



Issues Paper

Leveraging Investment for Sustainable and Inclusive Tourism Growth

2-3 October 2017
OECD, Paris

■ Background information

This note is provided as background information at the High Level Meeting on Tourism Policies for Sustainable and Inclusive Growth, 2-3 October 2017, OECD. This meeting brings together Ministers, senior policy makers and industry leaders to discuss ways to deliver more sustainable and inclusive tourism growth.

The event marks the occasion of the 100th meeting of the Tourism Committee and supports the future policy agenda of OECD member and partner countries. It aims to draw attention to the major advances made in the implementation of effective tourism policies and programmes, and to facilitate open discussions about long term objectives for tourism development, and how an effective, forward-looking, whole-of-government approach can help achieve these objectives.

More information: oe.cd/tourism

■ About the OECD

The Organisation for Economic Co-operation and Development (OECD) is a forum in which governments compare and exchange policy experiences, identify good practices in light of emerging challenges, and promote decisions and recommendations to produce better policies for better lives. The OECD's mission is to promote policies that improve economic and social well-being of people around the world.

■ About the OECD Tourism Committee

The OECD Tourism Committee, created in 1948, acts as the OECD forum for exchange, and for monitoring policies and structural changes affecting the development of domestic and international tourism. It actively promotes the sustainable economic growth of tourism.

Leveraging Investment for Sustainable and Inclusive Tourism Growth

This session will examine policy approaches to better mobilise and target tourism investment, stimulate growth and maximise the economic and social returns generated by the tourism sector. According to the *OECD Policy Framework for Investment*, a good investment climate should be good for all firms, large and small. The policy framework should also enhance the development benefits from all investments, including tourism. Making the most of public investment is a priority as well. The *OECD Recommendation on Effective Public Investment Across Levels of Government* provides a framework to guide well-managed and growth enhancing investment choices and implementation.

Investment is essential to build a competitive tourism sector

The growth of tourism flows has required and been facilitated by investment in infrastructure, to transport visitors from their point of origin to and around the destination, accommodate visitors during their trip, and provide dining, entertainment and other facilities. Much of this investment is private sector driven (e.g. hotel facilities, leisure attractions). Public investment by all levels of government also plays a vital role, for example to make natural and cultural resources accessible, and when well managed may act as a catalyst to bring private investment.

Attracting tourism investment has become a highly competitive business in many countries, given tourism's potential to contribute to economic development, combined with constrained public budgets and a shortage of investment capital. Private investment is essential if tourism is to contribute to economic development, and countries are increasingly looking to foreign investors to provide the capital needed to develop the tourism sector.

Boosting investment for tourism remains a priority in many countries, as the nature and intensity of visitor flows, and their impact, are largely determined by the availability of infrastructure. A lack of investment in quality infrastructure can be an obstacle to the development of tourism destinations and businesses. The exact nature and characteristics of this investment, the infrastructure it creates and the tourism flows it supports have economic, environmental and social consequences.

Public and private investment can enhance the attractiveness and competitiveness of a destination, and support SMEs and local development. It can also lead to fundamental changes in a destination, impact the destination image, and put pressure on the natural environment and local community. Active policies are needed to boost the level, quality and effectiveness of investment in tourism, and promote sustainable and inclusive growth.

Targeting investment to better manage tourism growth

Rapid tourism growth is opening up new opportunities in many countries, but is also creating new challenges. Investment may prove critical in managing this growing tourism demand in a sustainable manner. Continued strong growth in global travel flows is putting pressure on available infrastructure and increasing the need for additional investment, to address supply-side bottlenecks. Finding the right balance between tourism supply and demand has become a key policy priority in many countries: at national, regional and local level, by industry sub-sector, and by market segment.

Growth in the volume of travel is taking place alongside changes in demand patterns and travel behaviours. Competition between and within destinations has increased, and there is growing momentum to develop and deliver unique, high quality tourism experiences for a more diversified and demanding tourism consumer. Wider trends are also having an impact, including technological developments, digitalisation, economic context and geopolitical, safety and security issues, and the transition to greener growth paths. New forces are re-shaping the global investment landscape, including the emergence of new major outward investors such as China, the spread of global value chains and signs that investment protectionism pressures are on the rise.

The supply of tourism infrastructure (and support services) will need to expand and adapt to cater to these trends and developments, and open up new growth opportunities. Quality tourism investment is also needed to manage forecast growth in a sustainable and inclusive manner. This requires adequate levels of investment to maintain, refresh and upgrade the existing tourism offer and develop new products, address infrastructure gaps, innovate and capitalise on future growth opportunities. This investment needs to be well targeted and focused on priority investment needs in line with tourism and wider policy goals, to maximise value for money and investment returns, avoid problems associated with excess or scarce capacity, and contribute to urban and rural development and other economic, environmental and social goals.

Policies for better quality investment for tourism

Governments have responded to these trends and challenges with a variety of different initiatives to strengthen the investment environment and boost the quality of investment in the sector. These include tourism investment strategies (Australia, Ireland), dedicated capital expenditure funds and government-led investment schemes to mobilise long term tourism investment (France, New Zealand), tourism investment promotion and facilitation supports (Finland), changes in the tourism regulatory framework to make it easier to do business (Israel), fiscal incentive schemes to direct private investment (Philippines), and green investment initiatives to promote more sustainable practices in tourism (Mexico).

Policy makers need to better understand investment trends in the sector, and the obstacles, barriers and challenges facing different stakeholders (public and private, foreign and domestic, large and small, with different business models and ownership patterns, and from different branches of the tourism sector). More information is also needed on effective and coherent policies to boost the level and quality of investment in the sector, promote better use of public monies, increase private investment and support destinations in their transition towards low carbon development.

A variety of different factors influence the decision about where, when and how much to invest, including the return on investment potential, investment process, and the cost and

ease of doing business. Other influencing factors include: the general policy, macro-economic and business environment (e.g. the legal, regulatory and planning frameworks, rules and procedures); availability of tourism strategies, market data and future growth plans; investment promotion and facilitation activities; governance arrangements; human resources capacity; and initiatives to encourage responsible business conduct and green growth.

Topics for discussion

- What are the main barriers and challenges for tourism investment?
- What are the good and innovative policy practices related to investment in tourism, including methods to maximise and measure the impacts of interventions?
- How to make the most of public investment for tourism at national, regional and local level, from design to implementation, and use it to leverage private investment?
- What steps can the private sector take to address the emerging investment needs of the tourism industry, and enhance the contribution of tourism?
- What are the policy options to generate the highest return on tourism investment for the benefit of people, businesses, territories and society as a whole?

Further reading

- OECD (2017), *Tourism Policy Review of Mexico*, OECD Publishing, Paris.
<http://dx.doi.org/10.1787/9789264266575-en>
- OECD (2016), *OECD Tourism Trends and Policies 2016*, OECD Publishing, Paris.
<http://dx.doi.org/10.1787/tour-2016-en>
- OECD (2015), *Policy Framework for Investment 2015 Edition*, OECD Publishing: Paris,
<http://dx.doi.org/10.1787/9789264208667-en>
- OECD (2017) Subnational governments in OECD countries: key data
<http://dx.doi.org/10.1787/region-data-en>
- OECD (2014), *OECD Recommendation of the Council on Effective Public Investment Across Levels of government*, <http://www.oecd.org/regional/regional-policy/Principles-Public-Investment.pdf>

www.oecd.org/cfe/tourism

