is necessary to rethink the tourism investment strategy considering the long-term implications of the crisis on the tourism sector.

1. THE COVID-19 IMPACT ON THE TOURISM SECTOR AND INVESTMENTS

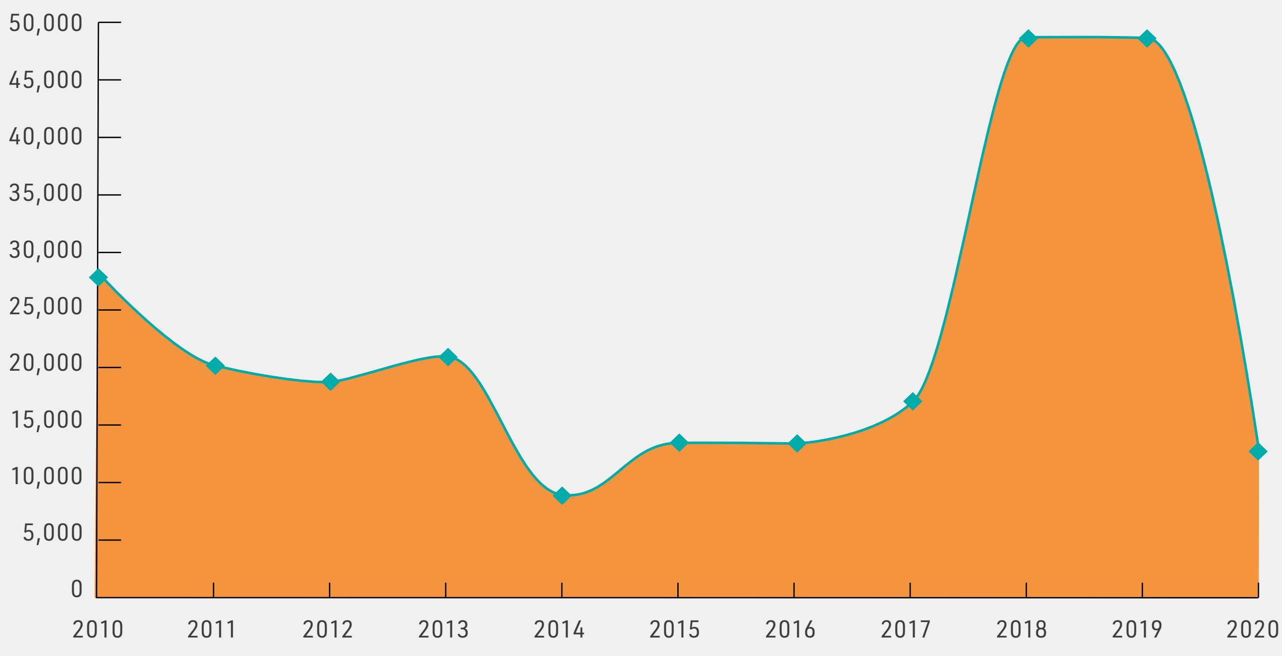
1.1 FOREIGN DIRECT INVESTMENTS IN TOURISM DURING THE COVID-19 PANDEMIC

The COVID-19 pandemic has led to a collapse in international tourism in 2020. By the second quarter of 2020, the mayority of global destinations had introduced restrictions on travel. As a result, destinations recorded as many as 1.1 billion fewer international arrivals in 2020, translating into an estimated loss of USD 1.3 trillion in export revenues.[1] Due to its labour-intensive nature,[2] employment in tourism was hit particularly hard. International arrivals dropped by 73% in 2020, putting 100 million to 120 million direct tourism jobs at risk, many of them in small and medium-sized enterprises.[3]

Global foreign direct investment (FDI) collapsed in 2020, falling by 35% to estimated USD 1 trillion, from USD 1.5 trillion in 2019. According to UNCTAD, FDI finished 2020 almost 20% below the levels though after the global financial crisis in 2009. This decrease affected mostly FDI investments in developed countries, where FDI flows fell by 58% to an estimate of USD 312 billion. In developing countries FDI dropped by 8% to an estimate of USD 663 billion, which shrank by 58% to USD 24 billion. Affecting a decline across all types of investments, including the value of announced greenfield projects (-42%), the number of cross-border project finance deals (-14%).[4]

The COVID-19 pandemic has particularly impacted investments in the tourism sector. Data suggests that global FDI into tourism plummeted by almost 74% in

Figure 1.1: Announced foreign direct investment in tourism (USD million)

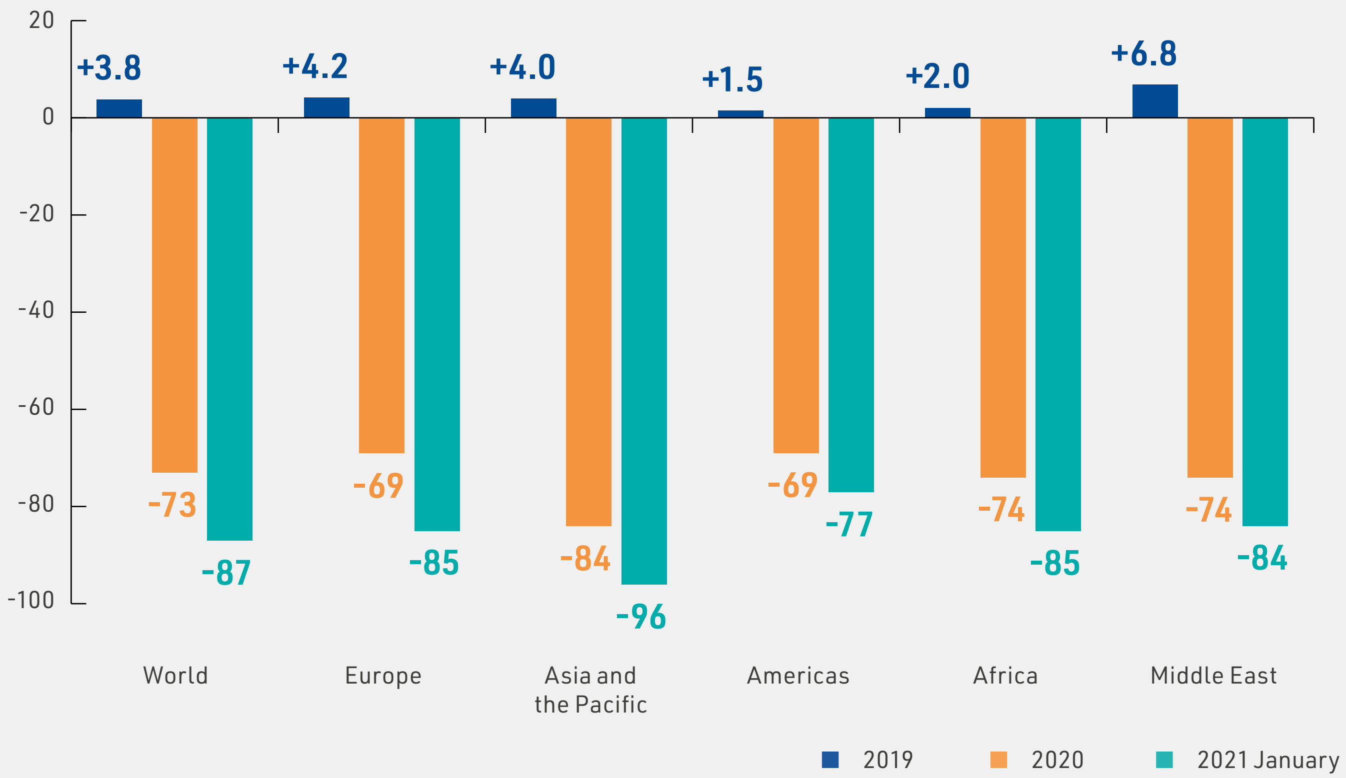


Source: UNWTO data analysis based on fDi Intelligence (2021).

the first half of 2020, compared to that of 2019[5] putting an end to the period of record high volumes years. Based on an analysis using the fDi Markets data, announced foreign investment in the tourism sector fell from USD 48.5 billion in 2019 to USD 12.6 billion in 2020.[6] Furthermore, when analysing data related to consumer behaviour, the real estate sector was considered (particularly commercial real estate), which was also heavily affected by COVID-19. Foreign investment in the sector fell to USD 34.3 billion in the year, decreasing in 49.2% from a year earlier (USD 69.4 billion), according to fDi Markets. Most of the data analysed considered greenfield investments, where around 57% was in accommodation, most of which in construction projects considered traditional tourism investments.

