

# Destination always

Future-proofing destinations to capture the benefits of visitors without trade-offs



# Contents

- 3** About the report
- 6** Executive summary
- 14** Ups and downs: the benefits and challenges of overnight visitors
  - 16** The good: the benefits associated with overnight visitors
  - 27** ...and the bad: the economic, environmental and social challenges overnight visitors pose
- 51** Plotting the course: navigating the benefits and challenges of overnight stays
- 68** Taking the plunge: what can you do to help future-proof a destination?
- 70** Appendix
- 83** Endnotes

# About this report

*Destination always* is an Economist Impact report, supported by Booking.com. Economist Impact's research programme aims to understand and quantify the economic, environmental and social impacts of visitor inflows (see definition below) to travel and tourism destination cities and regions around the world. The programme also explores the effectiveness of policy and private sector interventions aimed at maximising the benefits and managing potential negative impacts of these flows. To understand these complex relationships, and partially fill significant data gaps in this area, Economist Impact conducted a comprehensive research programme, including regression modelling, interactive workshops, surveys (of policymakers, business executives and the general population) and expert interviews. The research took place from September 2022 to July 2023. The findings and views expressed do not necessarily reflect the views of the partners and experts.

Economist Impact would like to thank the United Nations World Tourism Organization (UNWTO), all participants in the interactive workshops and all the experts that contributed to our research, including the following, in alphabetical order (by first name), for their time and insights:

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  - **Zoritsa Urosevic**, executive director, UNWTO
- A list of all participants in the interactive workshops can be found in the Appendix.
- The report was produced by a team of Economist Impact researchers and editors, including:
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## Research objectives and definitions

The research aims to identify and explore relationships between overnight visitors and various socio-economic and environmental outcomes to inform policy, expert discourse and further research. The core analysis is focused on overnight visitors, rather than longer-term visitors or large-scale migration, and the direct impacts of the number of visitors arriving at a destination, rather than the overall impacts of the travel and tourism sector.

This research does not explore specific costs and benefits of travel and tourism in individual destinations; rather it seeks to understand general impacts on destinations globally, while controlling for some of their individual characteristics. The results of the analysis presented in this report should, therefore, be treated as indicative of the potential impacts associated with overnight visitors rather than as a causal relationship applicable to all destinations (see detailed methodology in the Appendix).

### Defining visitors, travel and tourism

The main objective of this analysis is to understand how people coming to a destination impact the local economy, population and the environment. On the basis of data availability across time and destinations, we approximate this in our models by using the number of **total overnight stays** as the core variable of interest, and **international overnight stays** only to fill in gaps for small islands states and for the models developed at national rather than destination level (see detailed methodology for each model in the Appendix).

The International Recommendations for Tourism Statistics 2008 defines **visitors** (ie, travellers taking a trip to a main destination outside their usual environment, for less than a year, for any main purpose (business, leisure or other personal purpose) as **tourists**, if their trip includes an overnight stay.<sup>1</sup> All **overnight visitors** are therefore classified as **tourists**.

However, for the purposes of this report we will be using the terms **visitors** and/or **travel and tourism** to discuss these phenomena to avoid any confusion with an assessment of the impacts of the tourism sector or industry as such.

This study assesses the long-term relationship between overnight stays and a selection of outcome variables of an economic, social and environmental nature. This is not an impact assessment of the tourism sector and therefore does not provide estimates or indications of tourism's contribution to GDP or any other variables, according to the UN-approved Tourism Satellite Account methodology.

# Executive summary

Before the COVID-19 pandemic disrupted life around the world, more people were on the move than ever before. In 2019, more than 2.4bn international visits took place, the all-time high in recorded history.<sup>2</sup> The growth of international travellers outstripped the growth of trade in goods by more than 1.5 times between 2010 and 2019.<sup>3</sup> This flow of people within and across borders—alongside the free flow of goods and capital—has contributed to economic growth and increased prosperity for many, although not all, communities around the world.<sup>4</sup>

However, in recent years, powerful political, social and natural forces have started to undermine people's ability to move around the world. Political and economic deglobalisation—from increasing anti-immigration sentiments to geopolitical tensions and the fragmentation of global trade—have undermined the movement of goods, capital and people.<sup>5</sup> After three decades of continuing liberalisation, international trade openness (measured as a share of global GDP) has stagnated, declining from 61% in 2011 to 56% in 2019.<sup>6</sup> And although the number of visitors and migrants has recovered, and is growing, movement restrictions in various forms have increased significantly in a number of places around the world.<sup>7</sup>

Additionally, questions have been raised around travel and tourism's negative impacts on climate change, environmental conservation and preservation of cultural heritage. Some responses have been to push for bans on visiting certain destinations, while others have called for a revamp to embrace more conscious and sustainable ways of travelling.<sup>8</sup> Post-pandemic travel has not slowed, but travellers are increasingly embracing sustainability: a recent survey reveals three-quarters of travellers are actively seeking more sustainable travel options in 2023, and that 60% of travellers made more sustainable travel choices in the last two years.<sup>9</sup>

And yet, concerns around the sustainability of travel—both environmentally and geopolitically—remain; however, further restrictions on movement of people could come at a significant cost. During the COVID-19 pandemic, global travel and tourism GDP declined by more than 60%, costing more than US\$3trn in lost revenue and putting over 100m jobs at risk.<sup>10</sup> Understanding and managing these potential trade-offs is key to driving informed policy decisions around both the flow of visitors and how they interact with economies, societies and the environment.

