FINANCING SUSTAINABLE TOURISM PROJECTS

“Advancing Sustainable Tourism in the Caribbean: A Regional Progress Report”

OCTOBER 2012
“PERSPECTIVES ON FINANCING SUSTAINABLE TOURISM”

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Sustainable tourism is about responsible tourism based on a strategy of conservation.

- **WTO:**
  
  “Sustainable tourism development meets the needs of present tourists and hosts regions while protecting and enhancing opportunity for the future. Sustainable development requires management of all resources in such a way that economic, social and aesthetic needs can be fulfilled while maintaining cultural integrity essential to ecological processes and biological diversity and life support systems.”

- **OECS:**
  
  “Optimal use of natural and cultural resources for national development on an equitable and self sustaining basis to provide a unique visitor experience and improved quality of life through partnerships among government, the private sector and communities.”
SUSTAINABLE TOURISM (Cont’d)

Sustainable tourism key words:

- Quality visitor experience
- Local community benefits
- Environmental stewardship
- Best of all worlds
- Sustained profitability
Established on January 26, 1970

Purpose:

“contribute to the harmonious economic growth and development of the member countries in the Caribbean and to promote economic co-operation and integration among them, having special and urgent regard to the needs of the less developed members of the region”
“CDB intends to be the leading catalyst for development resources into the Region, working in an efficient, responsive and collaborative manner with our borrowing members, and other development partners, towards the systematic reduction of poverty in their countries through social and economic development”
Regional Members

Borrowing Member Countries

- Anguilla
- Antigua and Barbuda
- Bahamas, The
- Barbados
- Belize
- British Virgin Islands
- Cayman Islands
- Dominica
- Grenada
- Guyana
- Haiti
- Jamaica
- Montserrat
- St. Kitts and Nevis
- St. Lucia
- St. Vincent & the Grenadines
- Trinidad and Tobago
- Turks and Caicos Islands
Non-Borrowing Member Countries

REGIONAL
- Colombia
- Mexico
- Venezuela

NON-REGIONAL
- Canada
- China
- Germany
- Italy
- United Kingdom
CDB’s Borrowing Member Countries
CDB as a Multilateral Development Bank

- Creatures of international law
- CDB (Small, Sound, Willing Development partner)
- Other MDB’s (WB, IDB, AFDB, ADB, EIB, etc)

Objectives:
- Efficiency of MDB’s and BMCs
- Effectiveness
- Harmonisation
Assists BMCs to optimise use of resources and develop their economies and societies
Promotes public and private investment
Mobilises financial resources
Pursues poverty reduction and social development goals/targets
Recognises Caribbean as tourism-dependent region and the need to target sustainable tourism development
CDB’s Cumulative Financing

Cumulative Financing Approvals and Disbursements (1970-2011)

![Graph showing cumulative financing approvals and disbursements from 1970 to 2011. The X-axis represents years from 1970 to 2011, and the Y-axis represents billions of dollars. The graph compares cumulative approvals and disbursements, with bars for each year indicating the amounts. The years 2008, 2009, 2010, and 2011 show a significant increase in both approvals and disbursements compared to the earlier years.]
CDB Financing by Sector

Sector Share of Net Total Financing (1970-2011) Total: $3,886.3 mn

- Agriculture, Forestry and Fishing: 51%
- Manufacturing, Mining and Quarrying: 21%
- Transport and Communication: 12%
- Social and Personal Services: 6%
- Power, Energy and Water: 3%
- Tourism: 5%
- Financial, Multi-Sector and Other: 2%

Total: $3,886.3 mn
CDB’s Financing to Tourism

Sector Share of Net Financing to the Tourism Sector (1970-2011) Total: $89.768

- Hotels: 40%
- Integrated Tourism: 41%
- Cruisedhip Piers: 9%
- Tourism Ancilliary: 10%
CDB’s Financing to other Banks


CDB’s Lines of Credit to Financial Intermediaries allocate amounts for on-lending by the Financial Intermediary for tourism and tourism ancillary activities
THE PROJECT CYCLE

- Identification
- Formulation & Preparation
- Appraisal
- Implementation
- Monitoring
- Terminal Evaluation
- Mid-Term Evaluation
- Ex-Post Evaluation
- Operation
CDB’s PROJECT CYCLE

