



**STRATEGY TO SUPPORT
THE GROWTH AND
CONSOLIDATION OF A
SUSTAINABLE TOURISM
INDUSTRY IN LATIN AMERICA
AND THE CARIBBEAN**

**STRATEGY TO SUPPORT
THE GROWTH AND
CONSOLIDATION OF A
SUSTAINABLE TOURISM
INDUSTRY IN LATIN AMERICA
AND THE CARIBBEAN**

1. INTRODUCTION	6
2. ALIGNMENT WITH CAF'S CORPORATE STRATEGY	8
3. FUNDAMENTALS	9
4. OPPORTUNITIES	14
5. STRATEGIC OBJECTIVES AND PROGRAMMATIC LINES	16
<u>Greener destinations</u>	18
Support environmentally responsible and low-carbon tourism	
Support tourism that is adapted and resilient to climate change	
Support the conservation of protected areas through tourism	
Promote the regeneration of ecosystems and their biodiversity in tourist destinations	
Support the recognition and conservation of the qualification as Natural World Heritage Sites	
Projects eligible for funding for greener destinations	
<u>More inclusive destinations</u>	23
Promote community tourism	
Support tourism without barriers	
Promote tourism with a gender perspective	
Projects eligible for funding for more inclusive destinations	
<u>More innovative destinations</u>	26
Support the development of new tourism products	
Promote the use of new technologies for developing tourism	
Support the digitalization of the tourism sector	
Projects eligible for funding for more innovative destinations	
<u>More creative destinations</u>	29
Support creative and cultural tourism	
Support the recognition and conservation of the qualification as Cultural Heritage of Humanity	
Projects eligible for funding for more creative destinations	

**TABLE OF
CONTENTS**

Better equipped destinations	32
Support the development of infrastructure in tourist destinations	
Promote connectivity in tourist destinations	
Support safety in tourist destinations	
Projects eligible for funding for better-equipped destinations	
6. FINANCIAL AXES	35
Investment Programs for the National Public Sector	35
Innovation in financing for subnational entities	35
Innovation in financing for the private sector	36
Projects eligible for funding	
Innovative financing through national banks and local development banks	
Promotion of private investment	
Innovative direct lines	
Pre-investment and technical cooperation programs for the tourism sector	38
Funds to support countries	
Innovative mechanisms applicable to macro tourism development projects	
Generation of knowledge	
Managing the channeling of resources and green financing	
7. NETWORKS, ALLIANCES AND EVENTS	41
Tourism networks	41
Alliances	41
Events	42
8. CRITERIA FOR SELECTING OPERATIONS	43
Alignment with country policies	43
Environmental and social sustainability	43
Social and cultural benefits	43
Education and awareness	44
Sustainable management and operation	44
9. PROJECT CREATION CYCLE	45
Multidisciplinary Coordination Group at CAF	45
Creation of operations from the Country Strategy	45
Holistic interventions by the Vice-Presidency for the Private Sector	45
10. FINAL CONSIDERATIONS	46

LIST OF TABLES

TABLE 1. Tourism sector indicators for the region 2023	9
TABLE 2. Tourism GDP and Employment Share in LAC 2022	11

INDEX OF FIGURES

FIGURE 1. Monitoring the recovery of tourism in 2023	10
FIGURE 2. Global tourism carbon footprint 2018	12
FIGURE 3. Percentage of Biodiversity in LAC	14
FIGURE 4. Strategic Objectives and Programmatic Lines	17
FIGURE 5. Location of the 36 Natural World Heritage Sites in LAC	21
FIGURE 6. Representation of the evolution cycle of a tourist area or destination	25
FIGURE 7. Location of Cultural World Heritage Sites in LAC	27

INDEX OF TABLES AND FIGURES

AF Adaptation Fund

LAC Latin America and the Caribbean

PPP Public-Private Partnership

PAs Protected Areas

CBD Convention on Biological Diversity

COP26 United Nations Framework Convention on Climate Change of the Parties

CT Technical cooperation

STD Sustainable Tourism Directorate

SDF Sustainable Tourism Facility

FAV-LAC Green Action Facility for Latin America and the Caribbean

FONDESHU Human Development Fund

GCF Green Climate Fund

GACBP Climate Action and Positive Biodiversity Management

GDUAEC Management of Urban Development, Water and Creative Economies

GC Knowledge Management

GDSH Social and Human Development Management

GEF Global Environmental Facility

GHG Greenhouse Gases

GIFTD Infrastructure and Digital Transformation Management

GGID Gender, Inclusion & Diversity Management

AI Artificial intelligence

TDI Tourism Development Index

IKI International Climate Initiative, Government of Germany

IPCC Intergovernmental Panel on Climate Change

LAIF European Union Latin American Investment Facility

MCVDT Tourism Destination Life Cycle Model

Mincetur Peruvian Ministry of Foreign Trade and Tourism

OECD Organization for Economic Cooperation and Development

ILO International Labor Organization

UNWTO World Tourism Organization

NGO Non-Governmental Organizations

UN United Nations Organization

GDP Gross Domestic Product

GDP-BP Credits based on Public Policy Matrices

PPI Investment Projects and Programs

PES Water Sector Pre-Investment Program

ER Augmented Reality

SECTUR Mexican Ministry of Tourism

SWAP Broad Sector Approach Credit

IUCN International Union for Conservation of Nature

VSP Vice Presidency of the Private Sector

WTTC World Travel and Tourism Council

ACRONYMS



INTRODUCTION

Tourism is consolidating itself as a **powerful source of income and employment** throughout the Latin American and Caribbean region, one that is making an important contribution to the development of their economies and the well-being of their populations. The tourism sector has shown great resilience in the face of the challenges of recent years.

The Economic Commission for Latin America (ECLAC, 2022)¹ has identified 8 **dynamic sectors of the economy** in which it is necessary to invest to advance in the 3 dimensions of sustainable development: social, economic and environmental; among these sectors is **sustainable tourism**.

Due to its characteristics, **tourism contributes to the achievement of the Sustainable Development Goals (SDGs)** and in particular SDG 5 - Gender equality and women's empowerment, SDG 6 - Water and sanitation, SDG 7 - Affordable and clean energy, SDG 8 - Decent work and economic growth, SDG 11 - Make cities and human settlements inclusive, safe, resilient and sustainable, SDG 12 - Sustainable consumption and production (in particular target 12. b: achieve sustainable tourism that creates jobs and promotes local culture and products), SDG 13 - Climate action, SDG 14 - Undersea life (specifically target 14.7: increase the economic benefits that small island developing States and least developed countries derive from the sustainable use of marine resources, including through the sustainable management of tourism) and SDG 15 - Life of terrestrial ecosystems.

**The tourism sector
has shown great
resilience in the face
of the challenges
of recent years.**

¹ Cordero, M. (2022). Foreign investment in sectors that drive sustainable development and its flows to Central America, Cuba, Haiti, Mexico and the Dominican Republic, 2015-2021. United Nations. <https://repositorio.cepal.org/server/api/core/bitstreams/24c3940f-0df7-4c98-9aaf-d6c83994dbce/content>

CAF's Renewed Strategic Agenda 2022-2026 is based on the objective of being the **Green and Sustainable and Inclusive Growth Bank of Latin America and the Caribbean**, supported by cross-cutting elements such as knowledge generation, results and impact orientation aligned with the SDGs, gender equality, inclusion, racial and ethnic diversity, and digital transformation. It is under these parameters that CAF has set its corporate strategy, which will be implemented through a set of initiatives developed within the framework of Mission Agendas, Cross-cutting Agendas and Enabling Agendas.

In line with its institutional policies, CAF recognizes the potential of tourism and promotes investment in the sector, aligning its mission with the strengthening and promotion of initiatives that promote responsible and environmentally friendly tourism.

CAF's Sustainable Tourism Strategy aims to materialize this vision through the **public and private investments that promote the development of destinations**, generate stable employment opportunities and contribute to the reduction of poverty, placing value on systemic services and their biodiversity, urban and rural environments, cultural and symbolic spaces, and the ancestral knowledge of indigenous peoples through the development of creative economies to promote opportunities and improve the quality of life of Latin Americans and Caribbeans. All of the above in keeping with **the commitments assumed by the States within the framework of the 2030 Agenda and the Paris Agreement**.

Tourism is not an unfamiliar sector for CAF; in the 2004-2022 period, 41 financing operations for USD 2.57 billion were identified related to projects to enhance the value of tourist destinations; water and sanitation in tourist areas; revitalization of urban spaces; requalification and recovery of coastal areas; urban mobility, hotel construction, recovery of maritime infrastructure; citizen safety; construction and rehabilitation of road infrastructure and improvements in land, air and maritime transport infrastructure, to name a few. Likewise, there are nearly 60 technical cooperation projects that cover public policies, diagnostics, tourism observatories tourism marketing, capacity building, design of tourist circuits, empowerment and strengthening of clusters, tourism entrepreneurship, quality systems, investment attraction and sanitary protocols for the sector, among others. Although these figures represent only 2% of the portfolio generated in that period, the sector has successfully explored the possibilities in this industry.

Now, the Sustainable Tourism Strategy 2023-2026, which begins with the creation of the **Sustainable Tourism Directorate (STD)** incorporated into the Corporate Vice Presidency of Strategic Programming, seeks to institutionalize and consolidate the commitment to the sector and responds to CAF's purpose of directly and decisively supporting its member countries and their entrepreneurs in taking advantage of their tourism potential as an important factor for development and job creation, with an emphasis on sustainability, biodiversity and its regeneration, inclusion, innovation and creativity.

Given its cross-cutting nature, the STD will be supported by the Departments of Knowledge, Climate Action and Positive Biodiversity, Urban Development, Water and Creative Economies, Physical Infrastructure and Digital Transformation, Gender, Inclusion and Diversity, Social and Human Development, as well as the Vice-Presidency of the Private Sector.

This purpose brings its challenges that the strategy urgently needs to solve, such as "risk appetite", the path to subnational financing and the relevance of credit policies for the private sector.

The strategy has various instruments, including loans, technical cooperation projects, activities and knowledge transfer, to support the objective of sustainable tourism and as a foundation for future operations.

This document details both internal and external challenges, as well as the actions and programs designed to achieve the proposed objectives.

ALIGNMENT WITH CAF'S CORPORATE STRATEGY

CAF seeks to promote a more integrated, inclusive, green and productive region and its Mission Agendas respond to this strategic vision and its *raison d'être*, in the face of external clients, through actions on which the bank intends to work.

In order to become the Green and Sustainable and Inclusive Growth Bank, and at the same time increase its portfolio of financing operations, the Sustainable Tourism Directorate (STD) was created in March 2023, with its headquarters in the Dominican Republic, as a new contribution to sustainable development and the integration of stakeholder countries through tourism. With the STD, CAF is building a dynamic work agenda with the public and private sectors throughout the region to contribute to the development of one of the main drivers of job creation, foreign exchange and well-being. The STD should outline policies, strategies, projects and investments that can be supported by CAF, as well as non-reimbursable technical assistance activities, to promote the development of the tourism sector in Latin America and the Caribbean.