Following the unprecedented 73% drop in international tourism recorded in 2020. Demand for international travel remained very weak at the beginning of 2021, according to the *UNWTO World Tourism Barometer,* international tourist arrivals (overnight visitors) plunged by 87% in January 2021. This follows a decline of 85% in the last quarter of 2020. With 32% of destinations worldwide showing complete border closures in early February and another 34% with partial closure, UNWTO expects international tourist arrivals to be down about 85% in the first quarter of 2021 over the same period of 2019. This would represent a loss of some 260 million international arrivals when compared to pre-pandemic levels.[7] Therefore, considering the above-mentioned data and the correlation between the flows of people represented in the demand of services in the tourism ecosystem, we might expect a similar decrease in FDI especially regarding greenfield investments. However, this should not be considered a forecast for investments, but it could serve as a proxy to analyse consumer behaviours and investment intentions during this time of uncertainty.

Figure 1.2: International tourist arrivals (% change)



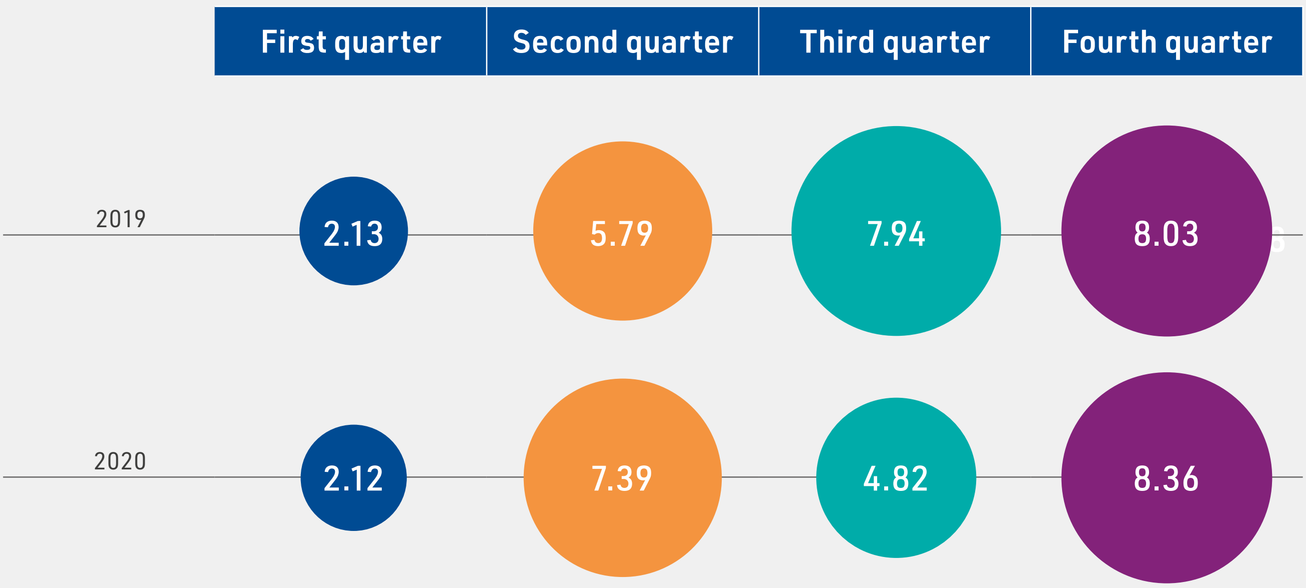
Source: World Tourism Organization (2021g) and (2021f).

1.2 VENTURE CAPITAL TRAVEL TECH INVESTMENTS DURING COVID-19

Even though venture capital (VC) might not be traditionally within the scope of the work of investment promotion agencies nor measure as greenfield FDI, its capital formation has been increasing as part of the non-traditional investments in the tourism sector. According to the UNWTO Investment Guidelines, investments related to services around software technologies that include travel arrangement and reservation services, Internet publishing and web search engines represented around 32% of total FDI announced investments between 2015 and 2019.[8]

Hence, VC investments cannot be ignored in the sector; globally, VC investments hit an all-time high in the first quarter of 2021 with a total of USD 100 billion, according to Crunchbase data.[9] In the travel tech sector, venture capital (VC) investments have experienced continuous growth throughout the last decade as presented in the latest UNWTO *Travel Tech Startup Ecosystem and Investment Landscape* report.[10] Two non-traditional investments in the tourism sector are VC investments in travel tech and corporate venture capital (CVC) as a whole; both VC and CVC have been growing. Around USD 455 billion have been invested in travel and mobility

Figure 1.3: Value capital (VC) funded value travel tech startups, 2019 and 2020 (USD billion)



Note: Estimated data for 2020, based on registered public announcements susceptible to final statements.
Source: World Tourism Organization, based on Crunchbase (2020).

Figure 1.4: Top industries travel tech startups funded, 2010–2020 (investments above USD 1 million)

Note: Investments excluding initial public offerings, mergers and acquisitions (M&As) and large assets investments.
Source: World Tourism Organization, based on Crunchbase, 2020.

tech startups from 2010 to 2019.[11] Surprisingly, despite the 2020 drop in global investment,[12] the amount of funding towards the travel tech sector remained constant compared to 2019. Figure 1.3 shows VC investment flows towards travel tech startups by quarters in 2019 and 2020. It is important to note that the values do not account for the Airbnb initial public offering (IPO) which raised about USD 3.5 billion, reaching a current market valuation of USD 75.4 billion.[13]

Investors are prioritising innovation and research and development (R&D) capabilities in their decision-making, as COVID-19 sharpens their focus on high value-added investments, as presented in the FDI confidence index developed by the Kearney Global Business Policy Council in its recent survey of 500 business leaders.[14] Therefore, these investments are part of the global funding in the VC sector that experienced significant growth during the pandemic, reaching USD 87 billion during the third quarter of 2020. Alongside the investment in unicorn startups[15], large flows of non-traditional investments were recorded during 2020 and the first quarter of 2021.

Based on disaggregated data from those VC investments, there are several subsectors that include a range of different industries that are intertwined and part of the tourism value chain. According to the first *UNWTO Investment Guidelines,*[16] these are emerging non-traditional tourism subsectors outputs from the flows of capital allocated to travel tech innovations. The figure below represents an evolution from solutions focussed on search and booking platforms to solutions focussed on transportation, healthcare, food and beverage, financial services and – lately – remote and virtual events, among others. The analysis is based on the number of investments within the past ten years (2010–2020).

