



“Advancing Sustainable Tourism in the Caribbean Region”

A Symposium of the Caribbean Tourism
Organization

October 30-31, 2012

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Tourism Overview



Caribbean's Dependence on Tourism

Travel and Tourism's (Direct & Indirect) Contribution to the GDP of Selected Caribbean Countries, 2008

Country	GDP Contribution
Antigua & Barbuda	78.00%
Barbados	54.00%
Bahamas	41.50%
St. Lucia	41.20%
Jamaica	29.90%
Grenada	26.50%
Trinidad & Tobago	12.80%

Source: World Travel and Tourism Council, 2009

The Global Tourism Scenario

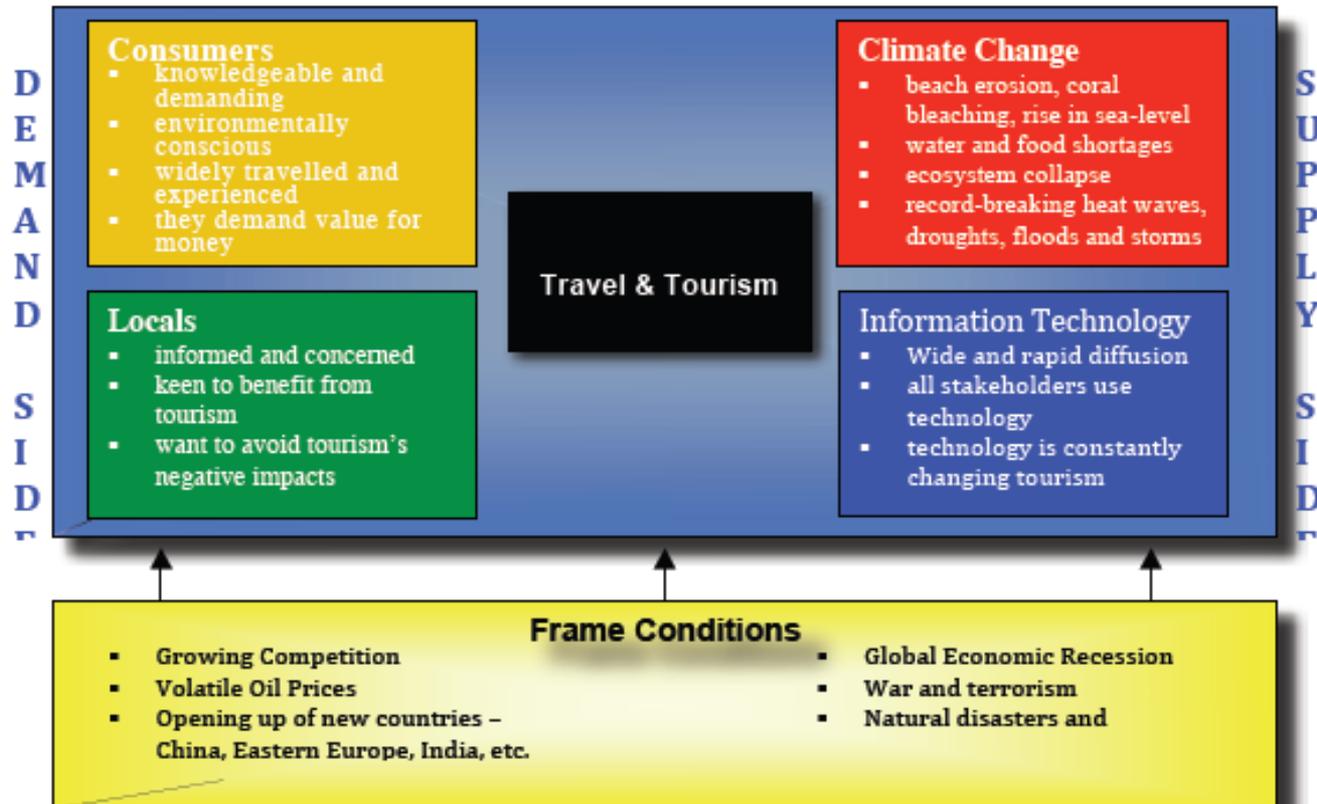
It is important to note that tourism operates in a global market and challenges affecting the global economy or specific tourism generating markets, will spill over to Caribbean. We therefore need to:

- Recognise that the travel and tourism industry is global, highly competitive and subject to large fluctuation.
- Provide an environment to encourage investment in the region
- Continuously research and monitor the environment, climate change, product development and other key factors affecting the industry.
- Develop the skills and capacities in order to sustain the industry



Future Outlook

Key Factors Driving Travel and Tourism

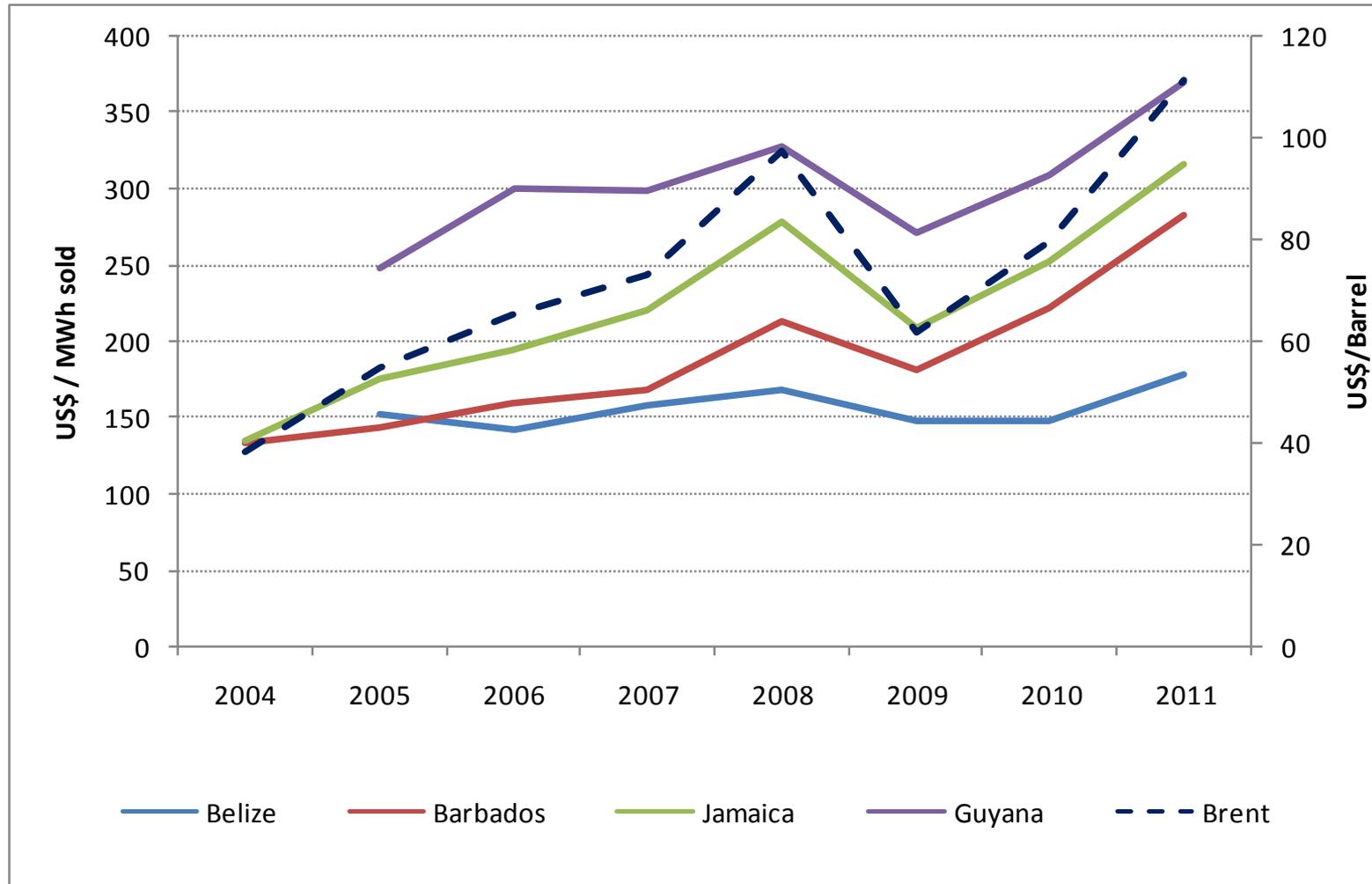


Source: Tourism Intelligence International, 2009

The Tourism Sector from an Energy Perspective

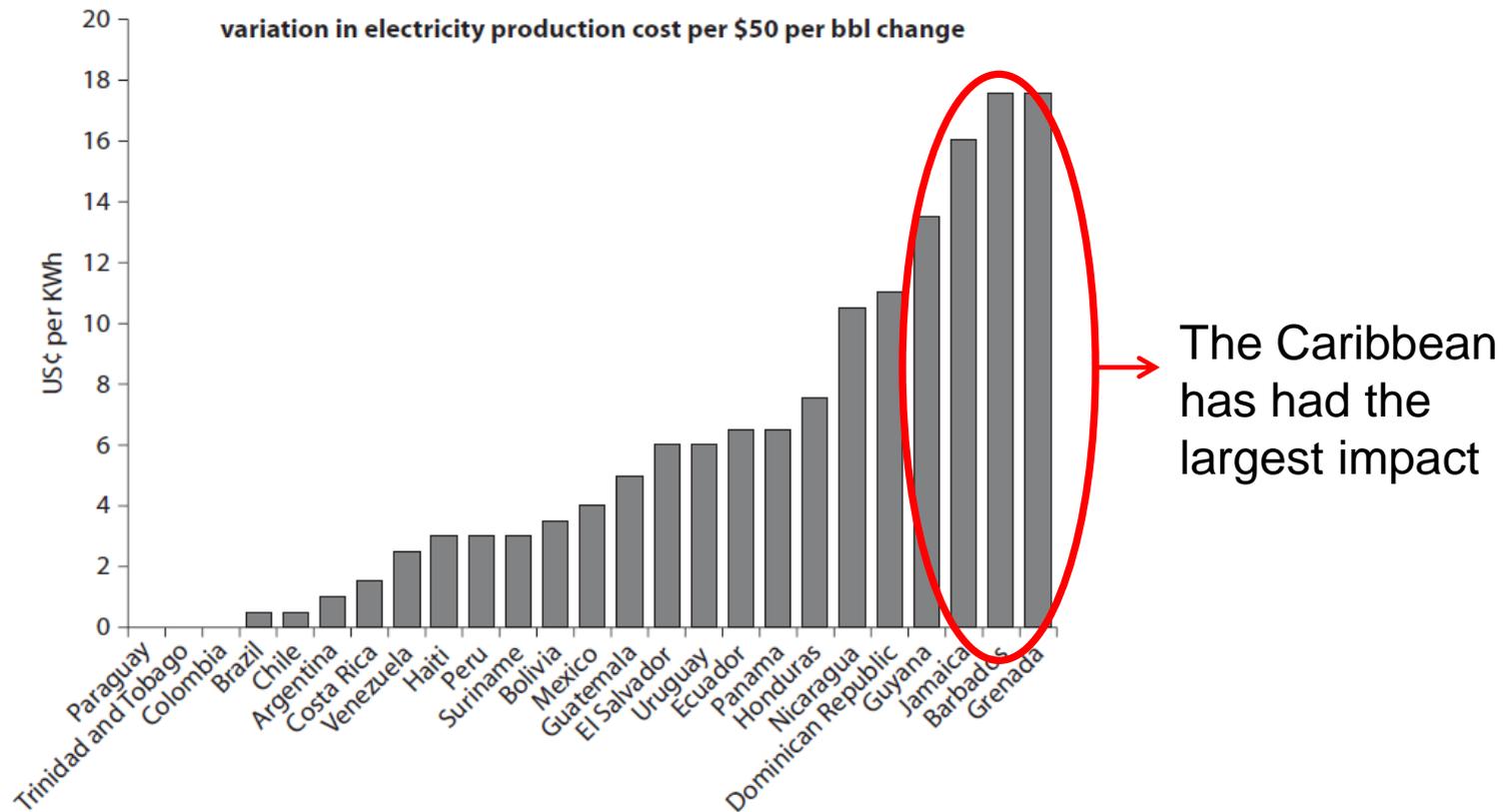


Cost of energy per unit sold in the Caribbean



Note: own elaboration based mainly on yearly report by utilities. The costs include operational and administrative costs per unit sold.