In this first-of-a-kind global study, supported by Booking.com, Economist Impact has quantified the interaction between overnight stays and environmental, social and economic outcomes in 50 destinations (38 cities and 12 non-urban areas) and identified a set of policy interventions that can drive positive impacts while managing negative impacts. Specifically, the study focuses on the impacts of overnight visitors on recipient destinations to understand the costs and benefits of the dynamic movement of people in the short and medium term, and highlights policies and programmes that have been effective in allowing destinations to reap the benefits of the visitor economy while minimising potential negative externalities.

Key findings include:

- **Berlin, Paris, London, Melbourne and Chicago have been the most successful in both attracting overnight visitors and managing environmental and socio-economic pressures** (see Figure 1). Through a benchmarking exercise focused on the

38 cities included in the study,<sup>11</sup> Economist Impact identified the destinations that have reaped the economic benefits of the visitor economy, while improving environmental and social outcomes. Berlin, Chicago and Lisbon increased their travel and tourism revenue by more than two-thirds in the decade prior to the COVID-19 pandemic, roughly halved their unemployment rates and cut air pollution by more than a third. Paris and Melbourne achieved even more impressive reductions in pollution—50% and 67%, respectively—while increasing travel and tourism revenue by at least 25%. In Latin America, Bogotá and Mexico City have made substantial social strides, especially around addressing gender inequality. The large cities in Southeast Asia—including Bangkok, Jakarta and Kuala Lumpur—have captured significant economic benefits from increased overnight stays, but have room for improvement when it comes to managing environmental and social challenges like air quality or inequality and therefore fall out of the top 10 in our rankings.

**Figure 1: The top 10**

Cities that have been able to reap the benefits of overnight visitors while minimising negative outcomes



Source: Economist Impact



**“Tourism boosts economies and generates millions of jobs, but responsible growth is crucial. Data-driven policies and innovative financing are key for resilient, inclusive societies and a sustainable, brighter future.”**

Zoritsa Urosevic, executive director, UNWTO

- **Overnight visitors have enormous potential to catalyse progress in achieving gender equity worldwide.** Nearly two-thirds (63%) of respondents in our global population survey felt that travel and tourism had helped to improve gender equity in their local area. These perceptions are supported by our national-level model, which found that a 1% increase in international tourist arrivals was linked to a 0.02% improvement in a geography’s score in the World Economic Forum’s Global Gender Gap report. Additionally, women constitute 54% of the global travel and tourism workforce—compared with 39% of the workforce across the broader economy—and the gender wage gap is smaller in this sector than in other industries, which may contribute to the broader empowerment of women.
- **Despite concerns that visitors erode local culture, increased overnight visitors are improving social tolerance.** Three-quarters of respondents in our population survey agreed that engagement with visitors had allowed them to better understand different cultures and communities and expanded their worldview, while two-thirds agreed that visitors to their communities have positively impacted locals’ tolerance towards foreigners. This is in contrast to the perception of almost half (48%) of respondents that travel and tourism has contributed to the loss of local culture, compared with 31% who disagreed.
- **Overnight visitors positively contribute to economic growth in recipient destinations, but the magnitude of impact depends on the destination’s ability to minimise economic leakages and attract high-value-added visitors.** Visitors stimulate demand for goods and services and incentivise the development of local infrastructure, contributing to local economic activity. In three surveys conducted as part of this study, policymakers (91%), business executives (81%) and the general population (79%) all agreed that visitors drive economic growth. These perceptions are supported by our impact assessment model, which finds that increases

in overnight stays have a positive impact on real GDP across all regions. These impacts vary across regions: the largest are felt in North America, where a 1% increase in visits is associated with a roughly 0.5% increase in real GDP, while the uptick in Asia-Pacific and Europe is 0.24% and 0.22%, respectively. These regional differences highlight two key factors influencing the economic impacts of incoming visitors: the composition of visitors and the extent to which the goods and services consumed by visitors are produced and provided by local businesses (ie, the extent of economic leakages).

- **Destinations that prepare for and encourage increased overnight stays could see significant boosts for their economic growth and employment.** Based on our modelling, if the seven destinations in the US and Canada considered in this study experienced a 5% increase in overnight visitors compared with the baseline forecast of visitor

flows, they could add up to 2.5% of real GDP—an additional US\$110bn—by 2030. In Bangkok, an additional 5% increase in overnight stays could result in an almost US\$1.8bn increase in GDP by 2030, and a similar percentage increase in overnight stays could reduce unemployment rates by an additional 1.7% in Mexico City over the same time period. In Johannesburg, a 5% uptick could add 44,200 jobs to the local economy.