The COVID-19 pandemic opened up investment opportunities for solutions related to virtual event platforms, such as video conferencing technologies, to substitute in-person meetings and business travel during the lockdowns and travel restrictions. Despite its features, these solutions will not substitute human interaction, cultural experiences or the several human-center activities around business travel. However, these solutions might be complementary to business events or conferences, combining virtual interaction with traditional in-person meetings, increasing hybrid forms of interaction.[17]

Besides the increase of virtual events and remote working solutions, the COVID-19 pandemic opened up other new opportunities that are relevant as we recover from the pandemic. For instance, those related to safety, health, air quality, energy, biosecurity, sustainability, and others. In the short and medium term, there are several opportunities for technologies that support the hospitality sector recovery, as they re-invent business models and adapt to the new protocols of biosecurity or social distancing, among others. Furthermore, there is a huge opportunity for green investments not only on the infrastructure space where investment is required to retrofit and remodel assets, but also for travel tech startups with solutions related to increase energy efficiency and reduce greenhouse gas emissions.

For instance, the UWNTO is collaborating with the International Finance Corporation (IFC) in a programme called TechEmerge that connects innovators from across the globe with private sector businesses and other clients in emerging markets to pilot cutting-edge solutions and build commercial relationships where they are needed most. For this purpose, a pilot was developed focussing on "Cooling Solutions" to serve the hospitality sector in India.

This initiative made a case for how technologies could accelerate green solutions and how several stake-holders could collaborate to solve climate change and increase investments in emerging markets, providing access to capital to early-stage ventures that needed to grow their market shares and scale their solutions. It also provided an innovative approach to fund the adoption of green technologies in the private sector.

Case Study 1.1: TechEmerge Cooling Solutions – IFC TechEmerge Sustainable Cooling

Purpose

Accelerate the adoption of energy-efficient, affordable, climate-smart cooling technologies and business models in the growing hospitality sector.

Criteria:

- Innovations must respond to the cooling needs and challenges of hospitality adopted collaborator and be scalable to other hospitality brands.
- Solutions should be clean, sustainable, resource-efficient, demonstrate strong value for money and have the potential to scale.
- Innovations should enable thermal comfort in built environments without compromising the functionality of public areas, guest rooms, banquet halls, kitchens, laundries or other spaces.
- Innovators must allocate time and resources to participate in the programme's virtual meetings and matchmaking events, and implement pilot projects on the ground.
- Priority will be given to proven solutions/ innovations that have been installed in at least one commercial setting. Innovations at the product development stage will also be considered.

Technologies:

- Internet of things (IoT);
- Artificial intelligence (AI)/business intelligence (BI) augmented systems leading to overall efficiency;
- Plant room high side equipment optimization;
- Heating, ventilation and air conditioning (HVAC) low side system optimization and indoor environmental quality solutions; and
- Passive cooling solutions.

Source: UNWTO, 2021 based on https://www.techemerge.org/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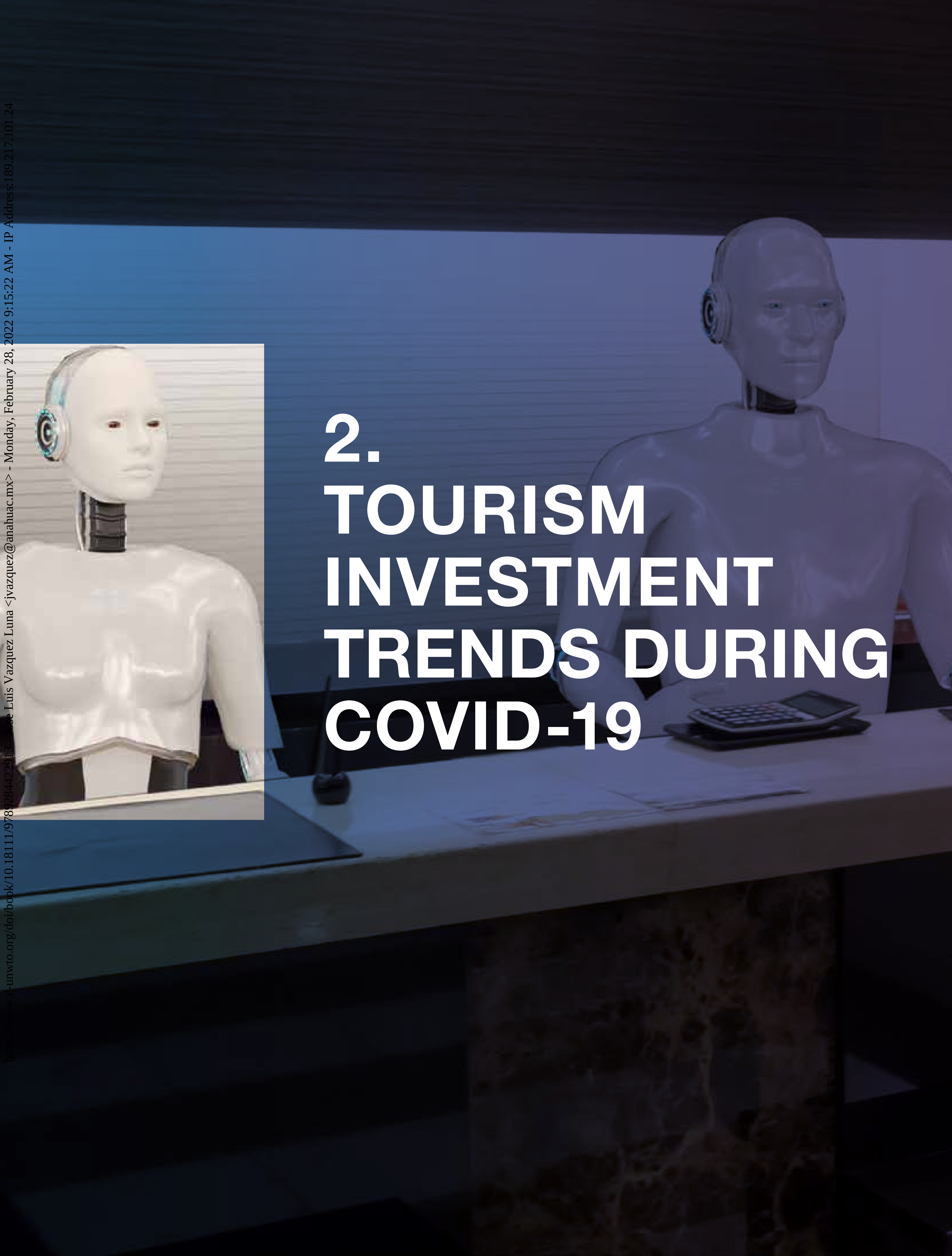
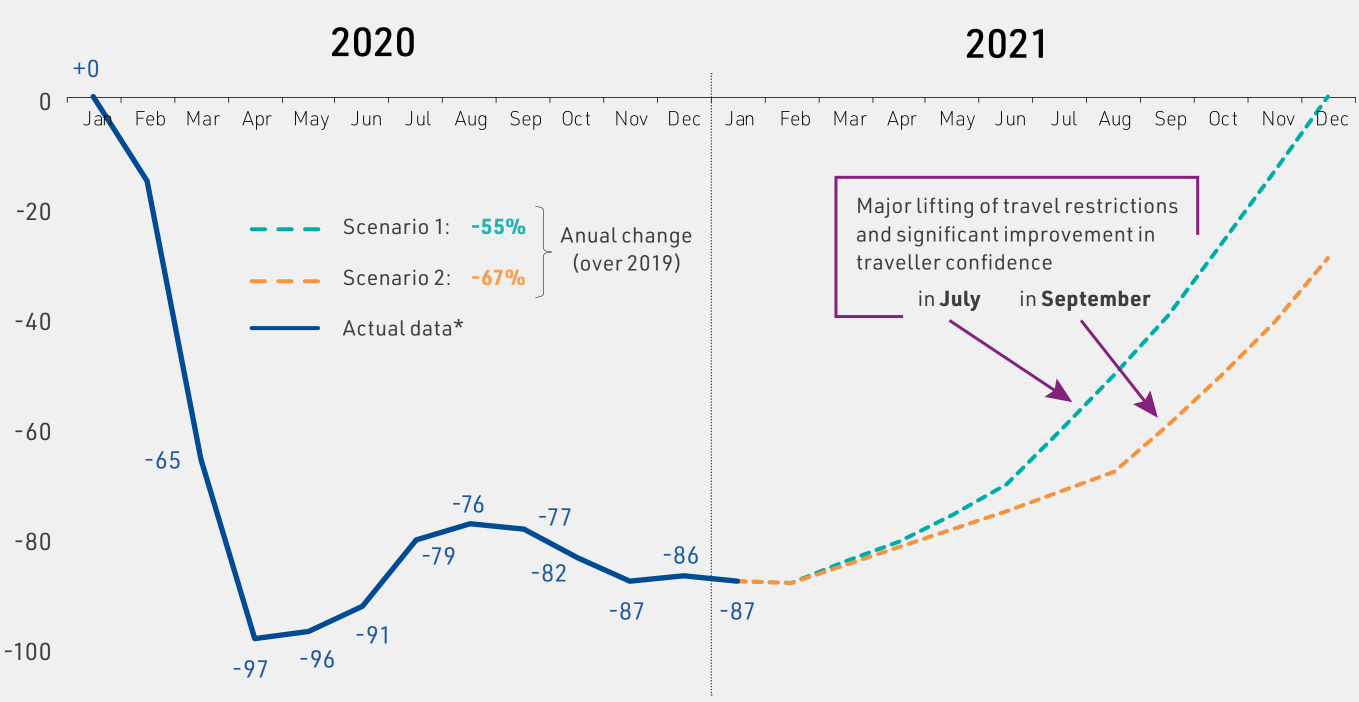