The Sustainable Tourism Strategy is based on the alignment and adherence to CAF's Strategy, which, through the fulfillment of its strategic objectives and programmatic lines, will promote direct green financing to reach 40% in 2026 and increase financing to the private sector by 30%, leading and promoting a transformative change in line with sustainable development, which provides improvements in the standards of living of all Latin Americans and Caribbeans.

CAF seeks to promote a more integrated, inclusive, green and productive region. Its Mission Agendas respond to this strategic vision.

2

BACKGROUND

Based on research, analysis and data from international institutions such as the World Tourism Organization (UNWTO), the World Travel and Tourism Council (WTTC), the International Labor Organization (ILO), the Organization for Economic Cooperation and Development (OECD), the UN Environment and international analysis agencies such as Statista and Bloomberg, some relevant points are identified that describe the context of the tourism situation in the region, which justify CAF's work to be developed through an articulated strategy among the different operational areas. In this sense:

- Tourism is one of the most dynamic and fastest growing activities worldwide in recent years.** In the case of the Americas² this growth was continuous for 10 years, until 2019, at an average annual rate of 5.9% in terms of tourism revenues, above the world average of 4.8%. In terms of the number of international visitors, the region grew by an average of 4.5% annually versus the global average of 5%. The activity represents an important contribution for the countries in terms of the generation of added value and employment (direct and indirect), as well as a source of foreign exchange and a valuable contribution to the Gross Domestic Product (GDP).

TABLE 1. TOURISM SECTOR INDICATORS FOR THE REGION 2023

INDICATORS	LATIN AMERICA	CARIBBEAN	WORLD
Contribution to GDP	7.9 %	26.8 %	8.9 %
Employment	7.7 %	17.7 %	10.5 %
Women's employment	54.7 %	62.2 %	54 %
Youth employment (First job)	25 %	30 %	20 %
Participation in exports	10 %	42 %	10.8 %
Recovery of international travelers (2019)	89 %	103 %	84 %

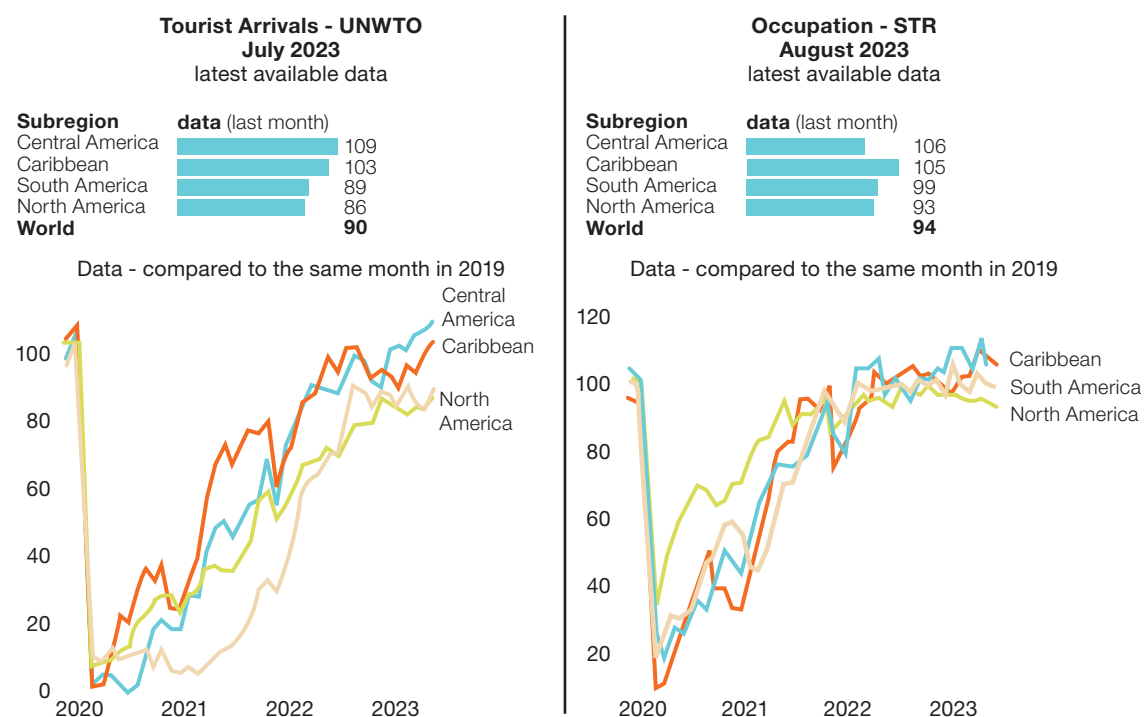
SOURCE: CAF with information from reports by the UNWTO, ILO and OAS

3

² Forteza et al (2021). A strategic agenda for the promotion of competitive and sustainable tourism. CAF. <https://scioteca.caf.com/handle/123456789/1768>

- The situation arising from the COVID-19 pandemic triggered an unprecedented crisis in the tourism economy worldwide, both due to the drop in the number of visitors and in tourism revenue, as well as the loss of jobs in the sector associated with the closure of businesses. However, it has demonstrated its resilience. According to the UNWTO³, The Caribbean and Central America regions have surpassed international arrivals for 2019, while South America has recovered by 89%.

FIGURE 1. MONITORING THE RECOVERY OF TOURISM IN 2023



SOURCE: UNWTO

- The relevance and contribution of tourism to the Gross Domestic Product (GDP) for Latin America and the Caribbean.** According to the Tourism Dependency Index (TDI), which is based on the relative contribution of the sector to GDP, exports and employment, as per Mooney's study⁴ (2020), the countries in the region, including those in the Caribbean, rank among the most dependent on tourism. For Panama and the Dominican Republic, the sector represented, directly and indirectly, 15% and 16% of their GDP respectively in 2022, followed by Mexico, Uruguay and El Salvador, countries for which it represented between 8% and 20%. (Table 2). On average, tourism contributes 7.9% to Latin America and 26.8% to the Caribbean.
- Tourism has a multiplier effect in the generation of direct and indirect, inclusive and diverse jobs.** It generates 7.7% of jobs in Latin America and 17.7% in the Caribbean. It is important to highlight, as does the ILO⁵, that employment in tourism has a high participation of women with 58% for the hotel and restaurant sector, as well as young people up to 24 years of age (first job) with 21%. In this context, the UNWTO also points out that a significant part of the world's indigenous population

³ World Tourism Organization. UNWTO Tourism Recovery Tracker <https://www.unwto.org/es/unwto-tourism-recovery-tracker>

⁴ Mooney et al (2020). Tourism Dependency Index. (BID).

⁵ Quicaña, E. (2021). Towards a sustainable recovery of employment in the tourism sector in Latin America and the Caribbean. ILO. https://www.ilo.org/wcmsp5/groups/public/---americas/---ro-lima/documents/publication/wcms_809290.pdf

TABLE 2. TOURISM GDP AND EMPLOYMENT SHARE IN LAC 2022

COUNTRY	% GDP (2022)	% OF EMPLOYMENT (2022)
Argentina	8.0 %	11.3 %
Barbados	31.0 %	33.0 %
Bolivia	4.9 %	7.5 %
Brazil	7.6 %	7.0 %
Chile	9.2 %	6.5 %
Colombia	4.5 %	3.9 %
Costa Rica	8.9 %	11.4 %
Ecuador	4.2 %	3.0 %
El Salvador	12.0 %	11.0 %
Jamaica	9.9 %	12.0 %
Mexico	20.0 %	10.0 %
Panama	14.7 %	8.0 %
Paraguay	15.8 %	4.5 %
Peru	4.2 %	10.0 %
Dominican Republic	16.2 %	18.0 %
Trinidad and Tobago	15.0 %	9.5 %
Uruguay	8.4 %	6.7 %
Venezuela	13.9 %	1.5 %

SOURCE: CAF compiled using information from official reports of the tourism authorities of each respective country.

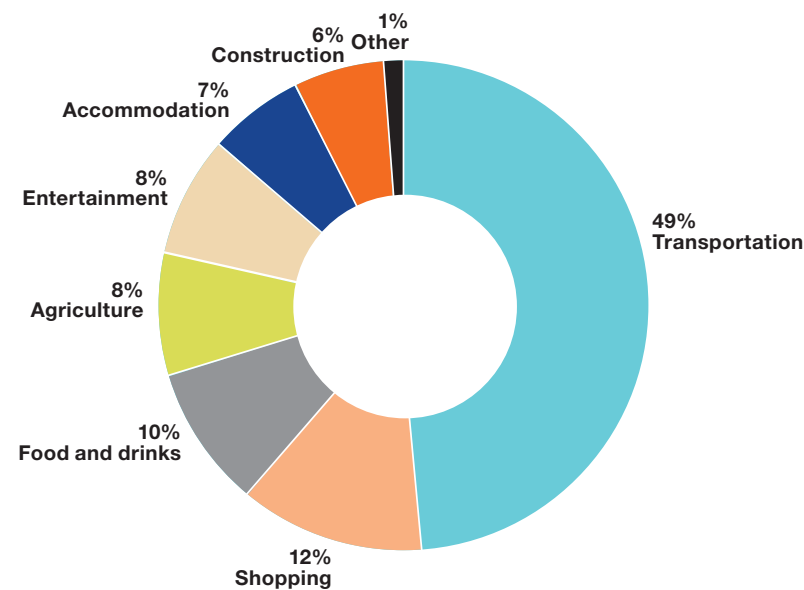
is linked to tourism activities, so that if it is managed responsibly and sustainably by ethnic groups, it can increase employment, reduce poverty, empower local communities, and stimulate the link between land, nature and indigenous peoples. For all these reasons, tourism is a **priority on the public development agendas of many member countries.**

- Tourism has an impact on the redistribution of income** among all actors in the value chain, reflected in the capacity that the tourism offer in many middle- and low-income countries has to attract those who come from a demand with greater purchasing power. An opportunity to improve the socioeconomic conditions of the countries in the region.
- In environmental and biodiversity terms**, according to the OECD⁶ tourism has a complex relationship with the environment since, more than many other sectors, it has an impact on the quality of the environment and depends largely on it. In recent decades, significant progress has been made in better understanding the impact of tourism on the natural environment and host societies in order to incorporate the concept of sustainability into tourism policy. It's clear that, in the case of **Protected Areas (PAs)** caution should be taken to avoid the negative effects of tourism, such as the pollution of water resources, the destruction of landscapes through the construction of inadequate infrastructure, the alteration of ecosystems, the introduction of exotic species and the loss of biodiversity, the increase in the production of solid waste and wastewater due to exceeding the carrying capacity of the territory, or the possibility of forest fires due to carelessness during tourist activities. This requires understanding the fragility of natural ecosystems and avoiding unregulated anthropization to prevent their degradation.
- The latest analyses indicate that it is likely that the **global average temperature is likely to reach more than 1.5°C above the pre-industrial average** over the next 5 years, which would trigger more extreme and frequent hydroclimatological events, as well as gradual and progressive changes, rising sea levels or relative humidity. In the Caribbean, climate change is a permanent threat with a negative effect on tourism, rising sea levels, beach erosion or the "invasion" of sargassum, to name a few problems.