Impact of Oil Price Changes on Power Generation Costs, 2006.



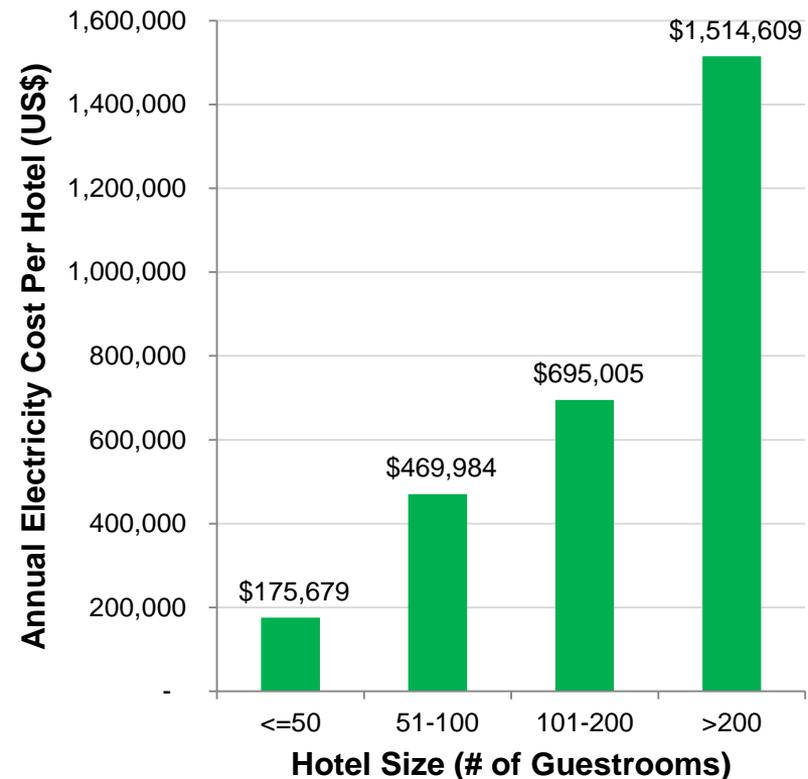
Source: Authors.

Source: “Mitigating Vulnerability to High and Volatile Oil Prices. *Power Sector Experience in Latin America and the Caribbean*”, Rigoberto Ariel Yépez-García and Julie Dana, World Bank