Feasibility Study
includes EIA, (NHIA), SIA, IOA

Project Preparation
includes EIA, (NHIA), SIA, IOA and other studies

Project Profile

Application

Application Review

Application Screening

Feasibility Study
includes EIA, (NHIA), SIA, IOA

Project Preparation
includes EIA, (NHIA), SIA, IOA and other studies

Project Profile

Preliminary Macro-economic Assessment

Appraisal Mission

Appraisal Report

Appraisal Report Review

Loans Committee Consideration

Loan Negotiations with Borrower

Board Presentation and Approval

Loan Negotiation and Board Approval

Country Strategy Paper

Required

Completed

Rejected

Non-active

Country Strategy Paper

Feasibility Study
includes EIA, (NHIA), SIA, IOA

Project Preparation
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Project Identification and Preparation

[Based on CDB’s Operational Policies and Procedures Manual – Volume 1]
Project Boundary

- An analytical framework
- Conceptual boundary placed around projects/programmes
- Variation in size and scope
- Different types of elements/activities
- One or multiple locations
- Local, National, Regional or Global in scope
- Internal and external environments
Sustainable Tourism Projects

- Hotels (AN, AG, BA, BZ, BD, CY, GR, JA, MO, SL, TCI, SVG)
- Sites and Product development (AN, AG, BD, DOM)
- Solid Waste Management
- Water and Sewerage
- Electric Power
- Cruise ship Piers and terminals (SKN, JA, SL)
- Air and Sea Ports
- Disaster Risk Management
- Roads and sea defences
Hotel Development Projects

RESULTS:
Limited success in accommodation projects, inadequate MIS, low occupancies, debt default. Larger hotels had better than the average performance

ISSUES:
- Risk/"diseconomies" of small size
- Exclusive vs. Remote location
- Owner-managed small hotels
- Cost sharing: Joint marketing/management
- Timing of start-up and pre-opening costs
- Irregular cash flows and flexible debt service payment
- Marketability of environmental management/certification (ISO 14,000, Blue Water and Green Globe)
- Hedonism project (pleasure – highest good at any cost)
- No longer a focus area for the Bank
- Enhanced social and economic infrastructure for sustainability
Hotel Development Projects (Cont’d)

- Environmental Management Plans/EIA requirement
  - Energy audits
  - Water quality, use/monitoring
  - Staff and guest safety and health
  - Set back limits and planning issues
  - Social risk and Impact on local communities (positive and negative)
  - Conflict and partitioning (near shore area, etc.)
  - Waste management
  - Hazards (natural and anthropogenic)
RESULTS

Mixed performance of sites

ISSUES

- Dislocation of existing enterprises during construction
- Carrying capacity of sites
- Grouping of sites/attractions into viable packages
- Accessibility and security of sites
- High cost of restoration projects (Historic/Heritage)
- Serviceability (transport, health services, waste and sanitation, food services, etc.)
- Sites for long-stay tourists versus short-stay tourists
- Development of attractions involving the indigenous peoples of the Caribbean
CTCS – Training to the small hotel sub-sector through the provision of “in-house” training via the use of consultants, attachments to other establishments or through workshops. Previous interventions covered areas including:
- customer service
- front desk operations
- food and beverage
- house keeping
- maintenance activities
RESULTS
Promising, based on fairly recent establishment of comprehensive SWM systems with the assistance (US$27 million) of CDB and other MDBs

BENEFITS
- Reduced Health and sanitation Risks
- Terrestrial and marine quality
- Improved aesthetics

ISSUES
- NIMBY/Physical development planning
- Environmental impact assessments (EIAs)
- Cost recovery (Collection, transportation and disposal costs)
- SWM and Cruise Tourism/ Passenger Head Tax
- MARPOL convention and Caribbean Sea – Special Area
- Illegal disposal – land and sea
- Waste minimisation – composting, recycling, (Beeches Hotel)
Solid Waste Management Projects (Cont’d)

- Impact of SWM activities on tourism plant
  - Hotels at Reduit, St. Lucia (Land fill site)
  - Greenland Barbados (land fill site)
  - Mangrove Pond, Barbados, West Coast properties (down-wind land fill site)
  - TCI International Airport – land fill moved to Blue Hills – bird strikes and visibility
  - Hewannora Airport – Vieux Fort land fill (potential bird strikes)
Lessons Learnt on SWM Projects

- Poor Management resulted from:
  - inadequate knowledge and information
  - inadequate financial resources
  - Weak legal, regulatory and institutional framework

- Sound planning of SWM projects and participation of stakeholders required

- Monitoring of Evaluation systems are critical

- Need to Ratify Conventions – MARPOL, BASEL, etc.