⁶ OECD Tourism Trends and Policies. (2022). OECD <https://www.oecd.org/publications/oecd-tourism-trends-and-policies-20767773.htm>

- Tourism also contributes to the generation of greenhouse gases (GHG). UN Environment investigations⁷ reveal that the tourism sector's consumption of key resources (energy, water, land and materials such as plastic) is growing in proportion to its generation of solid waste, wastewater, loss of biodiversity and greenhouse gas emissions. In a business-as-usual scenario by 2050, tourism could generate a 154% increase in energy consumption, a 131% increase in greenhouse gas emissions, a 152% increase in water consumption and a 251% increase in solid waste disposal. Currently, tourism contributes 8% of GHGs. The UNWTO has set a carbon neutral goal for 2050, but this goal requires adaptation and changes in the supply and behavior of tourists. That 8% breaks down as shown in the following figure.

FIGURE 2. GLOBAL TOURISM CARBON FOOTPRINT 2018⁸



SOURCE: Sustainable Travel International <https://sustainabletravel.org/>

- **The United Nations Assembly** encourages Member States, the United Nations system and other international and regional organizations, the private sector and civil society to place the well-being of present and future generations at the heart of the recovery by enhancing collaboration among key stakeholders along the tourism value chain, with actions aligned with the needs of people, planet and prosperity to accelerate the transformation to a sustainable, low-carbon and socially inclusive tourism pathway.

Managing tourism sustainably therefore requires a broad set of policies and reforms aimed at reducing their impact on the quality of the environment, as well as curbing excessive dependence on fossil fuel-based energy consumption.

Additionally, it should be noted that:

- CAF is aligned with the commitments assumed by its shareholder countries, related to the **Sustainable Development Goals (SDG) of the United Nations (UN) Agenda 2030 and with the Paris Agreement on Climate Change**, therefore, their interventions must be verifiable and sustainable in order to achieve these commitments.

⁷ For more information see <https://www.unep.org/explore-topics/resource-efficiency/what-we-do/responsible-industry/tourism>

⁸ For more information see https://www.nature.com/articles/s41558-018-0141-x?_ga=2.246310850.776891098.1696532150-1523319865.1695144586

- At the **United Nations Framework Convention on Climate Change of the Parties in Glasgow (COP26)**, CAF made a commitment to promote green operations that help countries in the region increase climate resilience, promote energy transition, achieve low greenhouse gas emission growth and strengthen the conservation of natural ecosystems and biodiversity.
- In 2022, CAF signed a **Memorandum of Understanding with the World Tourism Organization (UNWTO)** which seeks to promote innovation, investment and tourism sustainability.
- In terms of gender, inclusion and diversity, tourism has a direct relationship with the vindication of rights and access to economic and social justice, because in all ecosystems (of the sector) women play a leading role and communities, through their ethnic territorial contexts, add value to the tourism proposal through knowledge, experiences and history and face the challenge of guaranteeing universal access for people with disabilities.

In conclusion, the tourism industry represents numerous opportunities derived from both its contribution to job creation and its contribution to the GDP of Latin American and Caribbean countries, without forgetting the resilience demonstrated after the COVID-19 pandemic. However, it is also necessary to take into account the impact of unsustainable tourism that threatens ecosystems, the indiscriminate consumption of water resources, the use of non-renewable energy, the generation of waste and residues from its activities that trigger GHG emissions, as well as latent threats such as the loss of biodiversity, the increase in droughts, floods, high winds, etc., that affect tourism assets.

Faced with this diverse panorama, CAF, through the STD, proposes to work on the basis of the following premises:

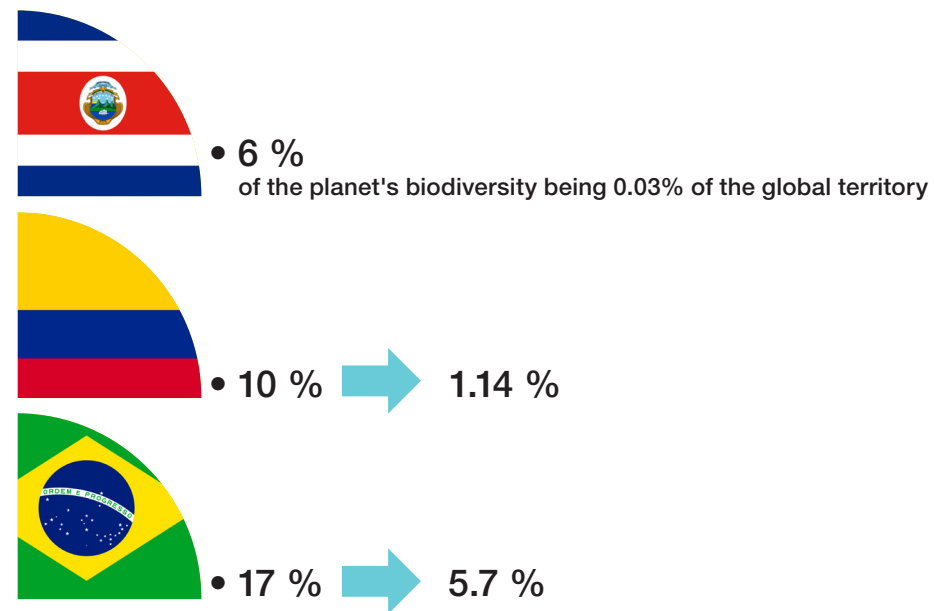
- Sustainability, in its 3 pillars, environmental, social and economic, is a condition of tourism, not a characteristic.
- Sustainable tourism with identity is a factor in socioeconomic development, which aims to guarantee inclusive activities and projects that are long-lasting, and the benefits of which are distributed in such a way that they contribute to reducing poverty and closing gaps.



OPPORTUNITIES

After the pandemic, there has been a predilection for nature destinations. Tourists are increasingly interested in sustainable travel, and it is even becoming a requirement in some niche markets. According to Booking 2023 surveys, travelers are increasingly taking a regenerative approach and looking for vacations with maximum positive impact. Similarly, 75% of respondents demand authentic experiences that are representative of local culture.

FIGURE 3. PERCENTAGE OF BIODIVERSITY IN LAC⁹



SOURCE: CAF with information from UN Environment and WWF

The Latin American and Caribbean region, in proportion to its territory, has the greatest biodiversity on the planet, concentrated mainly in what is known as the Biogeographic Chocó, a territorial extension that includes Colombia, Costa Rica, Ecuador and Panama. Given this competitive advantage, CAF is committed to mobilizing USD 25 billion to promote green growth in the region by 2026, in addition to the bank's goal of significantly increasing private sector financing to reach 30% in 2030 through green and energy transition projects.

The strengthening and consolidation of sustainable tourism in the region represents a strategic opportunity for CAF, deploying its different capabilities and multi-sector knowledge and developing a **value proposition that combines technical support, financing solutions and comprehensive interventions that promote public and private investment in tourism.**

CAF is committed to mobilizing USD 25 billion to promote green growth in the region by 2026. In addition, significantly increase private sector financing, reaching 30% in 2030 through green and energy transition projects.

4

⁹ Figure developed by CAF 2023, with secondary information from the United Nations Environment Program and WWF



STRATEGIC OBJECTIVES AND PROGRAMMATIC LINES

The general objective of this Strategy is **to support the development of greener, more inclusive and innovative tourism, given its ability to improve the quality of life of the population.**

A tourism development model will be promoted that balances long-term economic growth, by **encouraging public and private investments**, and creating stable employment opportunities to reduce poverty and close regional disparities. This model will value ecosystem services, biodiversity, urban and rural environments, as well as cultural and symbolic spaces, incorporating the ancestral knowledge of indigenous peoples and their connection to the environment. It will also emphasize innovation, the development of creative economies and **opportunities to improve the living conditions of the population**, while respecting the socio-cultural authenticity of host communities and preserving their cultural, architectural heritage, and traditional values.

By fulfilling this objective, CAF will contribute to its member countries fulfilling the commitments assumed within the framework of the **Agenda 2030**, ensuring the preservation of destinations for future generations.

As part of CAF's responsibility to support countries in complying with the 2030 Agenda, it is necessary to ensure that all operations financed by the bank are developed within the framework of the countries' local regulations and comply with the standards of the **CAF Environmental and Social Safeguards** that embody the environmental principles of ethnic, racial and gender diversity. These safeguards aim to contribute to sustainable development, and seek to ensure equitable access to benefits and increase competitiveness, reduce social gaps, halt environmental deterioration, support economic growth, improve the living conditions of the region's inhabitants and promote low-carbon development that is resilient to climate change, all with a view to achieving environmental and social sustainability.

The development of **a strategy that includes financial resources and technical assistance** that can be applied in a coordinated manner between the different business units is essential to achieve this.

This strategy focuses on ensuring that the tourism industry is sustainable in the long term by developing and coordinating the following strategic objectives with their programmatic lines as described in the following figure.

FIGURE 4. STRATEGIC OBJECTIVES AND PROGRAMMATIC LINES¹⁰

GENERAL OBJECTIVE	Support the development of sustainable tourism that is greener, more inclusive, innovative and creative, given its ability to improve the standard of living of the population in the region.				
STRATEGIC OBJECTIVE	GREENER destinations	MORE INCLUSIVE destinations	MORE INNOVATIVE destinations	MORE CREATIVE destinations	BETTER EQUIPED destinations
PROGRAMMATIC LINES	<ul style="list-style-type: none"> Support environmentally responsible and low-carbon tourism. Support tourism that is adapted and resilient to climate change. Support the conservation of protected areas through tourism. Promote the regeneration of ecosystems and their biodiversity in tourist destinations. Support the recognition and conservation of the classification as Natural World Heritage Sites. 	<ul style="list-style-type: none"> Promote community tourism. Support tourism without barriers. Promote tourism with a gender perspective. 	<ul style="list-style-type: none"> Support the development of new tourism products. Promote the use of new technologies for the development of tourism. Support the digitalization of the tourism sector. 	<ul style="list-style-type: none"> Support cultural industries. Support the recognition and conservation of the classification as Cultural World Heritage Sites. 	<ul style="list-style-type: none"> Support infrastructure in tourist destinations. Promote connectivity of tourist destinations. Support safe tourist destinations.
FINANCING AXES	Sovereign Financing		Financing innovation for subnational entities	Financing innovation for the private sector	Technical cooperation

SOURCE: CAF

CAF will help its member countries meet the commitments made within the framework of the 2030 Agenda, ensuring the preservation of destinations for future generations.



Greener destinations

The concept of "green" is defined by the UN as "that which results in improved human well-being and social equity and significantly reduces environmental risks and ecological scarcities", taken in its broadest sense, it "emphasizes" supporting nature tourism or ecotourism, the region's competitive offer par excellence.

According to the UNWTO, the conservation of many green destinations depends largely on tourism revenues. Coasts, mountains, coral reefs, rivers and forests are great attractions for tourists from all over the world. Tourism connects people with nature and can promote environmental responsibility and conservation if practiced sustainably. The underlying precept for biodiversity and tourism is that a well-managed tourism sector can make a significant contribution to reducing threats, maintaining or enhancing key wildlife populations and biodiversity values through tourism revenues.