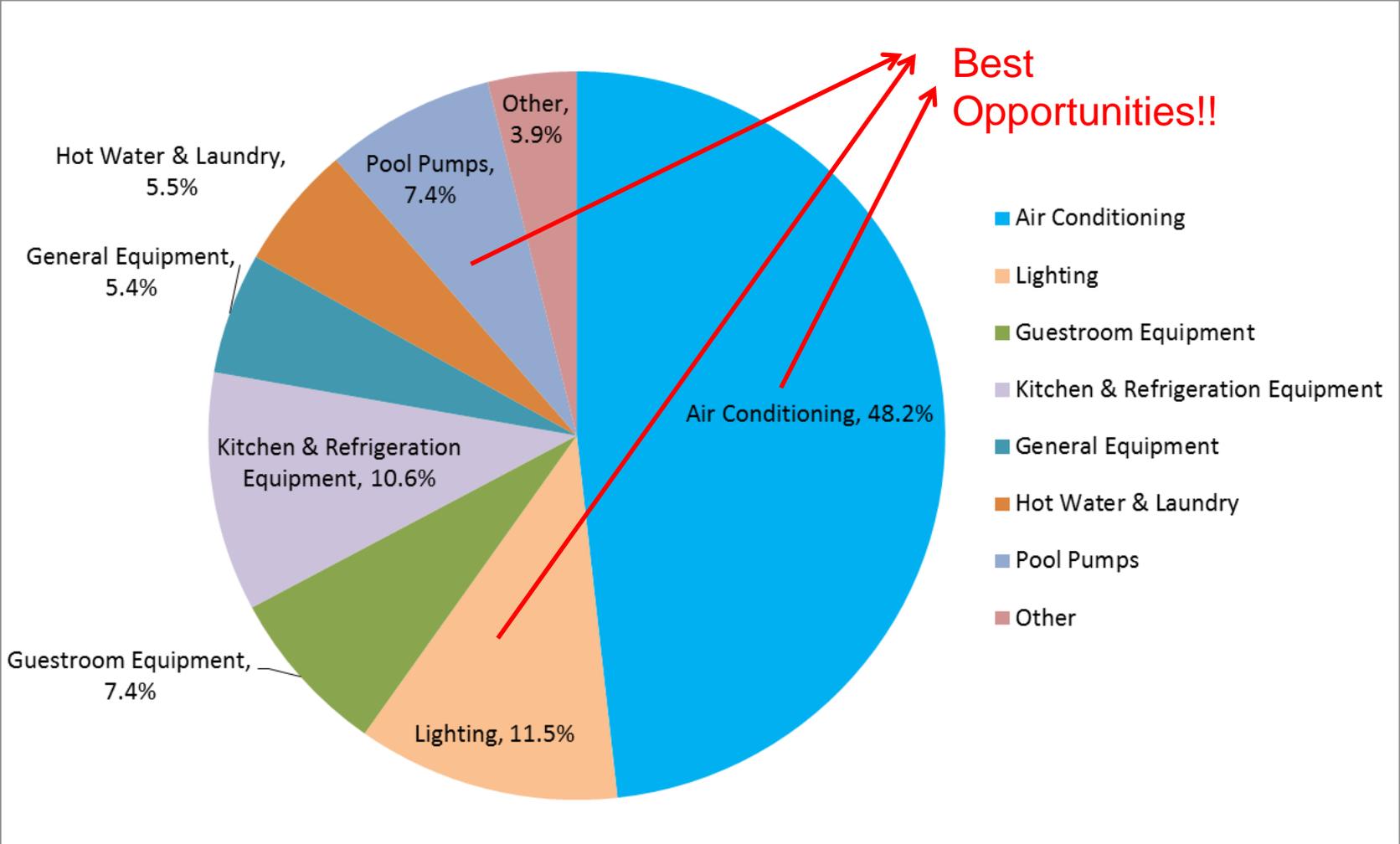
Energy - Key Factor for Sustainable Tourism

- The tourism sector accounts for a large share of electricity consumption in the Caribbean (e.g. 30% in Barbados)
- → **electricity costs among the highest operating expenses for hotels**
- → **operational costs increase significantly with high electricity prices (over US\$ 0.35/KWh) due to increasing fossil fuel prices;**