- 4 R’s policy should be developed by Caribbean Governments

- Private/Public Sector partnerships – incentives, disincentives
Power

- Optimisation of production of power
- Public/private ownership
- Energy efficiency
- Oil prices and search for Renewable Energy
- Coastal location of plants
- Tariffs
- Regulation and reform
RESULTS
The water sector has not been financially sustainable based on inefficiency and need for tariff reform.

ISSUES
- Ground and surface water pollution
- Increased Water demand (residents, commercial, industrial) Consumption 140-280 cubic metres per guest per year
- Unaccounted For water above 50% in Region
- Fresh Water scarcity and need for water shed protection
- Poor inventory and monitoring of water resources
- Weak institutional and regulatory framework
- Need to improve service quality
- Desalination (Private Sector Participation)
- Recycling costs sometimes a deterrent
Sewerage

- Pollution concerns based on inadequate coverage
- Near shore and coastal pollution (faecal coliform bacteria)
- Experience and Treatment adequacy
- Sewage outfall and Risk
- Disruption of critical infrastructure services during implementation
- Compensation for stakeholders (dislocation during implementation)
- Service hook-up (willingness and ability to pay)
Cruise Ship Piers and Terminals

- Likely over-runs in capital cost (pile driving, dredging and filling, marine works)
- Competition from on-board duty free shops
- Marketing of centre to tourists (events, etc.)
- Net benefits based on limited local value added
- Need for development of local/regional handicraft industries
- Efficient commercial centre and complementarity of goods and services
- Location/orientation of shops
- Surveys and Paperwork to track economic performance
### Air and Sea Ports

- Requirement of a mixture of short and long term resources
- Private/public sector ownership/operation
- Regulation
- Ports should be considered essential services and qualify for soft loans
- Essential assets cannot be pledged as security
- Larger investment to accommodate Sharp peak-hour traffic due to apparent lack of influence on flight schedules/ship arrivals.
- Airport terminals as liming spots
- Waving gallery and security risk
Disaster Risk Management

- Vulnerability of development projects
- Disproportionate disaster impact
- Some disaster impacts
- Major Caribbean disaster losses
- Mainstreaming disaster risk management
- Disaster Mitigation Facility for the Caribbean
- CDB’s Poverty reduction strategy
Vulnerability of Development Projects

Hurricane Tomas, 2010. St. Lucia

Sandy Gully, Jamaica. TS Gustav – August 2008
### Some Disaster Impacts

<table>
<thead>
<tr>
<th>PERIOD</th>
<th>DISASTER EVENTS</th>
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<tbody>
<tr>
<td>1960-1969</td>
<td>16</td>
</tr>
<tr>
<td>1970-1979</td>
<td>13</td>
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<tr>
<td>1980-1989</td>
<td>41</td>
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<tr>
<td>1990-1999</td>
<td>48</td>
</tr>
<tr>
<td>2002-2005</td>
<td>18</td>
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</tbody>
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<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>DISASTER</th>
<th>YEAR</th>
<th>IMPACT (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jamaica</td>
<td>H. Gilbert</td>
<td>1988</td>
<td>$956 mn in damage; $130 mn in lost exports; $100 mn in lost tourism; 65% of GDP</td>
</tr>
<tr>
<td>Montserrat</td>
<td>H. Hugo</td>
<td>1989</td>
<td>200% of GDP</td>
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<tr>
<td>St. Lucia</td>
<td>TS Debby</td>
<td>1994</td>
<td>$79 mn in damage (18% of GDP); 58% of banana crop loss</td>
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<td>Antigua</td>
<td>H. Luis, Marilyn</td>
<td>1995</td>
<td>60% fewer tourists 3 months after; 65% of GDP</td>
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<tr>
<td>Dominica</td>
<td>H. Luis, Marilyn</td>
<td>1995</td>
<td>$66.7 mn in damage</td>
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<td>St. Kitts</td>
<td>H. Georges</td>
<td>1998</td>
<td>85% housing damaged or destroyed 50% of sugar harvest</td>
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<tr>
<td>Barbuda</td>
<td>H. Lenny</td>
<td>1999</td>
<td>95% of agricultural crop</td>
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## Major Caribbean Disaster Losses, 2004 - 2005