2. TOURISM INVESTMENT TRENDS DURING COVID-19

After a 73% plunge in international tourism in 2020, and a 87% drop in January 2021, the outlook for 2021 and beyond remains uncertain and highly dependent on the evolution of the health crisis, openness of destinations and consumer behaviour. In the short term, UNWTO has outlined two scenarios for 2021: the first scenario points to a rebound in international travel in the month of July, which would result in a 66% increase in international arrivals for the year 2021 compared to the historic lows of 2020. The second scenario considers a potential rebound in September, leading to a 22% increase in arrivals compared to 2020, but a 67% decline compared to 2019. These scenarios consider a number of factors such as a gradual improvement of the epidemiological situation, a continued roll-out of COVID-19 vaccines, the effective coordination of health and safety travel protocols, a significant improvement in traveller confidence and a major lifting of travel restrictions by the second half of the year, in particular in Europe and the Americas.[18]

Figure 2.1: International tourist arrivals in 2020 and scenarios for 2021 (y-o-y monthly change, %)



Notes: Data as of March 2021.
*) Actual data is preliminary and based on estimates for destinations which have not yet reported monthly results.
Source: World Tourism Organization (2021f).

Furthermore, global FDI flows seems to remain weak in 2021. According to UNCTAD global FDI flows are expected to bottom out in 2021 and recover some lost ground with an increase of 10% to 15%. This would still leave FDI around 25% below the 2019 level, hence, the effects of the recession will continue during 2022. Although the global economy is expected to slowly recover and the tourism sector is expected to rebound, this global picture creates an uncertain scenario for investors since it still depends on global investment policies, GDP growth, gross fixed capital formation and the recovery of global trade and supply chains.[19] Hence, investors are likely to remain cautious in allocating capital to greenfield projects, especially considering that origination and gestation of new international investment projects have become more complex during the pandemic, increasing resources to mitigate potential risks associated to the global and local crisis.

In this context, what are the drivers that could incentivize investments in the post COVID-19 tourism sector? That is the crucial question investors should ask in the midst of the pandemic and against a backdrop of continued uncertainty as we enter the second half of 2021, but also as we look forward to the next decade. The pandemic could be an opportunity to re-image investments in the sector – by re-starting a more sustainable and inclusive sector. Hence, UNWTO has identified five potential forces that might drive the recovery of tourism investments:[20]

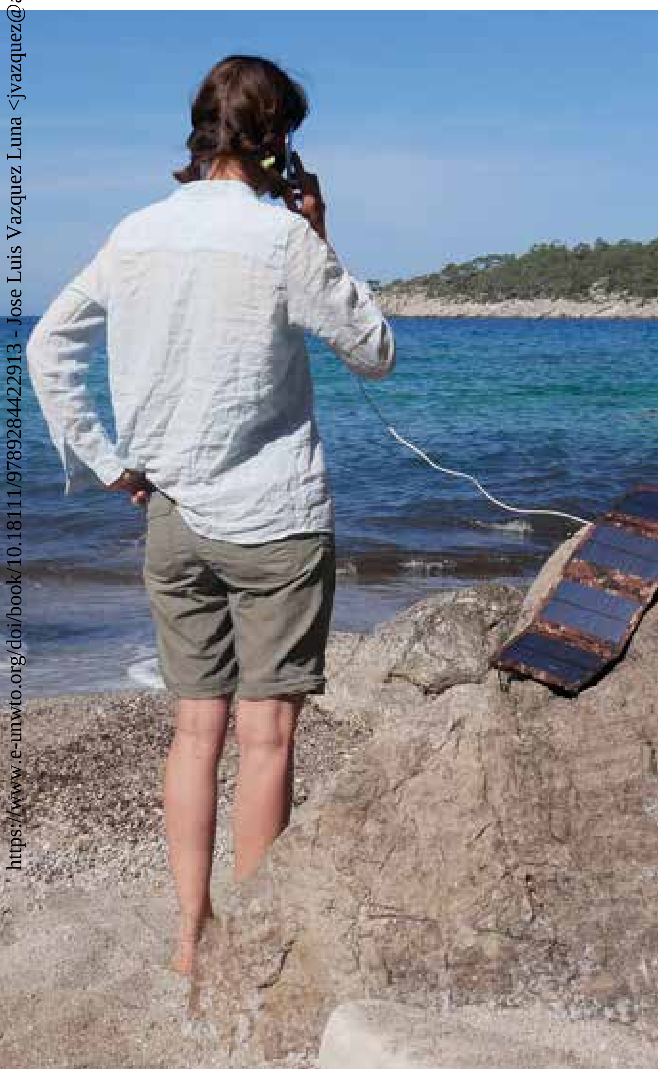
1. New consumer behaviour;
2. Innovation and technology;
3. Travel tech startups;
4. Green investments; and
5. Cross-border mergers and acquisitions.