- **Despite perceptions that overnight stays substantially increase the cost of living, our research finds that this is not generally the case.** Only in tourism-intensive destinations do we find a correlation between visitors and rental prices. Four-in-five policymakers, two-thirds of business executives and two-thirds of the general population believe that inflows of visitors have raised the cost of living (especially housing affordability) in their community. Our model, however, found a direct link between visitors and average rental prices only in destinations where a higher share of local GDP comes from travel and tourism. In these destinations, a 1% increase in overnight stays has been associated with a 0.03% increase in rental prices.<sup>12</sup> Our model also shows that economic and policy factors, such as real GDP growth, local lending rates and unemployment rates are the predominant factors driving rental prices. Ultimately, there are differing opinions across stakeholders, regions and individual cities about how to develop effective housing policies to offset the challenges in impacted geographies (see “One hundred years of social housing” on page 56).
- **Overnight visitors create a significant carbon footprint when travelling to and from a destination. If the infrastructure to accommodate overnight visitors exists, however, overnight visitors’ carbon**

### The Parisian way

Local carbon emissions and air pollution are both predominantly driven by changes in GDP, the national energy mix and regulatory quality. Through a comprehensive set of measures, including phasing out diesel and petrol-powered mobility, expanding public transport networks and supporting energy efficiency and green heating in buildings, Paris managed to decrease its air pollution (PM2.5 levels) by 51% between 2010 and 2019, despite sustaining steady growth in the number of visitors.



**footprint during their stay is influenced by the underlying carbon intensity of the destination.**<sup>13</sup> The majority of carbon emissions associated with travel and tourism are related to transport to and from the destination. Our model found that a 1% increase in international overnight visitors is associated with a 0.23% increase in emissions from air traffic. However, when controlling for the economic, energy and demographic characteristics of the destinations, we found that visitors have a relatively limited additional impact on local carbon emissions, beyond what is reflected in their contribution to local economic activity. Although the energy mix and carbon intensity of the destination influences the level of emissions the visitors produce, visitors can still contribute to climate action.

- **Getting the right policy mix, which fits local contexts and challenges, is key to harnessing the economic impacts of overnight stays.** Local businesses and employees need to be able to adequately provide the goods and services visitors need. To encourage local production and employment, policymakers and business leaders in our surveys and workshops indicated that training and upskilling programmes for the local workforce, and increasing sourcing of local products can be effective. These, however, should not come at the expense of efficient sourcing. Economist Impact has developed a challenge-policy intervention matrix that can help decision-makers understand the policy options available and the trade-offs of these options in their local context (see Figure 2).



**Figure 2: Challenge-policy intervention matrix**

Options for policymakers to manage the risks of overnight visitors while reaping the benefits

If my geography has ...		
A problem with local unemployment and economic leakages		Case Study: Kentucky
Potential policy options	Key benefits	Key risks
Tax incentives for local SMEs in travel and tourism sector	Popularity; Local economic stimulus	High financial cost
Training and upskilling programmes for local workforce	Low direct financial cost; Popularity; Local economic stimulus	Potentially low impact
Streamlined visa application processes	Low direct financial cost; Additional revenue	Potentially unpopular
Increased sourcing of local products and produce	Popularity; Local economic stimulus	Potential economic loss (due to higher prices)
Streamlined licensing processes for local businesses and SMEs	Popularity; Local economic stimulus; Low direct financial cost	Potentially high environmental cost
Streamlined infrastructure planning and construction processes	Local economic stimulus; Low direct financial cost	Potentially high environmental cost; Potentially unpopular
Industry coordination	Low direct financial cost	Potentially low impact
A problem with overcrowding of visitors		Case Study: Bruges
Potential policy options	Key benefits	Key risks
Promotion of non-seasonal activities and attractions	Popularity; Local economic stimulus	Potentially low impact; Potentially high environmental cost
Increased sourcing of local products and produce	Popularity; Local economic stimulus	Potential economic loss (due to higher prices)
Regional transport infrastructure and integration	Popularity; Local economic stimulus	High financial cost; Potentially high environmental cost
Regional accommodation and utilities infrastructure (eg, energy, water)	Local economic stimulus	High financial cost; Potentially high environmental cost
Tourism taxes and/or levies raising revenue for local communities	Additional revenue; Popularity	Potential economic loss
Regulations on the flow of visitors (eg, restrictions on the number, type or lengths of visits)	Low direct financial cost; Effectiveness	Economic loss
A problem with housing affordability		Case Study: Vienna
Potential policy options	Key benefits	Key risks
Rent controls (eg, rent caps)	Low direct financial cost; Popularity	Limiting housing supply; Potential economic loss
Investment in/subsidies for affordable housing	Popularity; Stimulates the economy	High financial cost; Potentially high environmental cost
Regulation of non-residential ownership of properties	Popularity; Low direct financial cost	Potential economic loss
Regulation of short-term letting of properties	Popularity; Low direct financial cost	Potential economic loss
Affordable housing zoning requirements	Popularity; Low direct financial cost	Potential economic loss
Regional transport infrastructure and integration	Popularity; Local economic stimulus	High financial cost; Potentially high environmental cost
Regional accommodation and utilities infrastructure (eg, energy, water)	Popularity; Local economic stimulus	High financial cost; Potentially high environmental cost
A problem with the loss of cultural heritage		Case Study: Luang
Potential policy options	Key benefits	Key risks
Cultural / behavioural awareness campaigns	Popularity; Low direct financial cost	Potentially low impact
Local regulations (eg, excessive noise, construction requirements)	Effectiveness; Popularity	Potential economic loss
Restrictions on tourist access to certain times / locations	Effectiveness; Popularity	Economic loss
General welfare and social support programmes	Popularity; Effectiveness	High financial cost; Difficult implementation
Community consultation processes	Popularity; Low direct financial cost	Potentially low impact
Financial incentives for local culture preservation and enhancement (eg, discounts on refurbishments)	Effectiveness	High financial cost