The Latin America and the Caribbean countries are among the richest in the world in terms of biodiversity. South America alone is home to almost half of the terrestrial biodiversity, more than a quarter of the forests and is the most biologically diverse region in the world. Marine ecosystems contribute to food security, carbon storage and transportation, and also offer recreational and tourism opportunities. The region is home to approximately 60-70% of all known species¹¹, has about 22% of the world's forest area, and is considered a "biodiversity superpower"¹². That said, human action is threatening their ecosystems due to unsustainable production practices, consumption patterns and failures by the market that negatively impact biodiversity, natural capital, and, consequently, tourist destinations¹³.

Where tourism is developed, the preservation of natural areas and the enhancement of ecosystem services must be ensured. Likewise, it is important to promote changes in the traditional tourist profile, whose demands are often imposed on the conservation of the ecosystem in order to have a sustainable tourist, who is concerned with minimizing and offsetting his or her carbon footprint, supporting local communities and ethnic groups, and respecting the cultures and traditions of the destinations.

Implementing actions that involve public and private investments, together with training and outreach activities on the advantages and positive effects of achieving environmental neutrality in the sector is necessary to achieve positive results. In this sense, we will seek to work on the programmatic lines described below with the Climate Action and Positive Biodiversity Management (GACBP).



¹¹ UN Environment Programme. GEO-6: Regional assessment for Latin America and the Caribbean.

¹² Bovarnick et al (2010). IUCN Library System. The Importance of Biodiversity and Ecosystems in Economic Growth and Equity in Latin America and the Caribbean: An Economic Valuation of Ecosystems. "<https://portals.iucn.org/library/node/28838>" The importance of biodiversity and ecosystems in economic growth and equity in Latin America and the Caribbean : an economic valuation of ecosystems | IUCN Library System

¹³ Brondizio et al (2019). Global assessment report on biodiversity and ecosystem services of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (Version 1). IPBES.

Support for environmentally responsible and low-carbon tourism

Despite significant progress in the regulation and control of pollution, and the existence of private initiatives for cleaner production, Latin America and the Caribbean suffer strong pressures due to the pollution generated by various productive and domestic activities. There are pollutants from various sources, such as sewage discharges, inadequate solid waste management, etc. Plastics and microplastics¹⁴ are the main pollutant in marine waters and on the beaches of the region.

Transporting travelers, accommodating them, feeding them and managing trade involves the use of natural resources, all of which leaves a footprint on the environment. As the urgency of the climate crisis increases, so does the need to work on mitigating and offsetting the sector's negative impact.

According to CAF's Green Financing Guidelines, mitigation means efforts to reduce GHG emissions and enhance their absorption in sinks, given the direct relationship between average global temperatures and the concentration of GHGs in the atmosphere. Pursuing carbon neutrality by 2050, as proposed by the UNWTO, is an imperative of the global strategy.

Pollution mitigation requires promoting new policies and business models through innovative solutions based on the use and reuse of resources, the generation of clean energy and the integration of circularity throughout the tourism value chain, under the parameters of the framework of action of the Glasgow Declaration on Climate Action in Tourism and the Global Initiative on Tourism and Plastics.

Investment in biodiversity, considered part of "natural capital", has gained great importance on a global scale. According to the World Economic Forum, more than 50% of global GDP depends to some extent on nature. Yet despite this dependence on ecosystem services, humanity continues to degrade them at an alarming rate, resulting in a significant, and largely irreversible, loss of biodiversity¹⁵.

Tourism can help address one of the most urgent challenges of the current era by reducing energy consumption and using renewable sources, especially in the transportation and accommodation sector. CAF will finance and provide technical assistance to projects that pursue these goals.



¹⁴ Alvarez et al (2022). Overview of oceans, seas and marine resources in Latin America and the Caribbean. Conservation, sustainable development and climate change mitigation. United Nations. https://www.cepal.org/es/publicaciones/47737-panorama-oceanos-mares-recursos-marinos-america-latina-caribe-conservacion?utm_source=CiviCRM&utm_medium=email&utm_campaign=20220518_boletin_recursos_naturales_n3 (Browne et al., 2011; Becheruccia et al., 2017 and (De Scisciolo et al., 2016)

¹⁵ Costanza et al. (2014). Changes in the global value of ecosystem services. Global Environmental Change, Volume 26. Pages 152-158). <https://doi.org/10.1016/j.gloenvcha.2014.04.002>

Supporting tourism that is adapted and resilient to climate change

According to the Intergovernmental Panel on Climate Change (IPCC), activities that contribute to climate change adaptation are those that reduce the vulnerability of systems of interest to its impacts.

When adaptation measures are not sufficient, it is important to work on building the capacity to better respond to the effects of climate change. In other words, building the sector's resilience to hydro-climatological events exacerbated by climate change, by managing water resources and strengthening monitoring systems, among others. Likewise, nature-based measures, such as mangrove restoration, can help cushion gradual and progressive impacts, such as coastal erosion. According to the British government¹⁶, the loss of marine biodiversity is affecting the Caribbean's tourism potential. Furthermore, it is likely that travel patterns will be affected by the change in temperatures, as well as the intensity and frequency of hurricanes and storms.

Destinations that were once popular have become less attractive due to extreme heat and weather conditions. Climate change has increased the frequency and intensity of extreme events, which has caused tourists to reconsider their choice of destination. Some places that depend on specific climatic conditions, such as ski resorts and glacier reserves (Argentina or Chile) or beaches (Brazil, the Caribbean or Uruguay) have become especially vulnerable. Many coastal cities and even island countries may lose their tourist appeal due to rising sea levels, the invasion of sargassum, stronger storm surges or storms affecting their infrastructure.

Investing in adaptation and resilience is more cost-effective than responding to disasters; empirical data show a cost-benefit ratio of USD 4 to 7 invested in prevention. Allocating resources for infrastructure (green or gray) in order to preserve tourist attractions, which may be lost due to the effects of climate change, is the best alternative for the region.

Supporting the conservation of protected areas through tourism

The protection, conservation and regeneration of biodiversity, natural resources and their ecosystem services are the cornerstone for the tourism use of marine, terrestrial and island ecosystems, obtaining economic benefits with minimal environmental impact while helping conservation and recovery. In 2016, the COP13 Cancun Declaration, through the UNWTO-supported Convention on Biological Diversity (CBD), recognized tourism as a driver of change and as one of the main sectors of the global economy, contributing to raising awareness of the importance of biodiversity.

Tourism, like any human activity, produces impacts on the environment and has been blamed for some of the negative effects on conserved areas. However, according to the International Union for Conservation of Nature¹⁷, increasing the number of visitors to protected areas can be an effective tool for conservation and community development, as long as adequate management systems are in place.

¹⁶ Layne, D. (2017). Impacts of Climate Change on Tourism in the Coastal and Marine Environments of Caribbean Small Island Developing States (SIDS). Commonwealth Marine Economies Programme. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/605067/12_Tourism.pdf 12_Tourism.pdf (publishing.service.gov.uk)

¹⁷ Leung et al. (2018). Tourism and visitor management in protected areas: Guidelines for sustainability. Best Practice Protected Area Guidelines Series No. 27. IUCN. <https://portals.iucn.org/library/sites/library/files/documents/PAG-027-En.pdf> PAG-027-En.pdf (iucn.org)

In this sense, IUCN confirms that tourism in protected areas has unique characteristics that make it a potentially positive force for conservation. Tourism and recreational activities have been closely linked to many protected areas since their inception. Visitors connect with, experience and learn about natural heritage. However, given that there are limitations in the management capacity of the region's protected areas, as reflected in the evaluations of management plans, it is necessary to strengthen management processes, including those related to public and recreational use.

For the economies of the region, the development of tourism in different protected areas such as National Natural Parks, Biosphere Reserves, Global Geoparks, Ramsar Sites and areas designated for the conservation of migratory species of wild animals, is a valuable opportunity.

In conclusion, tourism in protected areas, managed in a sustainable manner and facing the challenges, can become an ally of their conservation.

Promote the regeneration of ecosystems and their biodiversity in tourist destinations

The Living Planet Report (WFF, 2022), published every 2 years, confirms that Latin America and the Caribbean is one of the most biodiverse regions on the planet, which (from 1970 to the present) shows a regional decline of 94% in monitored wildlife populations and is home to the second largest coral reef in the world, the Mesoamerican Coral Reef, which at the same time shows considerable erosion caused by ocean acidification¹⁸.

A concept that must be taken into account is regenerative tourism, defined as the type of tourism that leaves the place where the activity takes place better than it was; in other words, it is an experience that involves the recovery of the destination and the local community through good sustainable practices. In the case of corals, the largest living structure on the planet, the practice of diving, which generates large tourist flows, can become a valuable ally not only of its sustainability "to admire and not to touch", but of its restoration and regeneration through the "seeding" of corals.

The of regenerative tourism¹⁹ is based on the traveler enjoying an authentic local experience, while participating in projects that add value to the communities, the environment and the biodiversity of the place. In this way, visitors can also be better perceived by residents, truly defining a constructive tourism circle for society as a whole.



¹⁸ ECLAC overview of oceans, seas and marine resources in Latin America and the Caribbean. February, 2022

¹⁹ For more information <https://hospitalityinsights.ehl.edu/regenerative-tourism-a-shift-coming>

FIGURE 5. LOCATION OF NATURAL WORLD HERITAGE SITES IN LAC



Source: UNESCO

Supporting the recognition and conservation of the qualification as Natural World Heritage Sites

For a site to be included on the World Natural Heritage List, it must possess remarkable natural features, represent one of the major stages of Earth's history, exhibit significant ecological and biological principles, or contain important natural environments.

The World Heritage List is the best means of promoting tourism, helping to finance its conservation through payments from tourists. World Heritage Sites benefit from technical and economic assistance to combat threats such as logging, the introduction of exotic species, and poaching. Therefore, retaining the status and support in obtaining new designations is an important component of this Strategy.

There are 36 natural World Heritage Sites in the CAF territory of LAC, distributed across 11 countries.

Projects eligible for funding for greener destinations

This strategic objective may be used to finance non-traditional renewable energy projects, rainwater management, sargassum control, beach recovery and qualification, coastal erosion, coral reef recovery, ecological trails, *ecolodges* in natural parks, visitor and interpretation centers in protected areas, observation platforms, and qualification processes for accreditation or conservation of Natural World Heritage Sites.

More inclusive destinations

Tourism is one of the largest sectors in the world and is in a key position to foster economic growth and development at all levels and to provide income through job creation. In coordination with CAF's Gender, Inclusion and Diversity Management (GGID), work will be carried out on the development of sustainable tourism and its impact on gender equality and the empowerment of women, the inclusion of people with disabilities, and the development of the tourism offer. This work is linked to the national objectives of poverty reduction, equal opportunities, and the promotion of entrepreneurship and small businesses to contribute to the empowerment of groups that face widespread inequalities.

Through tourism, destinations are strengthened to the extent that they improve the living conditions of the population, generating employment and opportunities that recognize, value, conserve and enhance their cultures. Sustainable tourism management must be consolidated as an economically viable activity, but also as a form of social development and a means of protecting and improving the livelihoods of communities, a statement that is not contrary to its profitability. Given that accessibility or barrier-free tourism is another of the objectives that make tourism inclusive, projects that point in that direction will therefore be supported by CAF.