2.1 NEW CONSUMER BEHAVIOUR

Given the several travel restrictions and different forms of lockdowns, traveller behaviour has also been changing. A shift can be observed in the preference for domestic destinations and those closer to the traveller's place of residence, including shorter trips to rural and natural destinations. These trips have emerged as popular travel choices due to travel restrictions as well as health and safety measures.[21] This behaviour coincides with rising demand mostly from generation Z (Gen Z)[22] – a key demographic group to keep an eye on since it will represent the largest share of the global population by 2040, numbering 2.6 billion people. Generation Z digital natives will be keener to explore with less apprehension than older generations, whose health is generally perceived to be more at risk due to the pandemic. Hence, their new travel behaviour may create trends moving towards digital and innovative services, especially mobile. At the same time, they will demand personalized experiences. Gen Z, along with millennials, consider travel experiences a priority, with trips characterized by their short duration and their focus on authenticity and sustainability. Moreover, given the impact of the COVID-19 pandemic, there is an increasing demand for transparency regarding health protocols, safety and data privacy. This represents a great opportunity for investors to capture value, and leverage offers and assets, but also to develop new products and services that are more digital.[23] For example, Barbados has developed a special twelve-months visa which application is done electronically and approved once, targeting remote workers. The country offered a wide range of accommodation from budget-friendly studios to beach front luxury condos.[24]

2.2 INNOVATION AND TECHNOLOGY

The COVID-19 pandemic has created opportunities to accelerate the digitalization of the tourism sector and also promoted the adoption of innovating technologies. Since the outbreak, UNWTO has promoted different startup competitions and challenges to respond to the pandemic. Among others, the UNWTO Healing Solutions for Tourism Challenge (2020)[25] has brought over 1,000 applications from 100 countries. This global call intended to reach the most disruptive startups entrepreneurs and drive solutions to mitigate COVID-19 impacts on tourism through health, economic and destination management solutions. Among these solutions:[26]



- HandInScan/ChamHeleon (Canada/United States of America)
- OUTPOST Healthcare (Canada)
- SeeTrue AI (Israel)
- Checkpoint (Spain)
- MyStay (Czech Republic)
- WAAM MACHINES (Poland)
- iBonus Limited (Hong Kong, China)
- Beautiful Destinations, Inc. (United States of America)
- Airside (United States of America)

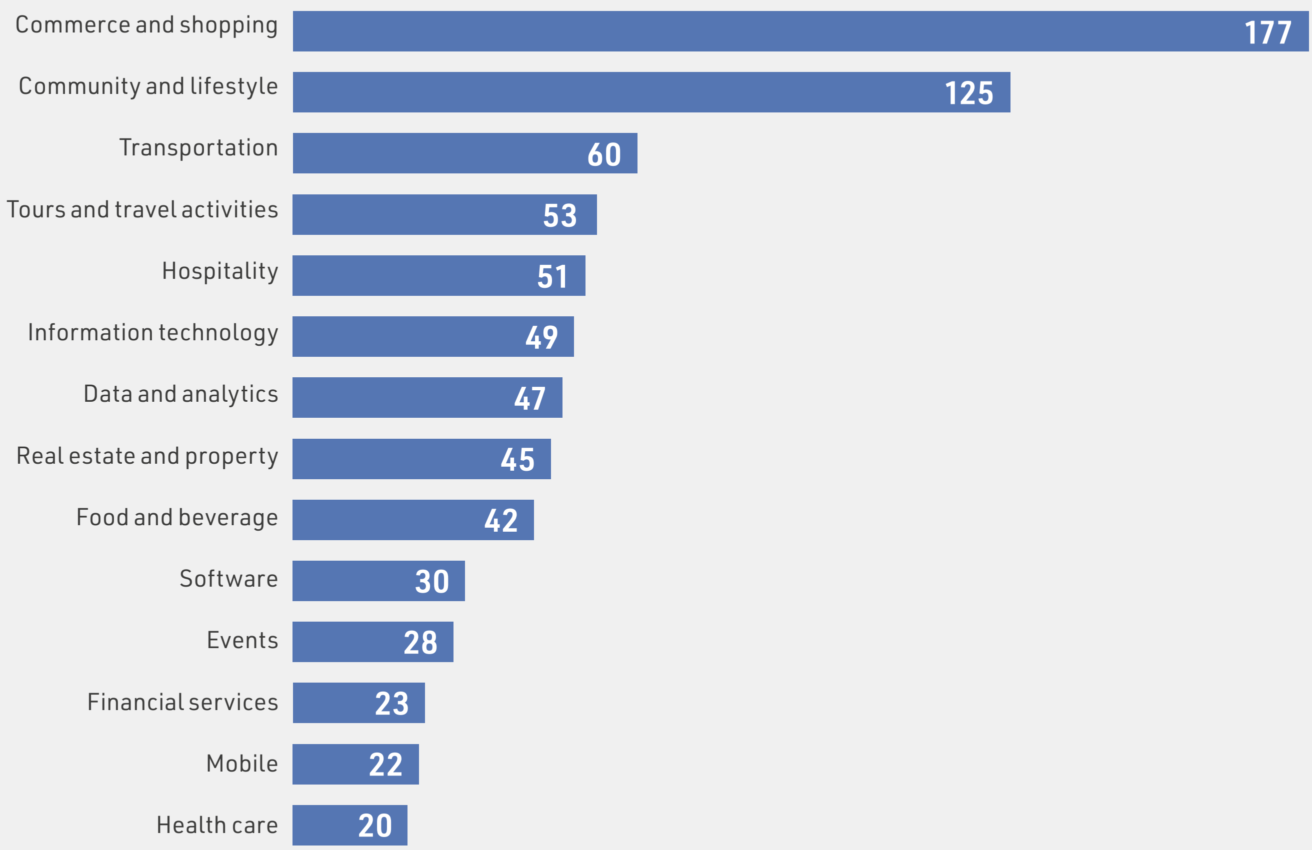
In the UNWTO competitions, different innovators were identified, and several pilot projects were implemented. Various technologies are being used in the tourism sector and its value chain, shown in the flows of investments to the travel tech space. These investments are constant – even during the pandemic – and they are evolving, as investments show a tendency towards technologies using artificial intelligence (AI) and analytics, augmented and virtual reality (AR/VR), blockchain and the Internet of things (IoT).[27]

2.3 TRAVEL TECH STARTUPS

The adoption of digital technologies in the tourism sector enhanced the non-traditional investments. As presented above, around USD 455 billion have been invested in travel and mobility tech startups from 2010 to 2019.[28] These new solutions are demanded by digital natives who already consume different services built around technologies such as: 5G, cloud base services, AI and blockchain. Consequently, the speed of adoption and therefore investments in travel tech startups have been increasing in the last decade.

The COVID-19 pandemic triggered several changes in travel behaviour throughout the world. Airlines are working on solutions with pre- and post-flight screenings, and digital immunity passports are currently in discussion, such as the Digital Green Certificate proposed by the European Commission to facilitate safe free movement within the European Union, the creation of public health corridors (PHC), and several other protocols and mitigation measures are developed depending on the region and country. In this new scenario, travel tech solutions will be a source of innovation and, therefore, a source of opportunities for investors especially in the emerging industries. Opportunities lay on heath care, financial services, virtual events, retail and real estate property, tours and travel activities, new forms of transportation, among others.

Figure 2.2: Emerging travel tech startup industries, 2010–2020 (investments above USD 1 million)



Source: UNWTO based on Crunchbase, 2020.

2.4 GREEN INVESTMENTS

COVID-19 has also accelerated the transition towards green investments in the tourism sector. The pandemic opened opportunities for green buildings and retrofitting. The need to reduce emissions present a USD 24.7 trillion investment opportunity in the green buildings sector of emerging market cities between now and 2030. This represents a USD 1.5 trillion opportunity in hotels and restaurant buildings alone.[29] This is a formidable driver to create investment opportunities as it promotes sustainability through cost efficiency, brand equity and better guest satisfaction. It helps to respond to the increasing demand and new consumer behaviour favourable towards sustainability as pointed out earlier in this report.

Since the second half of 2020, UNWTO and IFC have been promoting a green finance programme that evolved into a hotel green revitalization. The programme seeks to create new markets for green retrofits by providing integrated offering of advisory, technical support, and capital; with the purpose to facilitate retrofit greening by providing hotels with access to financing through local financial institutions.