**Figure 2: Challenge-policy intervention matrix (cont.)**

Options for policymakers to manage the risks of overnight visitors while reaping the benefits

If my geography has ...		
A problem with pollution and waste (eg, water, recycling)		Case Study: Maldives/South Africa
Potential policy options	Key benefits	Key risks
Local waste fees and taxes	Additional revenue; Popularity; Effectiveness	Potential economic loss
Measurement and disclosure standards for water use and waste management for local businesses	Popularity; Low direct financial cost	Potentially low impact; Potential economic loss
Environmental certification standards for local businesses and construction	Effectiveness	Potential economic loss
Regulation of single-use plastics	Popularity; Low direct financial cost	Potentially low impact
Establishment of protected areas / national parks	Effectiveness	High financial cost; Difficult implementation; Potential economic loss
Tourism taxes and fees (with revenues allocated to environmental protection)	Additional revenue; Effectiveness	Potential economic loss
Regulations on the flow of visitors (eg, restrictions on the number, type or lengths of visits)	Effectiveness	Economic loss
Public environmental awareness campaigns	Popularity; Low direct financial cost	Potentially low impact
Pollution/littering fines	Effectiveness	Potential economic loss
Promotion of eco-tourism products	Popularity; Low direct financial cost	Potentially low impact
Training and upskilling in green skills (eg, conservation, circular economy)	Popularity; Low direct financial cost	Potentially low impact

A problem with air quality and emissions		Case Study: Copenhagen / Lima
Potential policy options	Key benefits	Key risks
Carbon taxes implemented through the travel and tourism value chain	Effectiveness; Additional revenue	Potential economic loss
Measurement and disclosure standards for carbon emissions for local businesses	Popularity; Low direct financial cost	Potentially low impact; Potential economic loss
Environmental certification standards for local businesses and construction	Effectiveness	Potential economic loss
Tax incentives/subsidies for local renewable energy generation (eg, solar panels)	Popularity; Effectiveness	High financial cost
Streamlining processes for installation of renewable energy generation capacities (eg, solar panels)	Popularity; Low direct financial cost	Potentially low impact
Investment in public transport, e-mobility and micro-mobility	Popularity; Effectiveness	High financial cost
Congestion charges / low-emission zones	Additional revenue; Potentially unpopular	Potential economic loss
Regulations on the flow of visitors (eg, restrictions on the number, type or lengths of visits)	Low direct financial cost; Effectiveness	Economic loss
Pollution/littering fines	Effectiveness	Potential economic loss
Promotion of eco-tourism products	Popularity; Low direct financial cost	Potentially low impact
Training and upskilling in green skills (eg, conservation, circular economy)	Popularity; Low direct financial cost	Potentially low impact

### **How we did it: our methodology in a nutshell (see the Appendix for a detailed methodology)**

Economist Impact developed a research programme based on econometric models, expert workshops, case studies and surveys to understand what impacts overnight visitors generally have on destinations' economic, social and environmental outcomes. The research also provides a qualitative review of the available policies and industry interventions to maximise the benefits of overnight visitors and mitigate potential negative impacts on the local society and environment.

Crucially, these impacts are often determined by geography-specific characteristics—such as government policy, quality of local infrastructure and level of economic development—which influence the capacity of a geography to absorb and benefit from inflows of people.

To develop an understanding of the complexities, and to tackle significant data gaps in this area, the research programme combines the following qualitative and quantitative analyses:

- 7 multivariate panel regressions conducted for 50 destinations (38 cities and 12 non-urban geographies) around the world;
- 4 multivariate panel regressions conducted at a national level for 100 countries, with the data covering at least the past 10 years;
- 3 separate surveys of policymakers, travel and tourism business executives and the general population;
- 7 in-person workshops with over 80 industry and policy experts in Madrid, Brussels, Singapore, Washington DC, São Paulo, Johannesburg and Dubai
- 8 in-depth qualitative case studies of the experiences of individual destinations.

This assessment provides a foundation for a general understanding of the impacts of overnight visitors. Nevertheless, further research is needed to develop nuanced, destination-specific models for assessing specific costs and benefits in individual destinations. Improving the availability of high-frequency, long time-series data should be one of the key priorities for investigating further the costs and benefits of visitors, and travel and tourism. Furthermore, additional research is needed to capture the long-term impacts of migration to and from destinations.

# Ups and downs: the benefits and challenges of overnight visitors

The impacts of the movement of people are multifaceted and complex. Inflows of visitors can drive economic growth, allowing recipient geographies to invest in infrastructure and social programmes. Overnight stays, however, are also often associated with a host of challenges, ranging from exacerbated inequality to increased environmental harm.