Promoting community tourism

Community-based tourism is based on an inclusive and local management model and includes the promotion of rural, agro-ecological or ethnic tourism ventures. This approach is characterized by generating a positive impact on the communities, as it makes them managers of the tourist attraction of their territory, promotes local initiatives, their cultures and traditions, preserves their identity, protects the ecosystem and contributes to the social well-being and quality of life of its members.

In this context, it is important to recognize the importance of including ethnic communities in general, and Afro and indigenous communities in particular, within the fabric of community tourism, thereby supporting the preservation and promotion of their ethnic identity, as well as valuing and redefining their ancestral knowledge and cultural heritage.

Community-based tourism has thus become a powerful tool for providing social and labor insertion opportunities for people in vulnerable situations. It allows the inhabitants of the region to develop enterprises, become tourist guides and provide services to the visitors they receive²⁰ thereby offering the communities the opportunity to be the managers of the tourist attractions of their territory.



²⁰ For more information <http://www.acs-aec.org/index.php?q=es/sustainable-tourism/el-turismo-comunitario>

Supporting tourism without barriers

The UNWTO points out that tourism is a right and that access for all citizens must be guaranteed. In this context, the role of companies and governments is crucial in order to move towards accessible tourism, and this will only be possible if tour operators develop adequate infrastructures, products and services. Consequently, inclusive tourism also seeks to ensure that tourism environments, products and services can be enjoyed on an equal footing by everyone.

In particular, the UNWTO points out that 1.3 billion people (about 16% of the world's population) have a disability. Accessibility for all to facilities, products and services must be considered in any tourism project.

Moreover, it should be noted that one of the five pillars of the holistic concept of smart destinations in the development of urban tourism is accessibility²¹, together with innovation, technology, sustainability and governance.

According to the European Commission²² inclusive tourism consists of making it easier for all people, regardless of gender, race, age or physical condition, to enjoy tourism experiences. It is also about a set of services and facilities for people with special needs.

Accessibility is not only a matter of rights, it also improves competitiveness, quality of service, as well as the profits of those companies or destinations that opt for this option. (ONCE Foundation)

In the same vein, as pointed out by the Spanish Disability Information Service²³, the development of the tourism sector, from the point of view of accessibility and design for all, is not only a matter of human rights, but also generates business opportunities.

Promoting tourism with a gender focus

The pursuit of gender equality and the empowerment of women is central to a vision of sustainability in which every member of society respects others, thus playing a role that allows them to make the most of their potential. The overarching goal of gender equality is a social goal to which education and other social institutions must contribute.

According to UN Women for the Americas and the Caribbean, a gender approach is essential in the tourism value chain because it strengthens opportunities to improve the quality of their participation in the sector, increases the strength and competitiveness of businesses, and promotes gender-sensitive tourism policies as the core of the value chain. In these ways, gender analysis entails a comprehensive understanding of the power relations that underpin tourism.

²¹ World Tourism Organization. Nur-Sultan Declaration. (2019). UNWTO.

²² European Union. European Competitiveness Report 2008. (2009) <https://op.europa.eu/en/publication-detail/-/publication/df1c40e7-0dac-40c8-8fde-761bdce601e7/language-en>

²³ Accessible tourism represents a business opportunity and benefits the entire community (2015). In Disability Information Service. <https://sid-inico.usal.es/noticias/el-turismo-accesible-supone-una-oportunidad-de-negocio-y-beneficia-a-toda-la-comunidad/>

Tourism has been promoted as an important ally of women's economic empowerment (according to the UNWTO²⁴, the percentage of female tourism workers in Latin America and the Caribbean is 60%). In countries like El Salvador, Honduras and Bolivia²⁵ the percentage of jobs in tourism held by women is over 70%. However, according to the ILO²⁶, in the tourism industry, women often disproportionately occupy lower-skilled and lower-paid roles, such as those related to cleaning and customer service. In contrast, they are underrepresented in highly skilled culinary jobs and in specialized areas such as engineering and administrative services at senior levels. In addition, they face challenges in accessing senior technical and management roles. In some cases, despite having similar qualifications, women earn lower salaries than their male counterparts. Tourism is an opportunity to contribute to reversing women's socio-labor vulnerability.

This strategy seeks to ensure that the effective implementation of any tourism project requires a gender-oriented perspective. This approach goes beyond the mere recognition of women's significant contribution to the sector, as it involves an active commitment to closing the pre-existing inequality gaps mentioned in the preceding paragraph. Therefore, the key purpose of this programmatic line is to ensure that the benefits derived from tourism activity are truly inclusive and that they comprehensively address the gender inequalities that may arise at all levels.

Projects eligible for funding for more inclusive destinations

Accessibility projects for people with disabilities: adaptation of infrastructure and transportation systems, adequate signage, accessible equipment, inclusion of technological aids to improve the experience of tourists with disabilities, as well as programs to promote ethno-tourism and indigenous tourism²⁷ with the purpose of highlighting the knowledge, customs, traditions, heritage and the production of cultural goods and services of the communities, making the participation of women in the tourism value chain effective.

²⁴ World Tourism Organization (2019). Global Report on Women in Tourism – Second Edition. UNWTO. DOI: <https://doi.org/10.18111/9789284420384>

²⁵ Tourism with a gender perspective and value chain in the countries of the Northern Triangle of Central America. 2021. <https://elsalvador.unwomen.org>

²⁶ International Labor Organization (2017). ILO Guidelines on Decent Work and Socially Responsible Tourism https://www.ilo.org/wcmsp5/groups/public/---ed_dialogue/---sector/documents/normativeinstrument/wcms_546341.pdf

²⁷ Note: Ethnotourism refers to the visit to ancestral places and/or the enjoyment of cultural and productive goods and services of ethnic communities; while indigenous tourism emphasizes the participatory construction of ethnic groups to offer a service of lodging, food, specialized guides and cosmogonic practices, whose essential characteristics form part of their cultural identity. Morales, M. (2008): Ethnotourism or indigenous tourism? Theory and Praxis 5 (Pages 123-136). <https://www.nacionmulticultural.unam.mx/empresasindigenas/docs/320.pdf>



More innovative destinations

Tourism innovation is becoming a driving force that amplifies the value of the tourism experience and, at the same time, strengthens the sector's capabilities, boosting its competitiveness and sustainability in a constantly evolving market (UNWTO)

Tourism innovation encompasses various dimensions. It can materialize in the improvement of tourist destinations, the creation of new products and services, the incorporation of cutting-edge technologies, the adaptation of architecture and the design of spaces, the adoption of innovative marketing strategies and improved communication with customers through digital services.

Tourism companies and destinations, aware of the changing demands of travelers and the constantly evolving competitive environment, are forced to innovate in their operations. These changes can be incremental, where they seek to add additional value to an existing product or service through the introduction of gradual improvements and adjustments, or disruptive, where they seek radical transformations that completely reinvent the value proposition. Innovation has become an indispensable tool for achieving and maintaining a solid competitive position in the region's tourism industry.

Supporting the development of new tourism products

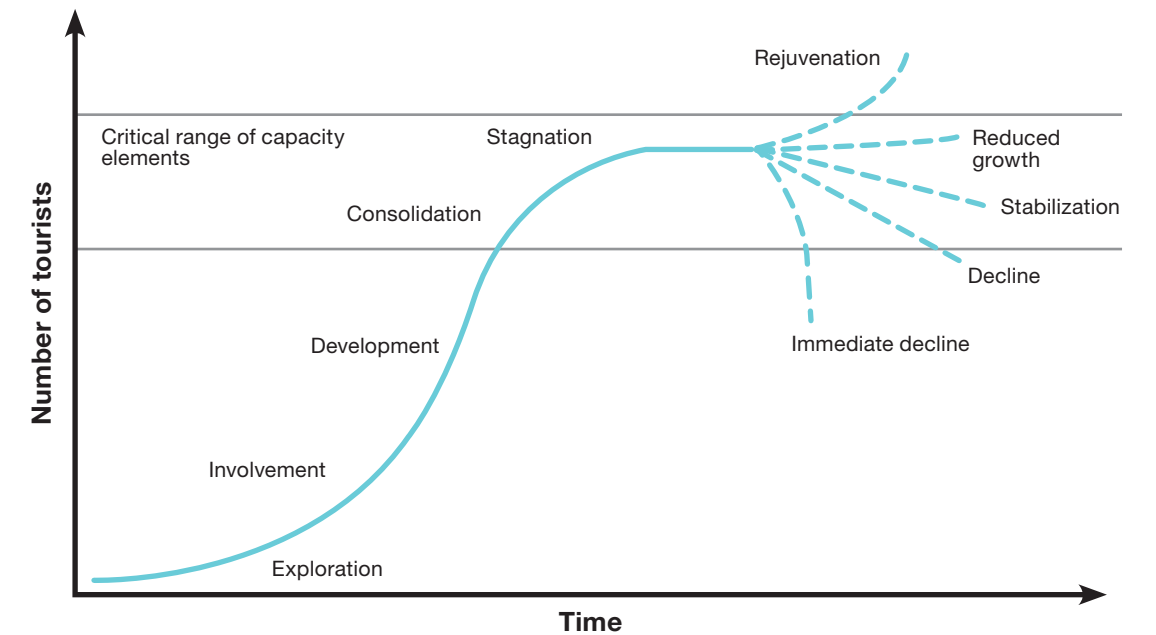
The development of new tourism products in Latin America and the Caribbean constitutes an essential, strategic and creative process aimed at diversifying and enriching the tourism offer in specific destinations in this region. This approach is based on identifying authentic and unique opportunities that attract visitors, strengthen competitiveness and maximize the economic and social benefits associated with tourism. It is important to note that the region is full of hidden attractions that are waiting to be discovered through advice and funding to turn them into tourism products.

The imperative need to conceive and execute, and therefore to finance new tourism products, is not only based on new opportunities, but also finds its roots in the theory known as the "Tourism Destination Life Cycle Model (TDLCM)", formulated by the expert Richard W. Butler in 1980. According to this theory, any tourism destination goes through multiple stages throughout its existence, a process that includes, in general terms, the phases of exploration, involvement, development, consolidation, decline and eventual rebirth.



The demand for innovative tourism products is ongoing. In emerging destinations, these products can serve as catalysts to attract a continuous flow of visitors and accelerate their development. In established destinations, they are essential tools for maintaining their position in the market, ensuring that the tourism offer remains attractive and competitive. In the case of destinations in decline, the creation of new tourism products can be a means to revitalize the local economy and seek a rebirth, reactivating the interest of tourists and restoring the vitality of the destination.

FIGURE 6. REPRESENTATION OF THE EVOLUTION CYCLE OF A TOURIST AREA OR DESTINATION MCVDT



SOURCE: Butler (1980:7)

Promoting the use of new technologies for the development of tourism

The rapid pace of innovations²⁸ in information technology (IT) over the last decade has completely changed the way companies operate. The tourism sector, with on-line travel agencies was one of the first to adopt digitalization with the sale of flights and hotel room reservations via the Internet. This innovation process will not only continue, but will also give rise to new inventions and tools with immense transformative potential.

The adoption of the latest technologies for tourism purposes represents a strategic and visionary process aimed at enriching, diversifying and facilitating the travelers' experience, while improving the efficiency of tourism service providers.