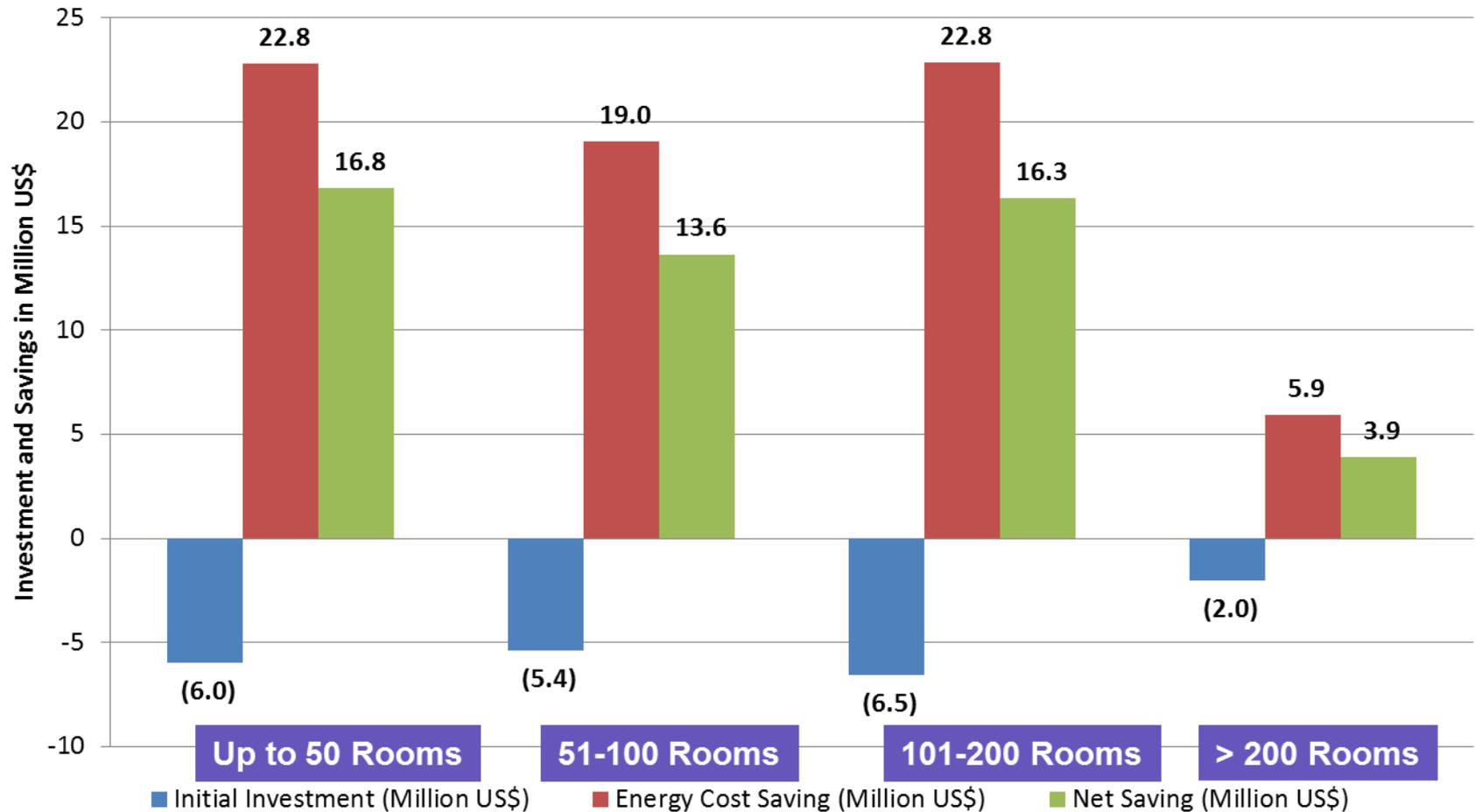
Average Electricity Expenditure for Barbadian Hotels



Opportunities in Energy Efficiency for the Caribbean Hotel sector



Investing in reducing energy consumption makes financial sense



A US\$ 20 million investment in Barbados Tourism clean energy will yield US\$ 50 million in savings



IDB's Technical Assistance and Financial mechanisms

Caribbean Hotel Energy Action Program (CHENACT and CHENACT-AP):

