Financial Instruments in Tourism Development

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Overview

- Agenda
  - Overview

- Coverage
  - Strategies for development
  - Private sector involvement
  - Instruments to engage investment
Tourism Sector

- Tourism is a consistent growth sector delivering financial returns and welfare benefits
- SMEs proliferate: fragmented
- Important driver of local and regional development
- Distinctive yet complementary images and offerings
Challenges

- Competition and compatibility considerations
  - Market development
  - Environmental concerns
  - Culture and heritage
  - Length of season and range of offerings
  - Demographics
  - Technology
Tourism Strategies

- Setting the appropriate framework for development
- Spatial, sector and issue specific
- Structure and stability: the conditions for development
- Clear policies, principles and practices
- Delivery and success factors
EURADA Success Factors

- an entrepreneurial, venture-prone culture
- the anticipation of new needs
- governance
- leadership
- social capital
- a critical mass of finance and talent
- serial entrepreneurs
Integration of Policies

- Transport, education, economic development (enterprise, entrepreneurship, sectors, skills, investment, infrastructure), legal frameworks, safety regulations and standards

- Structural adjustment and diversification funds to support enterprise and business – wealth creation

- Commitments for funding investments in tourism, especially priorities or themes
Regional Tourism Strategies

- **Covering the bases**
  - infrastructure and services
  - policies and promotion
  - structures and frameworks
  - physical attractions

- **Emphasising the intangibles**
  - Partnerships and engagement
  - Cultural and social strengths
  - Trust and security
  - Marketing
  - Innovation
This requires..

- A positive investment culture
- Financial support from the market - seed capital, business angels, local investor consortia, foreign investors and entrepreneurs
- Fast decision making processes based on market solutions and sustainability
- Support not subsidy substitution
Networking

- Shared view of competitive advantages and opportunities
- Facilitated by public sector agencies
- Frameworks for local development
- Encouraging investments that build critical mass and increased long run returns
- Showcase successes, including successful people
Critical Mass

- Innovative ideas and investments – entrepreneurs, capital, facilities
- Based on market demand and opportunity not absence of supply
- Real, active partnerships – functioning and passionate networks
- Cluster of connected themes and activities and complementary users of facilities all year
Promotion

- Harmonise agendas: work together
- Create conditions to reward investment – raise the bar for high quality, sustainable development
- New platforms for engagement by stakeholders – hotels, travel agents, attractions, marketing agents and intermediates
- Clear on products, standards and brands
Public Sector Supports

- Grants, loans, loan guarantees where demand levels uncertain
- Assistance for SMEs in urban/rural/sectors
- Complementary investments, facilities and transport
- Attraction of inward investment
- Anchor tenants and attractions: visibility and agglomeration
- Marketing and promotion; branding
- Mentoring, learning journeys, knowledge exchanges, events
- Other projects and programme supports, such as skills training and commitment to infrastructure, that create the conditions for investment and development
Financial Instruments

- Approaches and tools that are pro-development
- Priority investments and themes
- Funding the gap: risk sharing
- Planning, land ownership and tax laws
- Assistance with training and education
- Joint ventures and community investments
Instruments can...

- Encourage development – policies and investments to stimulate private investment and improved competitiveness
- Attract large scale foreign investment
- Create jobs and careers, develop skills
- Raise confidence and create markets
- Assist area transition and re-positioning
- Improve balance and resource utilisation
Instruments tackle Market Failures

- SMEs are not always able to adapt rapidly
  - limited financial resources, skills, knowledge and leadership
  - Risk aversion and externalities
- Peaks and spikes: pressure on resources - staff and infrastructure
- Institutional failures: reconcile adversaries, self interest and common good, to create win-win scenarios
EU Cooperation

- The four pillars of tourism
- EU Instruments e.g. ERDF, ESF, EFF, CIF, EAFRD
- Cross border cooperation, relationships and learning
- Network of European Regions for a sustainable and competitive European tourism (NECSTouR)
- European Destinations of Excellence EDEN
EU EDEN

- Natural locations of local significance and wider appeal
- Local administrative and tourism authorities looking to differentiate an area’s tourism offer from other areas, niche or mass tourism models
- Close cooperation between tourism stakeholders and local communities
- Locals become entrepreneurs offering services to visitors
- The impact is direct and immediate on the local economy
Engaging the Private Sector

- Local government and tourist authorities work closely with entrepreneurs through consultative councils, meetings, events and workshops
- Prepare a shared vision and a framework for future plans and activities
- Implement lead developments and supporting investments in partnership
- Actions generate momentum and critical mass
Collaboration in Practice

- Local people engaged actively and become ambassadors
- Entrepreneurs look for investment opportunities
- Authorities integrate other policy initiatives, such as education and transport
- Government agreements, laws and guidelines for areas and developments that work with the local community and entrepreneurs: diversification and longer seasons
- Local sourcing of goods and services, highlighting traditions and developing supply chains
Joint Commitments

- Planning gain
- Environmental and landscape bonds
- Designated routes, themes and zones for development
- Public works and infrastructures
- Value of investments, incomes, taxes and profits: re-investment for future development
- Awards and new forms of partnerships
  - Local Tourism Investment Funds
  - Matched funds
  - Inter Regional collaborations
Public Private Partnerships

- **Deliver infrastructure and public services**
- Efficiency in public services through risk sharing and harnessing private sector expertise
- Safeguards for private investors, the stability of long term cash-flows from public finances
- Partnership contracts can incorporate important social or environmental benefits, demonstration effects
- Risk sharing arrangements provide an instrument to create incentives for both parties to perform
Place Policy

- Tourism is an essential part of place-based policies.
- Interventions increasingly rely on local knowledge, networks, and actors.
- Avoid relying on the state or a few private sector actors.
- A place-based policy is a long-term strategy aimed at tackling persistent underutilisation of potential.
- Reduces persistent social exclusion in specific places through external interventions and multilevel governance.
- Promotes the supply of integrated goods and services tailored to contexts and triggers institutional changes.
Thank You

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Discussion Topic 1

- What are the success factors in the use of financial instruments within tourism strategies? What would success look like and how do we measure it?
Discussion Topic 2

- How can we use financial instruments to strengthen the market without compromising the culture - sustainable development?
How can we better integrate approaches and instruments that attract private sector investment across related policy agendas?
Discussion Topic 4

- What new types of financial instruments would be appropriate at different spatial levels and stages in the development cycle?