Digitalization and technological innovation are key elements in meeting the changing demands of travelers. Moreover, the implementation of biometric technologies and artificial intelligence (AI) opens the door to the development of more personalized tourism products tailored to the desires and needs of the tourists of tomorrow.

Augmented reality (AR), for example, can be a complement and added value for understanding the history and archaeological ruins, attractions in the region, the vestiges of our ancestors that are part of our rich tourist offer and that offer unexploited possibilities.

²⁸ For more information <https://www.cbi.eu/market-information/tourism/tips-go-digital>

Supporting the digitalization of the tourism sector

Digitalization is defined as the use of technologies to manage and grow a business, which, in addition to selling goods and services online, includes the collection and interpretation of big data to help develop new activities or change existing ones.

Digital business refers to "online" businesses that leverage technology to improve their services, both within the company and with partners and customers, to expand demand and create value and monetization propositions.

The creation and improvement of tourism infrastructures, as well as the incorporation of digital technologies, will contribute to optimizing the visitor experience and facilitating the efficient management of resources.

Digitalization is transforming the way companies do business. Tour operators, for example, have developed digital tools to be efficient and competitive and, in turn, seek suppliers that have good levels of digitization. For tourism enterprises, digitization aims at the inclusiveness of MSMEs in the tourism sector. Investments in inclusive physical and digital infrastructure are a solid foundation for tourism development.

Projects eligible for funding for more innovative destinations

This strategic objective will make it possible to finance projects for integral tourism digitalization, promotion, marketing and payment platforms, augmented reality, destination intelligence, tourist guides with mobile applications, Apps for information, preparation and implementation of new products, tourist safety, as well as other projects.

The creation and improvement of tourist infrastructures, as well as the incorporation of digital technologies, will contribute to optimizing the visitor experience and facilitating the efficient management of resources.



Creative destinations

According to the OECD²⁹, in recent years the concept of "creative tourism" has grown as politics has recognized the potential of creative economies to support tourism, for example through learning experiences and contemporary forms of creativity. UNESCO³⁰ believes that creative tourism allows for the creation of new opportunities for those activities that incorporate intellectual property and range from traditional crafts to the complex production chains of cultural industries. It proposes combining tradition with innovation, using creativity as a guiding thread to trigger development through participation and the generation of opportunities for the community.

The STD, in close coordination and collaboration with the GDUAEC and supported by the GGID, will work to generate new opportunities for more creative and cultural tourism.

Supporting creative and cultural tourism

Cultural tourism, according to the UNWTO, is a type of tourism activity in which the visitor's essential motivation is to learn, discover, experience and consume the cultural, tangible and intangible attractions and products of a tourist destination. These attractions or products refer to a set of material, intellectual, spiritual and emotional elements distinctive of a society that encompasses the arts and architecture, historical and cultural heritage, gastronomic heritage, literature, music, creative industries and living cultures with their ways of life, value systems, beliefs and traditions.

The United Nations General Assembly stresses that the cultures, traditions and knowledge of local communities, in all their facets, should be fully considered, respected and promoted when formulating sustainable tourism policies, promoting the participation of these peoples and communities in decision-making and in all tourism operations that affect them.

The tangible and intangible cultural resources make up the collective memory of peoples, serve as inspiration and bring meaning to the present and are vital for the construction of the future. It is this legacy that gives character and personality to peoples and communities, along with their values and aspirations, and thus provides the basis for economic progress and development processes. Latin America and the Caribbean is a region characterized by its rich cultural and multi-ethnic diversity, which offers an attractive opportunity for the development of the sector, because it places assets such as history, tradition and creativity at the center of the offer, redefining their contributions, dignifying their environments and valuing their experiences, knowledge and learning.

²⁹ For more information <https://t4.oecd.org/cfe/leed/OECD-G20-TWG-Discussion-Paper-Tourism-Cultural-Creative-Sectors.pdf>

³⁰ Tresserras, J. (2021). UNESCO. Cultural and creative tourism today. <https://www.unesco.org/es/articles/el-turismo-cultural-y-creativo-hoy>

Given this perspective, CAF sees an opportunity to build and support development agendas through tourism with direct social and economic impact on Afro and indigenous populations, territorial protection, memory conservation and environmental coexistence. Undoubtedly, Afro-Latin and indigenous populations are among the population groups in the region that need the greatest opportunities for leverage and development. Both groups contribute to and enrich tourism through their heritage, cultural identity and knowledge transfer.

Ethnic-racial communities are a motor for the transformation of Latin America and the Caribbean. Ethnic tourism can promote the inclusion of these populations in the labor market and the generation of revenues, thus supporting the development of their initiatives and promoting entrepreneurship.

Tangible and intangible cultural resources make up the collective memory of peoples, serve as inspiration, bring meaning to the present and are capital for the construction of the future. Cultural tourism offers travelers an enriching experience through an immersion in the different cultural manifestations of the destination, such as traditions, history, architecture, religion, gastronomy, art and folklore.

The following are manifestations of cultural tourism:

- Traditional festivals (carnivals, fairs, others)
- Visits to archaeological and paleontological sites
- Visits to historical sites and artistic monuments
- Tour of historic architectural sites
- Visits to churches and sanctuaries, pilgrimages
- Royal and colonial routes
- Gastronomic tours
- Tours of natural sites with cultural value
- Attendance of contemporary festivals
- Indigenous trails

Support the recognition and conservation of the qualification of Cultural World Heritage sites

Cultural heritage and the creative economy represent a unique tourist attraction. Not only is the growing importance of cultural tourism a strategic element for economic development and job creation, but it is also closely linked to the expenditure required for heritage preservation. The relationship between culture and tourism has been an important source of growth for the sector in recent decades, with culture being one of the world's leading and fastest growing tourism markets. It is also estimated that cultural tourists stay longer and spend more than other tourists.

The 19 CAF member countries have 94 World Heritage Sites, some of which are at risk due to failure to comply with the rules for maintaining their status, often due to a lack of resources or weak protective regulations. However, it is not difficult to identify opportunities in the region's rich cultural heritage to seek the UNESCO declaration, with the implications it has on promotion, tourism demand and conservation.

FIGURE 7. LOCATION OF CULTURAL WORLD HERITAGE SITES IN LAC



SOURCE: UNESCO

Projects eligible for more creative destinations

This strategic objective may be used to finance projects for museums, gastronomy, oenology, interpretation centers, restoration of monuments, craft centers, theaters, art galleries, processes to accredit or maintain World Heritage Sites, revitalize historic centers, and projects to re-signify and enhance the value of indigenous and Afro-Latin culture for tourism, etc.

CAF sees an opportunity to build and support development agendas through impact tourism.

EQUIPPED DESTINATIONS

On the basis that the United Nations General Assembly "encourages the development of tourism infrastructure and the promotion of tourism diversification, including through public-private partnerships, in a manner that fosters job creation in local communities", CAF prioritizes sustainable infrastructure initiatives and tourism facilities in general.

The financing of support service facilities and networks³¹ which include infrastructure enabling the distribution and access to essential services (such as drinking water, basic sanitation for water and food security, energy, and telecommunications) along with sustainable urban mobility systems that integrate various modes of transportation and public space infrastructure, is crucial for the development and competitiveness of tourism products. Additionally, the governance, technological innovation, and capacity building of the entities responsible for the management and operation of large municipal infrastructures play a vital role in ensuring the long-term attractiveness of these tourism offerings.

Together with the GDUAEC's Directorate of Habitat and Sustainable Mobility, the STD will promote interventions with a multi-sectoral approach. This approach recognizes that the problems and opportunities in a tourism destination are not limited to a single area and that they are interdependent. An effective solution often requires cooperation and coordination between different sectors such as the development of public space through green areas, walkable areas to generate connectivity, public lighting, in an environment where energy, transportation, security and environment are interrelated.

Supporting infrastructure development in tourist destinations

Tourism is intrinsically linked to the way a city develops and how it offers more and better living conditions to its residents and visitors.

Investing in the public spaces of cities and strengthening their tourism vocation will contribute to attracting private investment. Planned urban development can significantly improve the quality of the tourist experience and, at the same time, benefit the local community and the economic sector in general.

As mentioned in the *Guide to Interventions in Public Spaces*³² it is important to think of public spaces from the perspective of and for people, considering the different ways of inhabiting them and the diversity of those who live in the city in terms of age, gender, origin, nationality, sexual orientation, race and motor skills, among other issues.



³¹ Strategic guidelines for urban development. CAF (2023 – 2026)

³² Escorza et al. (2022). Guide to interventions in public spaces. Municipal tools for creating quality public spaces in Latin America. CAF. <https://scioteca.caf.com/handle/123456789/2015>

Investment in physical infrastructure to promote the use of public transport systems, such as bicycle paths, is of great importance to promote sustainable tourism. For example, the rental of bicycles to get to know cities through group tours is a mechanism for developing sustainable tourism.

The resignification of public space, also as an investment measure to promote tourism, will be taken into account as the process through which an area or place with a different function or that was in disuse is given a new purpose. This implies the transformation of a public space so that it becomes a more active, meaningful and functional place for the community and the urban environment in general.

Some examples of public spaces that have undergone redevelopment include former factories converted into cultural centers, former docks transformed into gastronomic and recreational areas, parking areas that have become urban parks, or squares revitalized for community activities that directly benefit tourism activity.

Just as important, private investment in the construction of new hotels and the acquisition of new fleets of means of transportation are essential to meet growing demand. These capital investments by tourism companies also have a multiplier effect, stimulating demand from other industries in the supply chain and generating new jobs.

Promoting connectivity of tourist destinations

The tourist activity is carried out in a non-habitual environment, which implies a displacement. In this sense, transportation fulfills a *Sine qua non* in the development of tourist activity as a transit mechanism, but it can also be a tourist product and experience. Transport is an essential element³³ of the tourism product, because it represents 3 elements: the means of reaching the destination, a necessary means of travel in the destination visited, and the tourism activity as such.

Safe and efficient transportation that provides accessibility from the outside and mobility within the destination is a critical consideration in facilitating progress, while an absence of these features acts as a barrier to tourism development³⁴. In this context, CAF will support the construction of transportation terminals and the adaptation of maritime and river tourism routes.

Supporting security in tourist destinations

The safety of a destination refers to a comprehensive set of measures implemented to preserve the physical integrity and property of visitors. Supporting projects focused on safety will not only attract more tourists by improving the travel experience, but will also project a positive image of the destination.

Tourist safety goes beyond physical protection and encompasses health and social aspects. The UNWTO defines tourism safety as the protection of life, health, physical and economic integrity of visitors, service providers and local communities. This concept becomes relevant in the current context, as evidenced during the COVID-19 pandemic, where tourists preferred destinations that offered safe conditions to resume tourist activity with the lowest risk of contagion.

³³ Cooper et al. (2007). *Tourism: theory and practice*. Synthesis, S.A.

³⁴ HENDERSON, J. (2009). Transport and tourism destination development: An Indonesian perspective. *Tourism and Hospitality Research*.

Health safety involves not only disease prevention, but also the quality of public services, influencing the well-being of both visitors and hosts. Achieving tourism safety requires multidisciplinary initiatives, ranging from police and technological measures to basic sanitation practices and epidemiological management expertise. It also involves the commitment of local communities to charge fair rates for the services they offer.