To understand these tensions, and the potential ways to resolve them, Economist Impact developed a comprehensive research programme—built on a series of impact assessment models, seven expert workshops and three surveys of business executives, policymakers

and the general public—that investigates the impacts of overnight stays on host destinations. The following sections highlight the findings of our programme, explore tactics that policymakers and other stakeholders can use to maximise the benefits of visitors and minimise the risks, and showcase examples of success.

While tensions between the benefits and challenges of increased and continuous visitor inflows will differ from geography to geography, understanding these tensions, their implications and the tools available to address them are the first steps in reaping the benefits of an increasingly mobile world.



### Top of the pops

Economist Impact explored the performance of the 38 cities included in the study across 10 key variables between 2010 and 2019 to understand which of cities were best able to manage the trade-offs between economic benefits and the social and environmental pressures created by visitors. This ranking considers changes in and levels of travel and tourism revenue, average spend per visitor, unemployment rate, air pollution and gender inequality (see the detailed methodology in Appendix). It does not measure management or contribution of visitor flows, but instead highlights which destinations have captured the best of both worlds, reaping the economic benefits of the visitor economy, while simultaneously improving environmental and social outcomes.

### Figure 3: The top 10

Cities that have been able to reap the benefits of overnight visitors while minimising negative outcomes

 Economy
  Air Quality
  Social Equality

City	Performance Indicators
Berlin	Economy, Air Quality
Paris	Air Quality, Social Equality
London	Economy, Air Quality
Melbourne	Air Quality
Chicago	Economy, Air Quality

City	Performance Indicators
Tel Aviv	Economy
Lisbon	Economy, Air Quality
Bogotá	Social Equality
Mexico City	Social Equality
Madrid	Economy

### Figure 4: Leaders of the regional packs

Cities in each region that have been able to reap the benefits of overnight visitors while minimising negative outcomes

Region	City	Performance Indicators
Asia Pacific	Melbourne	Air Quality
	Hong Kong (China)	Economy
	Bangkok	Economy
	Singapore	Economy
North America	Chicago	Economy, Air Quality
	Washington DC	Economy
	San Francisco	Economy
Latin America	Bogotá	Social Equality
	Mexico City	Social Equality

Region	City	Performance Indicators
Latin America	Buenos Aires	Social Equality
Africa and the Middle East	Tel Aviv	Economy
	Dubai	Economy
Europe	Berlin	Economy, Air Quality
	Paris	Air Quality, Social Equality
	London	Economy, Air Quality
	Madrid	Economy
	Lisbon	Economy, Air Quality

## The good: the benefits associated with overnight visitors

When Belfast City Council established the city's first official destination marketing organisation in 1999, the outlook for Belfast's travel and tourism industry was far from promising. With the signing of the Good Friday Agreement in the previous year, the Northern Irish capital had only just begun to emerge from several decades of civil unrest and economic decline. The next two decades, however, ushered in a period of unprecedented growth in visits to the city. Indeed, over that period, the number of cruise ships visiting Belfast rose from just two to 115, while the number of overnight visits to the city

more than tripled.<sup>14</sup> The city's rising popularity was further recognised through the selection of Northern Ireland by Lonely Planet voters as the number one region to visit in the world in 2018.<sup>15</sup>

The sharp influx of visitors to Belfast has brought profound, positive changes to the city. Tourism jobs more than quadrupled in the two decades leading up to 2018;<sup>16</sup> they now account for 10% of the city's employment.<sup>17</sup> Escalating tourism expenditure, which increased fourfold over the same period, now adds almost £0.5bn to the city's economy annually.<sup>18</sup> In a bid to