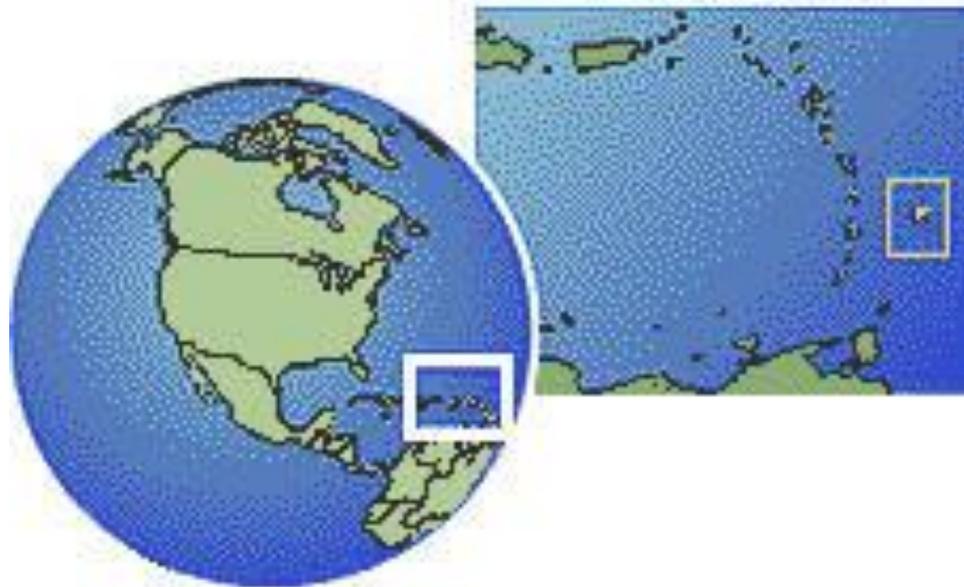
- Technical assistance to Improve the competitiveness of hotel industry by lowering energy expenditures;
- CHENACT (executed mainly in Barbados):
 - 36 detailed energy audits, 30 walk-through energy assessments (64% of all licensed hotels in Barbados), and additional 12 audits (GIZ) in OECS Caribbean countries.
- CHENACT-AP (in execution):
 - Hotels in Barbados, Jamaica, The Bahamas, Belize, Suriname, Trinidad and Tobago, Haiti, Dominican Republic and Guyana.
 - Total: US\$5,145,000, IDB: US\$2,000,000; with contributions from GIZ, UNEP, and CDB.

Smart Fund in Barbados:US\$10 million IDB loan to the Government of Barbados, administered by Enterprise Growth Limited fund:

- Pre-investment grants and low interest loans for RE and EE investments tied to payback period. Focused on Small and Medium enterprises.



The Caribbean and its Vulnerability to Natural Disasters and Climate Change



The Caribbean: Vulnerability to Climate Change

The Caribbean is highly vulnerable to the effects of climate change:



- Escalation in the frequency and intensity of tropical storms and hurricanes, with the highest level of North Atlantic hurricane activity on record (1995-2000).
- Extreme weather events cause major disruptions in economic activity, infrastructure damage and threat to the very existence of the population.
- Rising sea levels will further threaten low-lying coastal areas.

The Caribbean: How to Respond to Increasing Natural Disasters and Climate Change Vulnerability

- Better planning (regional/economic and land use planning and regulation) → coastal management
- Risk management (identifying risk; risk reduction/adaptation measures e.g. aimed at reducing the damage in buildings and infrastructure) → retrofitting, hazard-resilient infrastructure, building codes); preparedness and response
- Financial risk management e.g. Risk transfer (riadaptation meaures aimed at limiting the financial impact for people affected and distribute the risk to players in the market) → Insurance/reinsurance.

Pursue cost-effective measures to reduce impact on national, local and household economies



IDB Support – Technical Assistance

- Caribbean Carbon Neutral Tourism Project - Regional project on adaptation/mitigation (CCCCC/IDB)
 - Purpose: To enhance the climate resilience of the Caribbean region by devising ways of attracting new sources of financing for the scaling-up of low carbon investments in the tourism sector and reducing the sector's vulnerability to climate change.
 - The Project will (i) conduct an evaluation of the carbon footprint of the tourism sector and recommend appropriate technologies to reduce it and (ii) Identify / develop of financial mechanisms to achieve carbon neutrality in the tourism sector.



IDB's Technical Assistance and Financial mechanisms

Regional Public Goods

- Regional Disaster Risk Management for Sustainable Tourism in the Caribbean (US\$800,000); completed 2009
 - Built on strong cooperation between regional and national DRM and tourism agencies, UWI and CROSQ
 - Products included a Regional DRM Strategy and Action Plan, Standards for hazard mapping and vulnerability assessment and Institutional strengthening of CDEMA and the CTO.
- Regional Monitoring and Evaluation (M&E) System for Disaster Risk Management and Climate Change Adaptation in the Caribbean Tourism Sector (US\$700,000); in execution
 - Expected products include a Regional DRM and CCA Strategy and Action Plan; (ii) Regional M&E Database and incorporation into CTO's Management Information System for Tourism and (iii) Action Plan for Sustainability of the M&E database.