This programme involves countercyclical financing for hotels to stimulate medium-term post-COVID-19 recovery of the hotel sector, leveraging low occupancy to retrofit and acquire new assets, with the ultimate purpose to preserve jobs in emerging markets, targeting small and medium hotels. This programme is one example of many green finance mechanisms that are emerging to provide liquidity, but also to provide access to attractive green financing opportunities in emerging markets. There are different mechanisms, that can go from direct investments all the way to more sophisticated forms of finance, including green bonds and investment funds to pursue and adhere to best practices with regard to sustainability, environmental protection and social responsibility.

Finally, as part of the demand for green services and products, there are an entire spectrum of potential investments on regards to safety, solutions for clean energy and sustainable technologies – especially with potential application in specialized niches and segments with specific complex problems that need innovative solutions such as energy efficiency, electric transportation, space transportation, decarbonization or health and safety, among others.

2.5 CROSS-BORDER MERGERS AND ACQUISITIONS

Considering the global foreign direct investment (FDI) collapse of 42% in the 2020, and the 73.2% decline in tourism greenfield investments in the first half of 2020 alone, there is an uncertain scenario for 2021 and 2022.[30] However, any new global FDI opportunities will be related to the increase coming from cross-border mergers and acquisitions (M&As), rather than traditional greenfield investments.[31] These new investments will be characterized by acquisition of productive assets that are able to maintain jobs, but also the acquisition of distressed hospitality assets with the purpose of renovating, retrofitting, repurposing and rebranding them. These strategies will allow for the reallocation of capital while safeguarding jobs. They will also lead to innovative business models towards hotel offices, workstations, or repositioning towards green buildings in compliance with high health protocols and rising demand.

3. IMPORTANCE OF IPAs IN ALLEVIATING COVID-19 IMPACT ON FDI

The COVID-19 pandemic has triggered an unprecedented global health and economic crisis. Besides its effects on human life, investment flows have also been disrupted, especially in the realm of tourism related sectors. WAIPA's survey[32] results confirm this as 84% of investment promotion agencies (IPAs) indicated hotels and restaurants as the most vulnerable in the crisis, followed by other travel and tourism related services (65%), manufacturing of vehicles and other transport equipment (38%), construction (38%), and real estate and business services (38%).

In dealing with these economic challenges, countries all around the world have taken a wide range of measures such as fiscal stimulus packages, tax breaks, business cash-flow supports, etc., to stimulate production, trade and revive investment flows.[33] Due to their unique position, acting as mediator between investors and respective governments, IPAs can play a crucial role in helping their respective governments in alleviating COVID-19 impact on investments flows, which are important factor for overall growth of global economy.

Established with the mandate to promote, attract, and facilitate flows of overseas investments, IPAs are important puzzle of most countries' economic development agendas. They are performing a wide rage of activities that can be grouped into four broad categories, i.e., image building, investment generation, investment facilitation and aftercare, and policy advocacy. Aftercare and policy advocacy are specifically vital during the current pandemic. The

Table 3.1: IPAs' core functions

Core functions	Objective	Main activities
Image building	Creating positive image of a country as desirable location for FDI.	▪ Marketing plans ▪ Advertising campaigns ▪ Diverse public relation activities
Investment generation	Identifying potential investors and development of strategies to induce their commitment to an investment project.	▪ Investment market research ▪ Meetings with the target investors ▪ Sector/industry specific seminars and conferences
Investment facilitation and aftercare	Facilitating the implementation of investment projects and provision of support to existing investors to ensure future expansions and reinvestments.	▪ Site visits ▪ Administrative support (visas, work permits, import permits, etc.) ▪ Organizing working meetings with investors
Policy advocacy	Identifying the main obstacles investors are facing and advocating for their removal.	▪ Conducting annual business surveys ▪ Establishing investor grievances mechanisms ▪ Meetings with the government

Source: WAIPA (2021) based on OECD (2018) "Mapping of Investment Promotion Agencies in OECD countries".

main goal of aftercare is the provision of support to the existing investors and ensuring future expansions and reinvestments, while policy advocacy is identifying the main obstacles investors are facing and advocating for their removal resulting in a better investment climate.

According to WAIPA's survey, 87% of IPAs are providing support to their clients during the virus outbreak[34]. This support is encompassing vast range of activities, but the most common are in the realm of information provision on a new COVID-19 related measures. For this purpose, majority of IPAs, such as Dubai FDI,[35] Invest in Denmark,[36] Invest in India[37] or Switzerland Global & Enterprise,[38] have developed dedicated COVID-19 information platforms on their websites. Furthermore, they bolster aftercare and policy advocacy services that proactively identifying and contacting at-risk firms, helping businesses to maintain their supply chains, advocating for urgent government actions to solve identified bottlenecks investors are facing, among others.

The impact of the pandemic is forcing IPAs to rethink organization functioning and harness the potential of new technologies to deliver services and improve their efficiency. As a result, the majority of their services is conducted online. They are leveraging e-meeting platforms and social media to reach their clients and provide assistance, organizing webinars and e-conferences with the aim to promote their services and present current trends relevant to the investors, and as well as establishing e-registration portals and virtual one-stop shops. For example, the Netherlands Foreign Investment Agency established social media accounts for their different target markets; the Uganda Investment Authority held an e-conference named "The status of Investment during the COVID-19 pandemic" aimed to promote dialogue with the local stakeholders; the Mauritius Economic Development Board is processing work access permit applications online; and InvestSA from South Africa is providing certificates to allow companies to continue operations via its virtual one-stop shop. One interesting digital solution to assist firms is coming from ABA-Invest in Austria.[39] They integrated a Corona chatbot named "Mona", which main task is to quickly and easily deliver the most important information regarding the COVID-19 crisis and economy.[40]

IPAs also need to start preparing for the post-pandemic period by rethinking their investment promotion strategies and further including technology to optimize their performance. Digital transformation of IPAs is likely to continue in the long-term as many services provided in person may need to be provided digitally. This requires investment in digital capacity building, namely upgrading websites, embracing digital marketing and data analytics, virtual-reality solutions, e-services, etc. Furthermore, due to disrupted global values chains, businesses are likely to seek localizing or regionalizing their footprints. Moreover, sectors such as e-health, AI, e-commerce and cybersecurity will likely gain in importance. Because of these shifts, agencies have started with the re-prioritization of target sectors and strengthening connections with local eco-systems.[41]

The past year has been challenging for IPAs as they needed to adapt their modus operandi for retaining investor confidence in a time of global uncertainty. However, the pandemic has shed light to the critical role of IPAs in alleviating the impact of the pandemic on FDI. Support offered by the IPAs throughout the pandemic is enabling investors to continue their operations. Thus, by preparing for the post-pandemic period, they can be an important factor lifting FDI flows in the years to come.


Coffee • Frappe • Milktea • Tsokolate Batirol
Sandwiches • Waffle • Cookies • Pasalubong
eh kape MENU
EH KAPE
Milktea

4. HOW TO SAFEGUARD TOURISM INVESTMENTS DURING COVID-19

Safeguarding tourism investment requires a holistic approach by investment promotion agencies (IPAs) and their respective governments, especially in the existing environment shaped by the pandemic. Therefore in the following, strategy for safeguarding tourism investments during the COVID-19 pandemic are presented. Based on the actions of IPAs and governments presented in the above sections and expertise of UNWTO and WAIPA, we recommend following strategy for safeguarding tourism investment during COVID-19.