Projecting the image of a safe tourism destination not only strengthens visitor confidence, but also stimulates economic growth in the area and encourages foreign investment. As a result, the development of holistic and multidisciplinary initiatives becomes a key element in ensuring tourism safety and promoting an environment that is conducive to the sustainable growth of the industry.

Eligible projects for better equipped destinations

This strategic objective may be used to finance sustainable lodging projects, boardwalks, docks, cruise ship ports, convention centers, construction and modernization of air and land terminals, tourist roads, tourist signage, renovation of public spaces, pedestrianization, and others.

The UNWTO defines tourism security as the protection of life, health, physical and economic integrity of visitors, service providers and local communities.



6

FINANCIAL AXES

CAF will be able to finance operations with **sovereign risk** and with **non-sovereign risk**. Loans may be granted at any stage of project implementation. In the context of a **comprehensive credit relationship**, CAF may grant loans for the development of commercial operations aimed at promoting exports (tourism promotion) and working capital.

Investment programs for the national public sector

- **Investment Projects and Programs (PPI):** this is the set of feasibility studies and investment projects for the tourism sector, through which public sector entities seek to develop actions for the benefit of a locality or region. This type of loan is intended to finance specific projects for specific purposes with interdependent components. To obtain approval, it is necessary to have the preliminary design of the project, its cost and its technical and financial viability.
- **Sector-Wide Approach Credits (SWAP):** this freely available instrument finances the recognition of investment expenses made in the tourism sector over a given period. Under a SWAP, all funds allocated to tourism support and recognize a sectoral policy, so the evidence provided must reflect the expenditures made on such plans, programs and projects.
- **Credits based on Public Policy Matrices (PBL):** a mechanism that provides flexible and liquid financing to support public policy actions and institutional reforms in the tourism sector. These loans are disbursed against a public policy matrix.

Financing innovation for subnational entities

- **Investment Projects and Programs (PPI):** subnational entities are increasingly assuming responsibility for their own tourism development. In cases where they can acquire credits with the same capacity from the national entity, with higher authorization, the mechanisms of the PPI indicated above apply.

In cases where subnational entities do not have sovereign backing or are governed by restrictive regulations, in terms of external or foreign currency debt, it is necessary to build innovative mechanisms that allow their projects to be financed. For example, through local development banks, funds or other mechanisms or legal tools, for the construction of which the support of local legal counsel will be sought.

- **Local development bank:** depending on the country study, the establishment of lines of financing through national development banks may be considered.
- **Quasi-sovereign operations:** mechanism applicable to support subnational governments, public establishments, state-owned industrial and commercial companies, mixed-economy companies with national participation greater than 50% or other entities with similar participation, whatever the name they adopt, at all levels and orders or that have a strong commitment and support from the State and whose credit risk is satisfactory, even when they do not have an explicit sovereign guarantee for the development of tourist destinations or products.

Innovation in financing for the private sector

This axis seeks to establish relevant and competitive lines of credit in the tourism financial market, which, due to its characteristics, requires special terms and grace periods. Thus, the STD will rely on the Vice-Presidency for the Private Sector to develop, as part of its strategy, the appropriate lines of credit to promote the growth of sustainable tourism in partner countries, both directly and through development and commercial banks.

Projects eligible for funding

All projects contemplated in this strategy may be financed, especially those that allow the enhancement of tourist destinations. In this sense, support will be given to infrastructure projects and basic services in tourist areas that add value to the destination, under PPP and Corporate modalities.

The objective of developing infrastructure to support tourism is to create the necessary conditions to attract tourists and offer them quality services.

- **Tourist infrastructure:** construction, adaptation and equipment for hotels and tourist complexes; development of theme parks in tourist areas, construction and rehabilitation of inns and marinas, construction and rehabilitation of convention centers, cultural centers, craft centers and museums.
- **Transport:** including air, sea and land transport.
- **Maritime infrastructure recovery:** ports, docks, promenades or boardwalks.
- **Green Business:** projects associated with tourism activity with clear components of sustainable destinations, waste management, securitisations, nature-based solutions for ecological neutrality, circular economy and certifications associated with tourism with an emphasis on environmental sustainability and energy efficiency in order to reduce CO2 emissions.

Innovative financing through national banking and local development banking

- **Loans for MSMEs through financial partners.** It is the mechanism to channel CAF financing through first and second-tier banking, with loans to close financing gaps, stabilize and boost investment by MSMEs in the tourism sector.

This mechanism prioritizes working capital operations with favorable credit conditions (rate, term and guarantees) that stimulate rapid and inclusive growth in the sector.

- **Sustainable tourism infrastructure lines.** Targeted medium and long-term lines will be implemented.

Promotion of private investment

Through the development of the Guides and Forums for Tourism Investment the STD will support the development and dissemination of investment climate and standards in recipient countries.

Innovative direct lines

Resources will be allocated for the escalation stage³⁵ of the industry, with diverse financial instruments such as corporate loans, guarantees, funds and trusts providing capital.

- **Participation and creation of impact investment funds,** mechanism by which CAF adds resources from other contributors or integrates into ongoing processes through capital investments.
- **Corporate financing** through debt instruments such as bilateral, syndicated and A/B loans; revolving credit lines for short-term loans for working capital; guarantees and other instruments, such as *factoring* through a possible special purpose vehicle (SPV) with other allies of the operation. Within the framework of this strategy, the possibility of designing and implementing a pilot associated with a credit facility for the tourism sector with an institutional ally will be evaluated, allowing for clear eligibility criteria to mitigate risks and seek to generate a real impact in the sector.
- **Direct loans or A/B loans to financial partners to channel them to tourism developments,** where financial partners make a loan to the private sector. These are usually used to finance tourist complexes, the implementation and construction of tourist Master Plans, etc.

By implementing this instrument, allies could improve credit conditions for potential beneficiaries. The destination of the funds could be directed to working capital and *Capex*, with a preference for longer-term schemes.

- **Structured Financing under Public-Private Partnership (PPP) schemes,** mechanism used for the adaptation and expansion of basic infrastructure and public services that support the development of sustainable tourism activity.

In this context, emphasis will be placed on operations related to infrastructure and support services for the sector such as airports, roads, other ports, public transport systems, renewable or transitional energy generation, desalination plants, and so on, which are essential for the proper functioning of the tourism sector.

- **Structured Financing for the private sector,** financing for the construction and adaptation of hotel infrastructure, among other tourist infrastructures.
- **Shared guarantee schemes,** mechanism by which CAF assumes a percentage of the risk with its financial counterparty on a specific client or portfolio. This scheme is presented for the granting of guarantees to different segments, including the entire value chain of the tourism sector, identifying, among others, companies in the transport, accommodation and cultural attractions sectors, microfinance institutions and SMEs.
- **Creation of the Tourism Impact Investment Fund;** consideration will be given to the design of a product specialized in investments in the tourism sector (debt or guarantee), mobilizing private capital for investments in projects that generate a positive social impact. National development banks can be a key partner in the creation and management of such funds.
- **Bonds in Sustainable Tourism through Financial Allies,** guarantees for the issuance and purchase of thematic bonds in sustainable tourism from a financial partner.

³⁵ Marcos, D. (2018). The stages your company and your leadership must go through to emerge stronger from the crisis. <https://blog.growthinstitute.com/how-to-grow-vs-scale-which-does-your-company-need>

Furthermore, from the perspective of cross-cutting agendas, it will be possible to support initiatives related to Green Operations; Regional Integration; Partnerships and Mobilization of Resources

Technical Assistance

Through the action of the Vice-Presidency of the Private Sector (VSP for its acronym in Spanish), resources can be offered via technical cooperation (reimbursable, non-reimbursable and contingent), which will be designed to enable new business operations and improve the sustainability of operations that can be financed.

Eligibility criteria for operations and projects

Interventions framed within this strategy to support tourism must generate an integral value proposition that combines technical support and access to financing solutions, seeking at least one of the following attributes: the development of tourism activity; the sustainable enhancement of a destination; or the generation of employment and an increase in the supply of skilled labor.

To achieve the above, we will seek to identify and promote:

- Interventions that will increase the productivity and competitiveness of the sector.
- Interventions that enable the reconversion of tourism activities towards sustainable schemes that mitigate the impact of their operations on the environment.
- Interventions that address market failures (total or partial) or government failures, ensuring the channeling and mobilization of financial and non-financial resources (technical assistance) serving companies and projects in the tourism sector.
- Interventions that have been defined in country strategies and government programs.
- Interventions with "additionality", which reinforce CAF's role as a development bank.
- Each intervention must have metrics that allow them to monitor operations and evaluate their results with an emphasis on sustainability indicators and alignment with the SDGs.

Pre-investment and technical cooperation programs for the tourism sector

The **pre-investment and special funds programs** aim to finance operations that complement technical capacity in tourism, in order to enable, enhance and generate value in their interventions and facilitate the transfer of knowledge, in accordance with their strategic priorities.

Exceptionally, support may be given to non-profit institutions and Non-Governmental Organizations (NGOs) whose objectives include promoting tourism development along the lines contemplated in this strategy.

Funds to support countries

- **Country technical cooperation funds (CT):** This is a financial service offered by CAF to its shareholder countries. Each country has an annual CT quota which must be prioritized by the Ministry of Finance or whoever takes its place. This type of CT can support the tourism sector to strengthen its capacities, create a legal and technical framework, as a foundation or complement to lending operations.
- **Human Development Fund (FONDESHU):** Its purpose is to finance the preparation and execution of projects that promote sustainable human development among marginalized social sectors within tourism, which have a high demonstrative impact.

Innovative mechanisms applicable to macro tourism development projects

- **Regional Infrastructure Pre-Investment Program (CAF-PPI):** the purpose of this program is to finance support to countries in the design, formulation, and pre-investment analysis of integration infrastructure projects in the energy, transportation, and telecommunications sectors related to the development of tourism projects.

- **Pre-investment Program for the water sector (CAF-PES):** it seeks to contribute to strengthening the quality of the projects (access, expansion and improvement of services) of the CAF agenda for the water sector, through the financing of studies and activities that allow for a solid preparation of their pre-implementation phase, related to the development of tourism projects.
- **Green Action Facility for Latin America and the Caribbean (FAV-LAC):** the purpose of this program is to provide technical assistance for the proper preparation of a portfolio of projects and pre-investment programs that will enable shareholder countries to achieve their environmental, biodiversity and climate goals, and for CAF to make a significant contribution to the financing of greener investments. Useful mechanism when dealing with protected areas such as National Natural Parks that are open to tourism.
- **Creation of the Sustainable Tourism Facility (STF):** uses the sector's own cooperation resources to provide technical assistance and finance support activities for tourism development, such as the creation of and participation in events, decarbonization studies, formulation of local or national tourism development plans, capacity building for institutions and governments, and market studies.

Knowledge generation

CAF will focus on enhancing the integral development of tourism through specialized programs and resources, addressing key areas ranging from strengthening the digital capabilities of small and medium-sized enterprises to technical assistance for the formulation of policies and strategic plans for the sector.

Initiatives aimed at improving operational efficiency and promoting sustainable practices in the sector will be supported.