IDB Support – Loan

Coastal Risk Assessment and Management Program (CRMP), Barbados

- Goal: To build resilience to coastal hazards, natural disasters and climate change
- The Project includes:
 - Updating qualitative and quantitative coastal risk data; development of state of the art tools for incorporating risk in coastal planning
 - Shoreline erosion control; improvement in hazard resilience of coastal infrastructure; improved public access to beaches
 - Institutional Sustainability for Coastal Risk Management



The IDB Group Supporting Development through the Private Sector



The IDB works with businesses in all stages of growth

- Microenterprises
- Small and Medium-Sized Enterprises
- Large Businesses and Projects

Financial Products include: Loans & Syndicated Loans, Equity,
Guarantees, Technical Assistance & Grants



The Multilateral Investment Fund (MIF)

“Experimenting, pioneering, and taking risks to support successful micro and SME business models”

- The MIF provides technical assistance, grants, and investments for private sector development and focuses on increasing access to finance, basic services, and markets and capabilities.
- The MIF is a **laboratory** for testing and pioneering, market-based approaches to development – supporting economic growth and poverty reduction through **advancing micro & SME development**.
- The MIF **partners with a wide variety of local and international institutions** including: civil society organizations, industry associations, foundations, universities, cooperatives, commercial partners and financial institutions.

The MIF is the largest provider of technical assistance for private sector development in Latin America and the Caribbean:

- Financing about 100 projects per year, with a total finance volume of about US\$100 million. Projects range from mini-MIF's up to US\$150,000; to larger (regional) projects of between US\$1-2mn.
- Executing Agencies are required to mobilize 30% of the total cost in counterpart funding (50% in cash; 50% in kind).
- Project Example: Strengthening the Resilience of Coastal Communities (CARIBSAVE) to ensure communities and MSMEs in select coastal areas of Jamaica, Belize, Barbados, and the Bahamas are more resilient to changes in climate – including tourism SME operators.
- Applications are accepted online: <http://www5.iadb.org/mif>

Structured and Corporate Finance (SCF)

- The SCF Department provides financing for large infrastructure projects (private, mixed-capital entities and PPPs), financial institutions, and corporations, and extends trade finance through banks.
- Focuses on Private Sector Operations in Sustainable Tourism, will only engage in sustainable tourism projects.
- SCF has developed a “Tourism Development Impact Framework”(TDIF) targeting economic, environmental and social outcomes when evaluating potential tourism projects.
- Project Example: US\$42 million LEED financing facility for the construction of up to eight Marriot “green” hotels in Central America, Mexico and the Caribbean.



Structured and Corporate Finance

The SCF:

- Normally finances between 25-40% of the total cost of a project
- Can provide up to \$200 million in financing
- Provides between \$100K-\$1.5 million in Technical Assistance
- Plays a major role in stabilizing trade finance inflows
- Serves as a conduit to open large markets to smaller players

Inter-American Investment Corporation (IIC)

- Focuses on Private Sector Operations in Sustainable Tourism, especially SME engagement and participation
- Supports mid-sized tourism entities incl. hotels and attractions with construction loans, operating loans, & quasi equity
- Supports environmentally sustainable business practices and development of the local community
- Project Example: Seawind Key Investments in Jamaica (US\$8 million loan approved in September 2012 for a hotel complex in Montego Bay)



Inter-American Investment Corporation

Products and Services include:

- Corporate Loans
- Working Capital Loans
- Project Finance
- Financing for Financial Intermediaries
- Small Business Loans



Initial Information required to discuss financing opportunities

- **Investment objective:** description, investment plan, financial plan
- **Financing requested:** financial product amount, payment terms, grace period
- **Information about the company:** shareholders/ownership, brief history, financial statements

Project selection criteria

- Contribute to country's development
- Profitable companies or greenfield projects, with growth potential, that lack sufficient access to finance in local financial and capital and markets
- Companies that manage financial records in a transparent manner, and that comply with national and IDB Group policies and requirements for legal, accounting, tax, social, and environmental matters

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