



**Financing Sustainable Tourism Recovery
in Response to the COVID-19 Downturn
October 7, 2020 Roundtable**
Results, Analysis, and Future Work

Results Overview

A Roundtable was held by PATA and EplerWood International to draw attention to the urgent need to attract public private financing to the sustainable tourism industry in Southeast Asia and the Pacific to help rebuild the region while COVID 19 is lowering international demand by 70% and causing increasingly urgent poverty and economic disruptions in the Asia Pacific region. The concepts discussed in this Roundtable relied on existing structures for advancing sustainable finance, while innovating where the finance would be managed and by whom. It relies on the creation of a data-driven finance system which would have environmental, social and financial metrics to guide investments into the improvement of local economies, to upgrade local infrastructure investment, such as waste water, solid waste, and alternative energy and drive loan or equity finance to local businesses dedicated to preserving natural and social assets in the long-term.

These results call for the creation of a new governance structure, guided by Centers for Destination Information and Technology based in Sustainable Tourism Investment Hubs. While the concept is new, the overall validity of basing hubs for finance, data and capacity building was validated at the PATA Roundtable. Further research is required on the full institutional design, but the potential to drive talent and innovation to regional centers of tourism commerce was deemed feasible, with barriers to success largely related to the lack of existing finance structures for this purpose. It was suggested that leadership will be required to retool how finance flows, but the fact that small city infrastructure improvement funds were being structured for the region suggests that destination hubs might ground that effort while helping to guide responsive small to medium sized business finance and capacity building for local and regional businesses, thereby driving economic recovery deep into local supply chains.

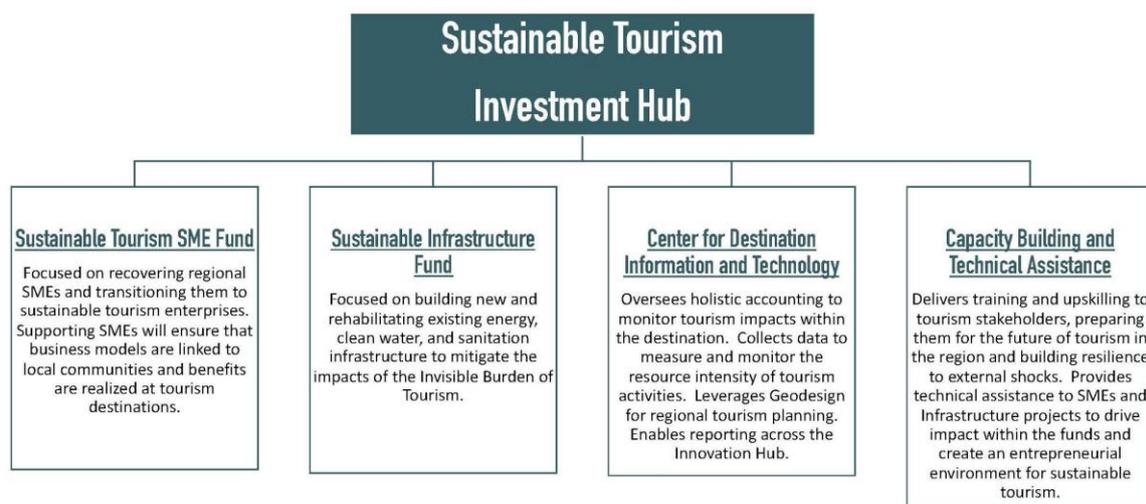
Primary Outcomes

As tourism destinations seek to recover from a historic disruption to the international tourism economy, sustainable finance can be leveraged to transform the sector for greater long-term value, resilience, and sustainability. In October 2020, [Pacific Asia Travel Association \(PATA\)](#) in partnership with [EplerWood International \(EWI\)](#) and [Cornell University's Sustainable Tourism Asset Management Program \(STAMP\)](#), with support from [Resonance](#), convened globally renowned tourism, development and finance partners for a two-hour industry roundtable to discuss how destination-focused sustainable finance can help to rebuild tourism in Asia and the Pacific for greater economic impact, resilience, and sustainability.

Industry participants confirmed that to transform destinations and reinvent tourism business in the region, much greater investment will be required than the sector has seen previously

Prior to the session, participants reviewed a Concept Paper, [A Marshall Plan for Financing Tourism Economic Recovery; Can the Asia Pacific Lead the World on Rebuilding Tourism Sustainably?](#) developed by the EplerWood International team.