CAF can offer resources to promote and facilitate various areas for the development of sustainable tourism in order to:

- Strengthen the **digital capabilities of SMEs** in the sector to allow them to use and take advantage of technological tools, such as: big data, digital marketing, E-Commerce, and CRM, among others.
- Improve the **internal processes of institutions** that form part of tourism governance to make them more efficient.



- Facilitate access to **sustainability certifications** to improve the standards of the destinations or attractions.
- Facilitate the **gender mainstreaming, inclusion and diversity** processes in tourism.
- **Innovate in destinations** with a focus on the circular economy, carbon neutrality, green business and education, highlighting the comparative advantages of the territory.
- **Strengthen specialized tourist circuits** so that are sustainable and support the resilience of communities, businesses and natural environments.
- **Prepare studies and diagnoses** for the transition of tourism towards the green economy.
- **Design public policies, marketing** plans for destinations and country image, as well as Territorial Development Plans for districts or municipalities with a tourist vocation.

The CTs related to the sector or that have a direct impact on tourism, regardless of their origin, must count on the participation of the STD for their construction, from the initiative.

Green resource channeling and financing management

CAF can provide support to channel resources for the development of sustainable tourism for national and subnational entities:

- **Green bonds:** green bonds are fixed-income securities whose proceeds are allocated to climate and environmental assets or to finance tourism projects with climate or environmental impact.
- **Blue Bonds:** also known as "blue finance", these are used to finance ocean-related projects, in this case, tourism projects.

They are comparable to conventional market bonds, in that the issuer of a bond repays principal and interest to the lender over a specified period, but the proceeds of the bond issue go to positive outcomes for nature. CAF can support countries in structuring their green and blue bonds with a tourism focus.

- **Debt-for-nature swap management in tourist areas:** these are financial transactions, in which a portion of a country's bilateral external debt is waived in exchange for local investments in conservation measures. In cases where the external debt of developing countries has little chance of being repaid in full, it can potentially be purchased on the secondary market for substantially less than its face value. CAF has the capacity to support the country through the administration of the resources "obtained" from debt swaps.

The first such compensation exercise was carried out in Ecuador for investment in the protection of a tourist destination par excellence such as the Galapagos Islands.

- **International green funds:** CAF has the capacity to channel resources from the Green Climate Fund (GCF) (also applicable to the private sector), the United Nations Adaptation Fund (AF), the Global Environment Facility (GEF), the German International Climate Initiative (IKI) and the European Union Latin America Investment Facility (LAIF), among others. These resources have the characteristic of having financial conditions with high "concessionality", contributing to CAF's competitiveness.

CAF, as an accredited agency and ally of these funds, supports countries to originate, formulate, structure and implement the resources approved by these international entities focused on closing existing financing gaps for the development of greener and more sustainable tourism.

NETWORKS, ALLIANCES AND EVENTS

In general, CAF can provide spaces for raising awareness, developing and strengthening the capacity of stakeholders, tourism officials, tour operators and local communities on the principles and practices of sustainable, greener, more inclusive and innovative tourism in a participatory manner.

Tourism networks

- Create the **Network of Sustainable Tourist Destinations**, with the support of GACBP, GDUAC and GGI, which will enable regional dialog to share sustainable practices and experiences and promote actions that catalyze intraregional tourism and the development of new tourist destinations.
- Lead together with the GDUAEC the creation of the **Historic Centers Network** to generate best practices and transfer knowledge to maintain the architectural heritage as a tourist attraction.

Alliances

Alliances are collaborative agreements between CAF and international organizations (such as UNWTO, UNESCO, OAS, CAN, MERCOSUR), national and local organizations (such as Ministries of Tourism, Ministries of Tourism, SEGITTUR,) and NGOs related to the tourism sector to achieve common objectives such as the generation of complementary capacities, joint development of innovative projects and access to additional resources. CAF has signed alliances, among others, with:

- **World Tourism Organization (UNWTO)**, a memorandum of understanding was signed in November 2022 that develops frameworks for attracting, promoting and retaining foreign direct investment (FDI) in sustainable tourism initiatives, and in February 2023 an implementation agreement was signed to develop a set of comprehensive guidelines for tourism investment in five countries: Barbados, Ecuador, El Salvador, Panama and Uruguay, and an addendum is planned for a second phase that would include Brazil, Honduras, Jamaica, Mexico and Peru.
- **Ministry of Foreign Trade and Tourism (Mincetur)**, Peru's tourism authority, signed in September 2022 on the occasion of World Tourism Day, with emphasis on supporting tourism digitalization projects.

- **Mexico's Ministry of Tourism (Sectur)**, in 2024 is expected to sign an agreement to join efforts, develop strategies, instruments and actions related to the promotion and development of tourism investment projects in the Republic.
- **Administrative Planning Region in Colombia - RAP Caribe**, which includes among its objectives supporting the Macondo Route, a geographical and cultural tour of the key sites in the life and work of Gabriel García Márquez.

Events

Through the organization and participation in national and international fairs and events, CAF will disseminate this Strategy and promote its cooperation and credit mechanisms to achieve the objectives of supporting sustainable tourism in the region. Events like FITUR, National Tourism Congresses, specialized forums on tourism investment, inclusion, and historic centers, are scenarios for these purposes.

Create the Network of Sustainable Tourism Destinations that allows for regional dialog to share sustainable practices and experiences.

CRITERIA FOR SELECTING OPERATIONS

The financing of tourism projects involves the consideration of a series of criteria and principles to ensure that investments promote sustainable development, minimize negative impacts on the environment and the local community, and generate long-term benefits, including the following:

Alignment with country policies

- Projects must be aligned with country strategies and government tourism, environmental and social programs.
- Ensure that the project complies with all regulations and legal requirements, including environmental and construction permits.

Environmental and social sustainability

- Comply with CAF's Environmental and Social Safeguards.
- Depending on the project, an environmental impact assessment must be carried out.
- Where possible, there should be a proposal for the conservation of natural resources. For example, the efficient use of water.
- Where possible, prioritize energy efficiency and the adoption of renewable energy sources to reduce the project's carbon footprint.
- Consider climate change adaptation measures and resilience strategies in project design and management.

Social and cultural benefits

- Depending on the project, you may need to involve the local community.
- Protect and promote cultural heritage and local traditions, depending on the nature of the project.
- Promote local employment and the purchase of local goods and services.
- Promote the inclusion of people with disabilities, both in their role as visitors and as providers of tourist services.



8

Education and awareness

- Develop educational and awareness programs for visitors and the local community on sustainable practices and the importance of conservation and cultural respect.
- Sustainable management and operation.
- Have a proposed management plan that defines sustainable practices, staff training, and monitoring and evaluation procedures.
- Establish performance indicators and monitor the impact of the project in terms of environmental sustainability, social benefits and economic profitability.
- Development and adoption of monitoring indicators, evaluation of results and impact of operations.
- Maintain transparency in the financial and operational management of the project.

Sustainable management and operation

- Have a proposed management plan that defines sustainable practices, staff training, and monitoring and evaluation procedures.
- Establish performance indicators and monitor the impact of the project in terms of environmental sustainability, social benefits and economic profitability.
- Development and adoption of monitoring indicators, evaluation of results and impact of operations.
- Maintain transparency in the financial and operational management of the project.

PROJECT CREATION CYCLE

The internal work structure for creating projects will include:

Multidisciplinary Coordination Group at CAF

In order to organize and coordinate sustainable tourism operations and activities, a **multidisciplinary sustainable tourism coordination group** will be established under the leadership of the STD, with the participation of the thematic management units GCP, GDUAEC, GACBP, GIFTD, GGID, GDSH (Sustainable Human Development Goals), GC and the VSP.

The working team will maintain a continuous dialog in order to coordinate the different initiatives and operations focused on the development of sustainable tourism through resources, both technical cooperation and loans, ensuring that they are developed under the Programmatic Lines of the Sustainable Tourism Strategy.

Creating operations from the country strategy

One of the main sources of business generation is the demand from member countries. The creation and "origination" of operations is closely linked to the relationship, collaboration and direct coordination with the Representative Offices, seeking first of all that the respective country prioritizes tourism activity as a development factor and identifies business and cooperation opportunities.

Comprehensive interventions by the Vice Presidency of the Private Sector

Since the development of projects for the operation and provision of tourist services has the private sector as its main source of investment, with the public sector being mainly responsible for the development of basic services infrastructure and policies that promote tourist development, the fulfillment of the objectives of the STD will be based on close and continuous work with the Vice Presidency of the Private Sector, for which communication and coordination mechanisms must be established.



9

FINAL CONSIDERATIONS

- In addition to the obvious importance of tourism as a generator of employment and wealth for the region, CAF is committed to supporting initiatives that lead to the transformation of tourism in the region towards a sustainable, greener, more inclusive and innovative development model.
- CAF is in a strategic position given the opportunity to support a sector that represents a key element for the fulfillment of the SDGs and the 2030 Agenda. It is also shaped as a cross-cutting and multidisciplinary force that generates value and has a transformative impact on quality of life. In turn, this new line of business offers an opportunity for CAF to fulfill its objective of being the green bank and of social and fair economic reactivation, as well as to achieve the goals of investing in operations with the private sector and in green portfolios.
- The LAC region is a unique and abundant resource with its biodiversity, cultural heritage and varied geography, differentiating elements that enable steady growth and provide significant potential for increasing the region's income.
- The road to taking full advantage of the tourism potential of LAC is not without its challenges. It involves comprehensively addressing the safeguarding of its valuable tourism resources, technological deficiencies, security-related aspects, infrastructure and tourism management.
- The essence of this proposal seeks to transform tourism activity into a driving force for sustainable development, while preserving and highlighting the authenticity and uniqueness of each destination. This approach will ensure its long-term conservation for the enjoyment and benefit of present and future generations. It calls for an approach that recognizes their importance as a shared heritage, advocating practices that protect their integrity and contribute to preserving the region's cultural and environmental heritage.
- The growing demand for sustainable tourism projects is supported by national and subnational authorities and the private sector. The demand for financing reflects a convergence of interests between the public sector, which seeks social and economic development, and the private sector, which plays a crucial role in generating value in destinations through investment and entrepreneurship.

- CAF, through this **Sustainable Tourism Strategy** will play an integral role in shaping and consolidating tourism that is:
 - **Greener**, highlighting and preserving the intrinsic value of the region's natural heritage, making responsible use of its resources.
 - **More inclusive**, adopting tourism as a universal right and promoting destinations that foster diversity, the appreciation of communities, guaranteeing accessibility for all.
 - **More innovative**, giving value to culture and knowledge, generating unique and enriching experiences that range from the promotion of local artistic expression to the incorporation of emerging technologies and digital tools, providing more efficient and personalized experiences.
 - **Better equipped**, with the necessary infrastructure to enable and guarantee tourism development, paying special attention to connectivity and security, crucial aspects for the full enjoyment and confidence of visitors.

In conclusion, CAF's current Sustainable Tourism Strategy encompasses support for the creation and adaptation of economically prosperous tourism products and destinations, rooted in principles of sustainability, diversity, creativity and safety in order to contribute to the improvement of the standard of living of the Latin American and Caribbean population.

LAC is a unique and abundant resource with its biodiversity, cultural heritage and varied geography, differentiating elements that offer significant potential for increasing the region's income.

10