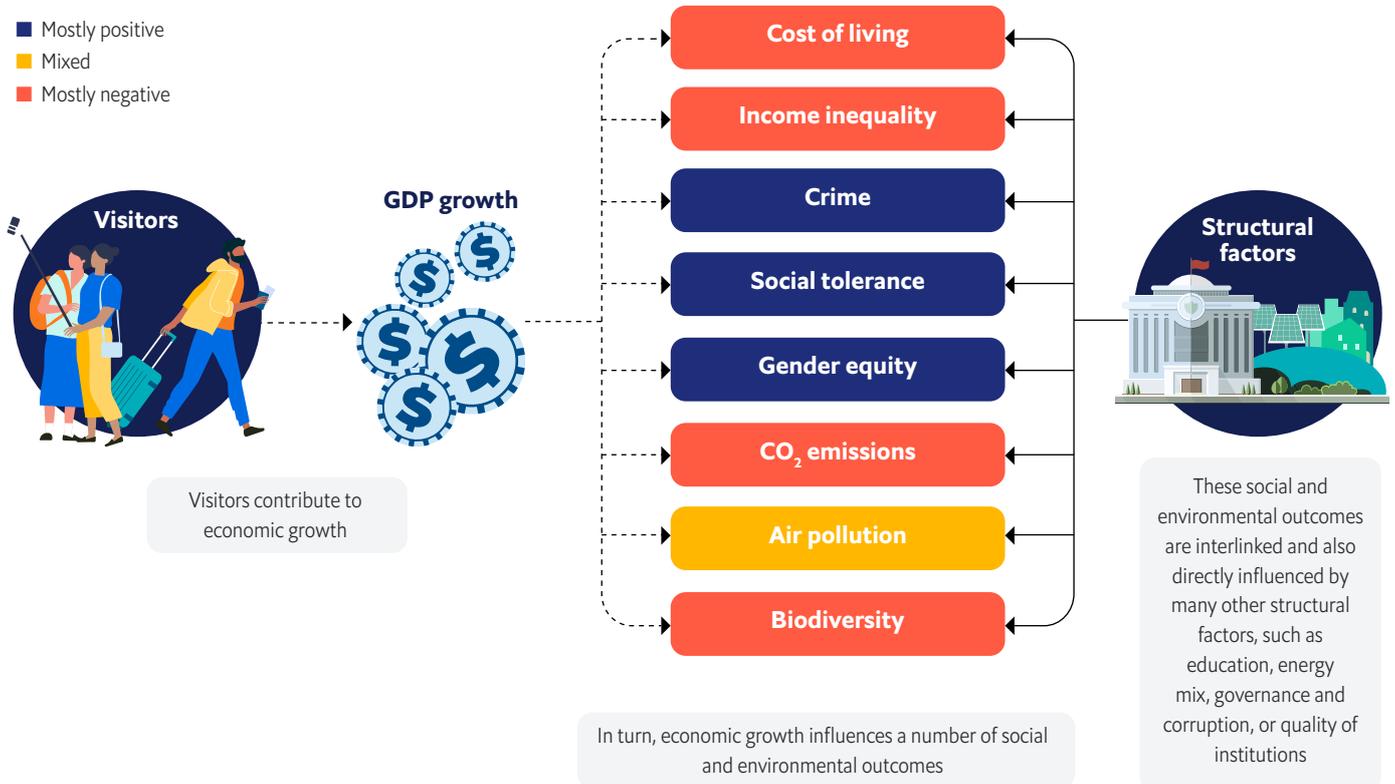


capitalise on this growing source of revenue, the Belfast city government has ploughed investment into boosting tourism through a slew of new attractions and regeneration projects. These include Belfast Stories, a £100m visitor destination, as well as a new waterfront development programme in the Belfast suburb of Bangor.<sup>19</sup> Incorporating a range of new public spaces, recreational opportunities and creative events, these projects are planned to catalyse community renewal in long-neglected parts of the city.<sup>20</sup> Recognising the sector’s role in driving Belfast’s transformation, the former Chair of Visit Belfast noted in 2019 that “the city’s regeneration and revitalisation is attributable, in large measure, to our increasingly vibrant and dynamic tourism industry”.<sup>21</sup>

Belfast’s experience is just one of many that illustrate the manifold benefits that visitors can bring to host destinations. An increase in inflows of people drives demand for goods and services, which in turn drives economic growth and employment. This provides local governments with the revenue—and, crucially, the incentives—to invest in infrastructure and projects, which often benefit local communities as much as they do visitors. Increased opportunities for commerce, employment and recreation may, in turn, influence a host of social benefits, such as improvements in community cohesion and reduced rates of petty crime. In this section of our report, we provide an overview of these benefits, rooted in our quantitative analysis of 50 city and non-urban destinations across the globe (see Figure 5).

**Figure 5: It’s not just the economy...**

How overnight visitors interact with economic, social and environmental factors



Source: Economist Impact

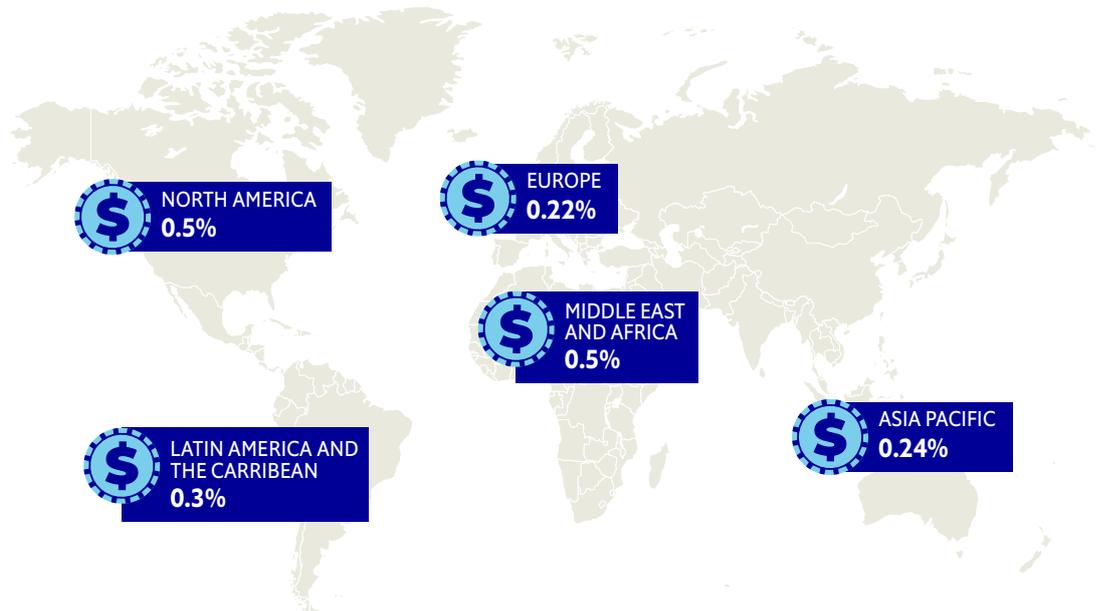
**Money, money money...how overnight visitors drive economic growth**