The strategy can be grouped around two phases: The main aim of the first phase is focussed on the retention and survival of existing investors in the realm of tourism,[42] while the second phase is focussed on rethinking tourism investment strategy while considering the long-term implications of the crisis on the tourism sector and its recovery.

PHASE 1: RETENTION OF EXISTING INVESTORS

As a result of the current crisis where one of the main goals of investors is to reduce operational costs and ensure liquidity, IPAs need to shift their focus from *FDI attraction* to *FDI retention* by engaging with existing investors, helping them to cope with the crisis, informing them about government measures and supporting their ongoing investment projects and operations. Retention of existing investors is important as it alleviates the impact of the crisis on economic activities enabling quicker recovery and, in the long-term, resulting in activity expansion and re-investments. The following investment facilitation and aftercare, and policy advocacy services should be considered:

- Monitoring pipeline tourism investment projects to ensure their realization;
- Establishing web information platforms on new COVID-19-related measures;
- Assisting businesses in applying new measures and accessing public support funds;
- Organizing free online webinars and talks on tourism related emerging issues;
- Preparing reports on the impact of crisis on the tourism sector;
- Assisting businesses in maintaining supply chains;
- Organizing e-matchmaking between investors and local businesses;
- Monitoring pipeline tourism investment projects to ensure their realization;
- Establishing investor grievance mechanisms to identify investor complaints by proactive follow-up and systematic investor surveys;
- Organizing meetings with the respective governments to advocate for more tailored measures for the tourism sector based on the obtained feedback; and
- Preparing and submitting reform recommendations based on the obtained feedback.

Furthermore, governments should act swiftly to support operations of existing businesses by:[43]

- Preparing fiscal packages to provide temporary income support to businesses in the realm of tourism, i.e. aviation, hospitality transportation, food services, accommodation, etc.;
- Employing temporary exemptions for payment of value added tax or social security contributions;
- Relief packages for foreign and domestic investors; and
- Facilitating access to credit for businesses in need.

PHASE 2: RETHINKING TOURISM INVESTMENT STRATEGY

In order to ensure fertile ground for the tourism investments during the pandemic and the post-pandemic period, IPAs and their respective governments need to take into consideration long-term consequences of the pandemic such as increased competition for securing investment projects as a result of FDI downsizing, disruption of global value chains, digitalization, new consumer behaviours, etc. Guided by the investment promotion literature[44], we recommend following steps are aimed to develop a post-pandemic tourism investment strategy:

STEP 1: ORGANIZATIONAL STRATEGY

Clearly define which institution(s) will have mandate to attract tourism FDI. In most countries, it is common practice that IPAs are designated to promote and attract investments in the tourism sector – and 68% of the IPAs are targeting tourism sector.[45] However, in some cases ministers of tourism oversee the national promotion strategy. In order to successfully perform their mandates, IPAs need to have institutional and financial autonomy, operational independence, strong coordination with key regulatory agencies at the national and local level, and close connection with high-level government officials.[46]

STEP 2: ATTRACTIVENESS STRATEGY

Enable suitable conditions for tourism investments. Efforts of IPAs will likely not result in safeguarding tourism investment without governmental actions in securing a desirable investment climate. In addition to macroeconomic and political stability, and rule of law, for the tourism sector, the quality of infrastructure (such as airports and roads), the availability of qualified labour and the technological environment are of immense importance for securing investment projects.

Another important element in ensuring attractive investment locations is the provision of investment incentives. Some examples of investment incentives are grants or tax breaks for investors, subsidies for usage of environmentally friendly technology, training grants for locally employed staff, rules alleviations, credit support, and many more. These incentives should be tailored made to tackle pandemic driven tourism FDI trends.

STEP 3: PROMOTION STRATEGY

Create a value proposition for the country. It is the process where IPAs should understand pandemic-driven trends in the tourism sector,[47] access their competitiveness, identify key projects and conduct investment targeting, and continue with investment facilitation and aftercare, and policy advocacy services:

1. **Understanding pandemic-driven trends in tourism sector:**
   In order to push promotional activities in the right direction, IPAs need to have comprehensive understanding of global and regional trends in tourism related sectors. In the context of the current FDI and economic landscape, they need to access how the pandemic is shaping FDI and economic activity in the realm of tourism. Following trends should be considered:

   - *FDI downsizing:* Due to the sharp decline in overall FDI flows, competition among locations to secure tourism investments will increase. IPAs and their respective governments will need to differentiate their offer and services in order to remain competitive.
   - *Disrupted supply chains:* Businesses will seek to mitigate risk. Reshoring and nearshoring might become a major practice in the years to come.
   - *Green investments:* The pandemic opened up opportunities for green buildings and retrofitting, among other 'green' measures.
   - *Increasing importance of cross-border mergers and acquisitions:* Upcoming investment opportunities will likely take form of cross-border mergers and acquisitions rather than traditionally favourable greenfield investments.
   - *Boost of regional/domestic tourism:* The collapse of the international arrivals drives countries towards development of domestic and regional tourism to build resilience to possible shocks in the future.
   - *Foster investments in accessibility and inclusive tourism:* As the new COVID-19 protocols increase, countries should also take into consideration strategies for an inclusive sector.[48]
   - *New generation of tourists:* Due to travel restrictions and increased apprehension, there is trend to shorter trips to rural and natural destinations. Generation Z or digital natives are expecting personalized experiences and digital services. There is increasing demand for transparency regarding health protocols, safety and data privacy.
   - *Digitalization:* The pandemic accelerated the digitalization of the tourism sector. Usage of big data and artificial intelligence, consumer behaviour and demand can be tracked. Social media, e-platform, and mobile applications are

facilitating communication, limiting physical contact, and protecting people's health. Virtual technology is enabling online tours of cities and attractions.

- *Travel tech startups:* Increased number of travel tech startups as a result of changes in travel behaviour throughout the world triggered by COVID-19.

2. **Global benchmarking of tourism competitiveness**
After identifying trends in the tourism sector, IPAs need to conduct thorough research on their current tourism offer, how they stand comparing to other countries as a general location for overseas investments and in regard to specific tourism related sectors, and what they could potentially offer in the future. Following elements of their tourism offer should be examined: size and scope of the market, labour force, tourism infrastructure, physical and ICT infrastructure, transportation infrastructure, FDI framework and cultural offers. This overview will help IPAs to identify their core opportunities.

3. **Investment generation – targeting foreign investors in the tourism sector**
As a result of a changed tourism landscape, IPAs need to revise their target sectors and strategically focus their activities on a limited number of tourism subsectors and individual investors. Sector targeting is a well established practice of IPAs and it is a part of effective investment promotion.[49] Without targeting, IPAs' attraction efforts will likely be inefficient. Target sectors should be selected based on their future growing prospects, degree of complementation with the overall tourism development strategy, and competitive advantages of selected sectors comparing to other locations.[50]

After defining target sectors and investors, following steps should be conducted:

- *Targeting process:* Define goals and targets, e.g., one of the goals could be "development of rural tourism", while one of the targets could be "number of realized projects" in this sector;
- *Developing marketing strategies* for selected sectors emphasizing relative strengths;
- Proactively *contacting target investors;* and
- *Evaluating of results* based on defined goals and targets.

4. **Image building**
A new tourism investment strategy requires a new targeted image-building campaign emphasizing the overall value proposition of a country. One main goal of these activities is to create a positive image of a country as desirable location for tourism FDI. IPAs should work on developing communication materials tailored to targeted investors by providing relevant statistics on key costs and skills relevant to tourism, strategic sector profiles, samples of specific opportunities for investment, testimonials, interactive maps of industry clusters/location of existing investors, and others. IPAs websites can be a perfect tool for disseminations of this information. As the matter of fact, the quality of a website is one of the main factors determining the overall quality of an IPA,[51] which may lead to greater FDI inflows.[52] Furthermore, the rise of Internet and social media users is enabling IPAs to reach their target investors in a very time- and cost-effective way via digital marketing.