In the interactive session, designed to involve a cross section of participants who both understand tourism business and the finance context for tourism in the region (see Appendix A: Participant List), participants strongly confirmed the need for financing and validated the concept of a Sustainable Tourism Investment Hub, which would combine financing for tourism infrastructure and Small and Medium-sized Enterprises (SMEs) with capacity building and technology resources. Participants agreed that these Investment Hubs would need to be developed and implemented at the destination level to be effective.



The Roundtable was an exploratory step to structure a sustainable financing strategy, and the urgency to move from discussion of the concepts to actions was clear. COVID-19 has had

an unprecedented impact on tourism businesses to date, and those that survive the crisis will need to change operations significantly to remain solvent. Many of the businesses in this region were built for mass tourism with price sensitivity driving the market. Cash flows are limited, businesses must restructure operations to prioritize safety, and a loss of human capital and talent have made their businesses vulnerable. As they rebuild, there is an opportunity to restructure business models such that green, healthy destinations are prioritized as part of the financing and strategic planning.

Destination infrastructure was also highlighted as a priority. Participants confirmed that there is demand from governments, residents, and businesses in small destination cities for upgraded sanitary and sustainable infrastructure. These infrastructure investments would both measurably increase the quality of life for local citizens and support the demand for a higher-quality visitor experience. Such investments will protect valuable cultural historical and environmental assets and will enable tourism without destroying local capital.

To meet the needs of the destinations, communities, and businesses dependent on tourism, roundtable participants agreed that traditional financial mechanisms will not suffice and instead the Sustainable Tourism Investment Hub must be structured such that:

- Finance aligns the needs and goals of tourism destinations and businesses by transforming business models and supply chains.
- Financing mechanisms prioritize, reinforce, and enable the tourism business sector's focus on sustainability.
- The scale of the destination hotspot is aligned with the financial mechanism. This includes selecting destinations where:
 - Tourism demand is likely to return and products can be transformed such that the invisible burden is avoided and a return on investment is likely.
 - There are existing regional priorities that support sustainable infrastructure investment, and a variety of funder priorities could be aligned via the Sustainable Tourism Investment Hub.
- It is an independent entity that is not a mechanism of control for any one stakeholder in the destination. Current stakeholders will not be able to provide the governance needed without support of an independent entity.

Participants spent time in breakout groups discussing the components of the Investment Hub in more detail and developed specific recommendations for each component.

Sustainable Infrastructure Fund

- Political realities might not allow the creation of an actual, centralized Sustainable Infrastructure Fund in the destination, however a local economic development authority or similar body could coordinate investments to support sustainable tourism development.
- Donors and DFIs must ensure that this local body is able to leverage sufficient resources, has a mandate to pursue sustainable tourism outcomes, and receives sufficient inputs from communities and tourism operators.
- All stakeholders must recognize that infrastructure projects take time to prepare. Therefore, this must be a long-term strategy guided and informed by what

destinations and the industry have learned in the wake of the COVID-19 pandemic, not a short-term economic recovery program.

- Infrastructure projects already in the pipeline should be considered for how they might contribute to the destination strategy.

Sustainable Tourism SME Fund

- To date it has been difficult to effectively deliver finance to SMEs in the region. There has been little uptake of development banks' SME-focused financial products after other disruptions. Transaction costs are a significant barrier. A local intermediary is critical to help distribute funds, and it should be more than a local collection of banks. A development institution at the regional level with financial capacity could fulfil this niche.
- It is difficult for SMEs to access financing because the uncertainty around when tourism will restart is seen as a risk by financial institutions. Mapping out new markets and areas of business potential across the value chain will be crucial to the SME Fund's success. A focus on data and capacity building, including technical assistance for businesses receiving funding, is critical to the success of the SME Fund.
- Tourism SMEs are currently oriented toward a "survive → revive → thrive" mentality. Both the SME Fund and the Investment Hub must recognize this reality and demonstrate how the proposed investment mechanism can address immediate concerns while connecting short-term actions to long-term destination health.
- The SME fund should be guided by a focus on sustainable commerce which reinforces destination health.
- The definition of SME is broad and is interpreted differently by stakeholders in the region. For the fund to be effective, business size, structure, and growth stage of target investments will need to be carefully defined.
- SME finance solutions will require a redefinition and realignment once pilot destinations are selected, considering the advantages and barriers of both debt and equity financing solutions.