<table>
<thead>
<tr>
<th>Country</th>
<th>Impact (USD)</th>
<th>Effects</th>
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<tbody>
<tr>
<td><strong>2004</strong></td>
<td></td>
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<tr>
<td>Grenada; Hurr. Ivan</td>
<td>815 mn</td>
<td>200% of GDP; 6% reduction in growth</td>
</tr>
<tr>
<td>Cayman Islands, Hurr. Ivan</td>
<td>CI 2.8 bn</td>
<td>83% of damage to social and economic infrastructure</td>
</tr>
<tr>
<td>Jamaica, Hurr. Ivan</td>
<td>595 mn</td>
<td>7% of GDP; 1.9% reduction in growth</td>
</tr>
<tr>
<td>Bahamas (Hurr. Frances, Jeanne)</td>
<td>382 mn</td>
<td>Mainly productive sectors, infrastructure and social sector</td>
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<tr>
<td><strong>2005</strong></td>
<td></td>
<td></td>
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<tr>
<td>Guyana (Floods)</td>
<td>465 mn</td>
<td>59% of GDP; mainly to housing sector (275 mn, 60% of total impact; 34 lives lost)</td>
</tr>
</tbody>
</table>

2004: Landslides, Earthquakes - Dominica, Trinidad and Tobago
2004: Floods: Jamaica, Trinidad and Tobago, Barbados
Roads And Sea Defences

- Provides efficient linkages within countries.
- Important to support tourism linkages.
- Major Capital outlay required to develop.
- Maintenance a major issue in BMCs.
CDB Mission: Poverty Reduction in BMCs

- Good Governance
- Capacity Enhancement
- Vulnerability Reduction
  - Citizen Security
  - Natural hazards/disasters
  - Gender
Mainstreaming Disaster Risk Management into Development Planning

1998 Natural Disaster Management Strategy and Operational Guidelines
2000 Disaster Mitigation Facility for the Caribbean
2003 Corporate Priority on Vulnerability Reduction
2005 Strategic Plan: Disaster Risk Management and Environmental Sustainability identified as cross cutting themes
2007 Disaster mitigation permanent function at CDB
2009 Disaster Management Strategy and Operational Guidelines
2012 Operations Area organised to provide dedicated ESU which focuses on climate change; disaster mitigation and risk management; and wider environmental sustainability support
Mainstreaming Disaster Risk Management into Development Planning (Cont’d)

- Climate Resilience Strategy (2012-2017)
- Staff Trained in NHRM
- Capital/TA projects which incorporate DRR into design
- Disaster Management Strategy and Operational Guidelines (2009)
- Hazard mitigation policies and plans
- Institutional strengthening – disaster management agencies, tertiary education
- DRR tools and practices
- Increased stakeholder awareness and participation
WAY FORWARD

BMCs:

- Continued market research (BMCs, CTO, CHA private sector)
- Engage in Environmental Monitoring and Evaluation and EMPs for optimal performance (BMCs, Private Sector)
- Establish and maintain Quality Standards (CAST, Private Sector, BMCs)
- Effect better regulation of Utilities and essential services such as ports (BMCs)
- Promote Public Private partnerships and Improve investment climate (MDBs, BMCs Private sector)
- Develop local financial markets (BMCs)
BMCs:

- Promote the development of culture and culture industries and provide assistance in areas of capacity building, data collection and analysis and intellectual property rights (BMCs)

- Provide and maintain appropriate Enabling Environment conducive to doing tourism business (BMCs)

- Incorporate Vulnerability Assessment and Risk Management into Development Plans (BMCs)
MDBs/CDB:

- Consider setting up a Donor Group to coordinate sector reforms, approaches and strategies for co-financing the Water Sector (MDBs)
- Address constraints to lending (MDBs)
- Develop appropriate policies, financial products and tools to improve portfolio (MDBs)
- Continue to provide TA and address the needs of small businesses (CDB)
- Continue harmonising process (MDBs)
- Continually adapt private sector lending policies (MDBs)
- MDBs should aim for consideration as partner of choice and relax lender of last resort
OTHERS:

- Incorporate Risk management (political, social, business, natural hazards, etc.) in tourism projects (Private Sector, Investors)

- Promote greater value added (less leakage, empower locals/communities)

- Educate and build awareness of locals and tourists about conservation
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