Increased economic growth is perhaps the most well-documented of the benefits of overnight stays. By stimulating demand for goods and services in host geographies, overnight visitors help to create jobs and enterprises, incentivise the development of local infrastructure, generate additional export revenue, and propel growth in other sectors of the economy.<sup>22,23</sup>

Several developing countries—from Thailand to Georgia, the Philippines and Vietnam—have integrated travel and tourism into their overall development model, relying heavily on the revenues that domestic and international visitors bring into the economy.<sup>24</sup> Even in high-income countries and regions, travel and tourism has been a major contributor to local economic growth. This is true in Iceland, the UAE and Croatia, and some US states (eg, Florida) and Canadian provinces (eg, British Columbia).<sup>25</sup>

**Figure 6: One upping**

Percent change in real GDP owing to a 1% increase in overnight stays, by region



Source: Economist Impact modelling estimates

**By stimulating demand for goods and services in host geographies, overnight visitors help to create jobs and enterprises, incentivise the development of local infrastructure, generate additional export revenue, and propel growth in other sectors of the economy.**

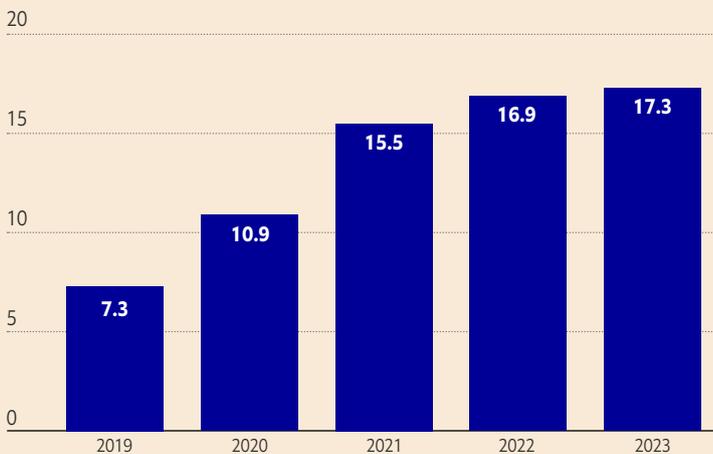


**The not-so-accidental tourist**

Population growth is one of the key drivers of economic growth, as larger populations both demand larger volumes of goods and services and possess larger labour forces with which to supply them. In recent years, however, the distinction between migrants and visitors has become increasingly blurred. In particular, since the COVID-19 pandemic, many people started to regularly work remotely from destinations other than their usual residence, behaving more like long-term migrants than short-term visitors. Policymakers have responded to take advantage of the economic opportunities afforded by this trend: as of May 2023, more than 50 countries and territories had launched digital nomad visas or special permits for remote workers—ranging from small, tourism-dependent island nations (such as The Bahamas) to larger economies (such as Brazil, Hungary and Estonia).<sup>26</sup>

**Figure 7: On the road**

Number of US citizens who consider themselves digital nomads (millions)



Source: MBO Partners

Our study confirms that the inflow of visitors—measured in terms of the number of overnight stays in a destination—drives growth in real GDP in all regions.<sup>27</sup> The association is strongest in geographies located in North America, the Middle East and Africa, where an increase in the number of overnight stays of 1% is associated with a roughly 0.5% increase in real GDP growth. This compares with 0.3% in Latin America and the Caribbean, 0.24% in Asia Pacific, and just 0.22% in Europe.

Several factors explain these differences and need to be considered in destinations’ strategies and policies. Firstly, the role of travel and tourism in the local economy varies significantly between regions. Although many European cities are major tourist destinations, the contribution of travel and tourism revenue to local GDP is lower compared with the other regions. This is due to these cities’ relatively high diversification of economic activities. For example, in Rome travel and tourism spending contributed directly to 5.4% of the city’s GDP in 2019, compared with over 20% in Dubai.<sup>28</sup>

**Figure 8: Direct contribution of tourism to GDP (%)**

By region, 2019

Region	2019
World	3.9
Europe	4.3
Asia Pacific	3.8
Americas	3.2
Africa	4.2
Middle East	4.9

Source: UNWTO

Note: Estimates for Africa should be interpreted with caution due to limited official data.

**“When a visitor comes to North America, the time and financial investment of getting here generally incentivises them to stay for longer periods of time.”**

Bob Provost, president and CEO of the New York State Tourism Association

The composition of visitors is another key factor, and the driver of economic benefits in North America. The destinations in North America are unique. The US and Canada are larger and more geographically isolated than countries in Europe. As such, visitors often spend more time on an individual visit. Bob Provost, president and CEO of the New York State Tourism Association, says, “When a visitor comes to North America, the time and financial investment of getting here generally incentivises them to stay for longer periods of time.”