Capacity Building, Technology, and Technical Assistance

- Local governments and Destination Management Organizations (DMOs) do not have the capacity to rebuild the tourism sector sustainably. An outside entity, like the Investment Hub, is better able to deliver the tools and capacity building needed to transform tourism destinations to a more sustainable model.
- In many tourism destinations in the region, the COVID-19 crisis has revealed an overreliance on tourism. Capacity building should address this issue by focusing on how to maximize benefits from tourism for all stakeholders and to build resilience.
- Creating data units within the destination hubs will contribute to pinpointing the requirements of the destination, informing where destinations require realignment and additional investment to attain a steadier-state, sustainable operational environment, and capacity building to ensure such data units at the investment hub can operate with local, trained talent.
- The tourism sector is one of the hardest hit by the COVID-19 crisis and development banks are likely to prioritize investment in other sectors that will recover more quickly. This concept should reveal why the investment in tourism recovery should be considered part of the strategy for regional development, given it is directly tied

to important metrics for recovery from poverty, improved infrastructure and investment in more sustainable business models of the future.

Key Requirements to Design, Structure, and Implement the Investment Hub

Based on the results of the Roundtable, the PATA and EWI teams have verified the need for a Sustainable Tourism Investment Hub, and will leverage participants’ input to further design, structure, and implement the concept.

PATA and EWI will further evaluate which financial mechanism(s) are best suited to drive sustainable finance to tourism destinations in the region with the support of Resonance, including the following:

- Identify pilot destinations to launch Investment Hub(s) partnering with development authorities, investors, and/or financial institutions to launch due diligence.
- Focus the problem statements on carefully defined destination needs, based on advance due diligence into sustainable infrastructure needs and local enterprise re-development requirements
- Review existing finance available for requirements of pilot destinations
- Determine the optimal financial model for the destination, how to best blend private and public funds, and which potential investors are best suited to deliver funding.

The team is currently structuring the next phase of outreach to build the appropriate architecture and review potential partners. This will require regional partners with expertise in either institutional finance and development, or private tourism finance. The PATA and EWI team are presently reviewing a set of materials for further outreach to potential partners.

Appendix A: Participant List

Organizations	Name	Title
ADB Ventures	Dominic Mellor	ADB, Senior Investment Specialist
ADB Sovereign	Steven Schipani	ADB’s sovereign financing for tourism in Southeast Asia
	Thierry Jean Michel Liabastre	Senior Urban Development Specialist
	Allison Woodruff	Senior Urban Development Specialist
	Anna Fink	Tourism Development Specialist
ADB ERCD	Dr. Matthias Helble	Research Economist at Economic Research Department
	Dr. Cyn-Young Park	Director of the Regional Cooperation and Integration Division in the Economics Research and Regional Cooperation Department
CDIA	Chee Anne Roño	Urban Development Specialist, CDIA
World Bank	Maurice Rawlins	Natural Resource Management Specialist at the World Bank

	Sumit Barel	WB Tourism Consultant / Policy
GIZ	Rebecca Younan	Sri Lanka Tourism Development
	Kathrin Pape	Indonesia Tourism Development
	Pimkarn Kattiyavong	Thailand Tourism Development
	Thuy Nguyen Thi Phuong	Vietnam Tourism Development
IFC	Mandar Parasnis	Global ESG Lead (Manufacturing & Services) at IFC, The World Bank Group
	John Perrottet	
	Marcia Yu	Senior Investment Officer
EU Commission/Switch Asia – 2	Melanie KENGEN	Attachée, Blending and investment operations, Asia regional hub in Bangkok at European External Action Service
Focusright / Swiss Aid	Sybille Baumgartner	Focusright Consulting
	Matthias Leisinger	Focusright Consulting
	Phyllis Bussinger	Swiss Embassy Bangkok
NTI	Jessica Bell	Senior Program Officer
Intrepid	Andrew Bush	Intrepid Group, Global Financial Manager
	Sara King	Intrepid Group, Responsible Business Manager
	Mike Stewart	PEAK, GM Southeast Asia
Discova	Suyin Lee	Discova, Managing Director
	James Duquette	Discova, Manager Partner Experiences
	Peter Christiansen	Discova, General Manager
Six Senses	Jeff Smith	Vice President Sustainability
	Neil Jacobs	CEO
Minor International	Chompan Kulnides	Vice President Investment & Sustainability
	Albert Wu	Investments and Business Development
	John Roberts	Anantara - GTF Foundation
Tourlink EU Project	Kenneth Jorgensen	TourLink Tourism Value Chain Research Initiative
	WANWISA NAMWISATE	TourLink Tourism Value Chain Research Initiative
Resonance	Elina Sarkisova	
	Tim Moore	
	Zoraya Hightower	
	Steve Schmida	Founder CIO
EplerWood International	Megan Epler Wood	Principal
	O'Shannon Burns	Program Director
Clickable Impact	Jason Lusk	Director
Cornell University	Mark B. Milstein	Director, Center for Sustainable Global Enterprise
PATA	Mario Hardy	CEO
	Trevor Weltman	COS
	Graham Harper	Director SSR