5. **Investment facilitation and aftercare**
To secure the implementation of investment projects, retention of existing investors and possible reinvestments, IPAs should continue with delivering investment facilitation and aftercare services. They should be in regular contact with existing investors. A happy investor is likely to reinvest,[53] and it is the best reference for other investors. Approximately 50% of the income of foreign affiliates is reinvested, on average.[54]

6. **Policy advocacy**
Policy advocacy is the IPA service most valued by investors.[55] Therefore, it should not be neglected. Identifying the main bottlenecks investors are facing and advocating for their removal results in better investment climate, which is one of the crucial elements in securing investment projects.

RECOMMENDATIONS – HOW TO SAFEGUARD TOURISM INVESTMENTS DURING COVID-19

PHASE 1: RETENTION OF EXISTING INVESTORS (SHORT-TERM RESPONSE)		
Investment promotion agencies (IPAs)		**Governments**
Investment facilitation and aftercare	Policy advocacy	Incentives
▪ Monitoring pipeline tourism investment projects to ensure their realization; ▪ Establishing web information platforms on a *new* COVID-19 related measures. ▪ Assisting businesses in applying new measures and accessing public support funds. ▪ Organizing free online webinars and talks on tourism related emerging issues. ▪ Preparing reports on impact of crisis on the tourism sector. ▪ Assisting businesses in maintaining supply chains. ▪ Organizing e-matchmaking between investors and local businesses. ▪ Monitoring pipeline tourism investment projects to ensure their realization.	▪ Establishing investor grievances mechanisms to identify investor complaints via proactive follow-up and systematic investor surveys. ▪ Organizing meetings with the respective governments to advocate for more tailored measures for tourism sector based on the obtained feedback. ▪ Preparing and submitting reform recommendations based on the obtained feedback.	▪ Providing fiscal packages to provide temporary income support to businesses in the realm of tourism, i.e. aviation, hospitality transportation, food services, accommodation, etc. ▪ Employing temporary exemptions for payment of value added tax or social security contributions ▪ Relief packages for foreign and domestic investors ▪ Facilitating access to credit for businesses in need

PHASE 2: RETHINKING TOURISM INVESTMENT STRATEGY (MEDIUM- AND LONG-TERM RESPONSE)		
Step 1: Organizational strategy	**Step 2: Attractiveness strategy**	**Step 3: Promotion strategy**
Analyse and address the following questions: ▪ Is there a clear mandate to attract tourism FDI? ▪ Who is having this mandate? ▪ Is there financial autonomy of an agency? ▪ Is there operational independence of an agency? ▪ Is there strong coordination with key regulatory agencies at the national and local level? ▪ Is there support from high-level governments officials?	Securing desirable investment climate for tourism sector: ▪ Macroeconomic stability ▪ Political stability ▪ Rule of law ▪ Infrastructure (airports, roads) ▪ Qualified labor ▪ Technological environment ▪ Investment incentives	Creating value proposition: ▪ Understand pandemic driven trends in tourism sector. ▪ Access country's competitiveness in tourism sector. ▪ Identify key projects and conduct investment targeting. ▪ Redesign image building campaigns ▪ Continue with investment facilitation and aftercare and policy advocacy services.

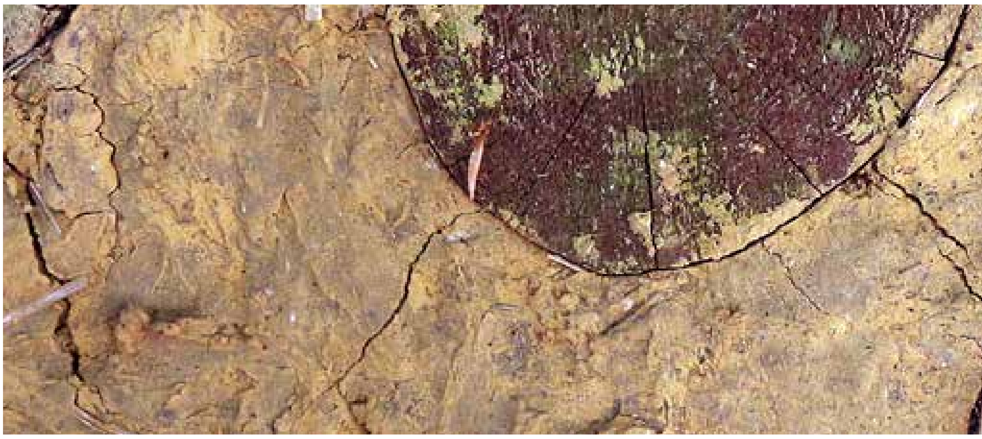
5. CONCLUSIONS

Tourism is a complex sector involving many economic and social industries making it an excellent source of economic growth and development. Tourism offers many economic benefits such as employment, linkages with global value chains, innovation in business models, foreign exchange, among others. Due to these opportunities, the tourism sector is present in most of the countries' development agendas. Furthermore, survey results on investment promotion show that tourism is a high priority industry for most investment promotion agencies (IPAs).[56]

The emergence of COVID-19, which resulted in global health and economic crisis, significantly disrupted every aspect of the tourism sector. Due to restrictions imposed by countries worldwide to suppress the spread of the virus, international tourism arrivals dropped by 70%, while global FDI into tourism plummeted by almost 74% in the first half of 2020.

In response to the immense impact of the pandemic on the tourism-related industries, countries have taken a wide range of measures to support the tourism sector and enable its recovery. IPAs play a significant role in this process due to their close connections with their respective governments and investors. They are bolstering aftercare and policy advocacy services enabling existing investors to continue their operations.

However, the pandemic has brought some new trends in the realm of green investments, digitalization, consumer behaviour, global value chains, and travel tech startups, which could incentivize investments in the tourism sector during the pandemic and in a post-pandemic period. To safeguard tourism investments, IPAs and their respective governments need to continue supporting their existing investors, but also look ahead and consider the long-term implications of the crisis on the tourism sector. Rethinking tourism investment strategy is necessary to build a stronger, sustainable and resilient tourism economy.



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The COVID-19 pandemic has hit investments in tourism hard. While global FDI dropped by 35% in the first half of 2020, within the tourism sector the fall in announced foreign investment was 73.2%.

As a result, the sector lost USD 1.3 trillion in export revenues in 2020, placing between 100 million and 120 million direct tourism jobs at risk and translating into an estimated loss of over USD 2.5 trillion in global GDP. In this context, the World Tourism Organization (UNWTO) identified investments as one of four key areas to be prioritized as the sector restarts and recovers.

For this purpose, UNWTO has joined forces with the World Association of Investment Promotion Agencies (WAIPA) to strengthen the capacities of its Member States to safeguard, attract and promote tourism investment projects during and after the pandemic for faster economic recovery.

With the kind collaboration of:

WAIPA World Association of Investment Promotion Agencies

The **World Tourism Organization (UNWTO),** a United Nations specialized agency, is the leading international organization with the decisive and central role in promoting the development of responsible, sustainable and universally accessible tourism. It serves as a global forum for tourism policy issues and a practical source of tourism know-how. Its membership includes 159 countries, 6 territories, 2 permanent observers and over 500 Affiliate Members.

UNWTO

World Tourism Organization (UNWTO) **www.unwto.org**

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