North America also has a higher proportion of domestic visitors and these domestic visitors

spend more than domestic visitors in other regions: in 2019, the average travel spend from domestic visitors accounted for 55% of total travel spend in our study’s North American cities, compared with 34% in Europe and 31% in the Middle East and Africa.<sup>29</sup> Although international tourists tend to spend more on average than domestic tourists globally, a strong domestic travel market still boosts local economies. Domestic travel markets are much larger overall and tend to be more stable and less seasonal than international ones.<sup>30</sup> This was particularly evident during the COVID-19 pandemic and subsequent recovery, where domestic travel proved to be more resilient due to a gradual opening of international borders. While the overall travel and tourism spend in the seven North American cities in our sample declined by 50% from 2019 to 2021, it fell by approximately 70% in London, Vienna, Lisbon, Barcelona and Bangkok.<sup>31</sup>

### Slipping through my fingers: economic leakages and their interaction with travel and tourism revenue

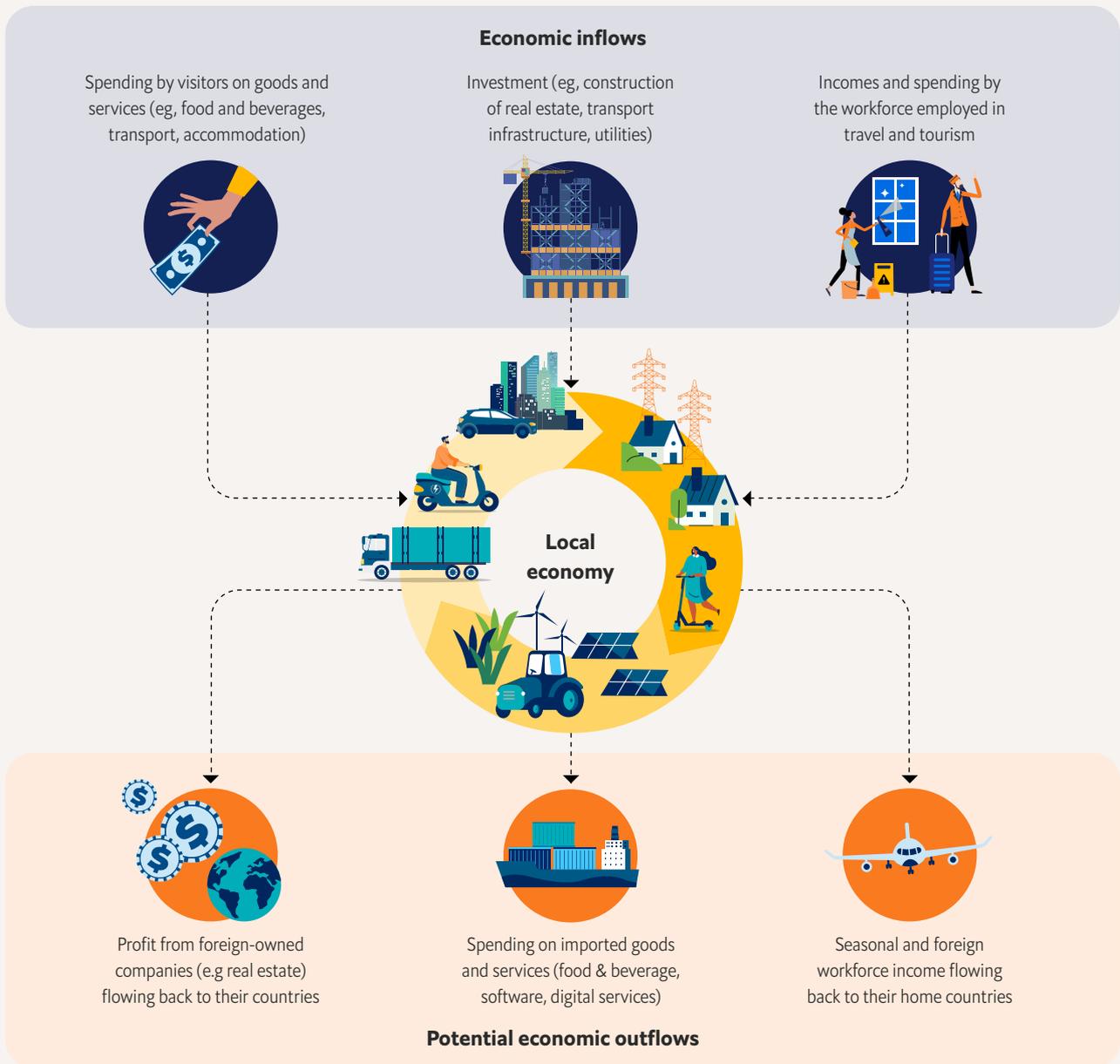
The “leakage” of travel and tourism revenue flowing out of the local economy can significantly undermine visitors’ contribution to local economic growth. These leakages come in many forms. Foreign ownership of tourism-related businesses, where profits are repatriated to home countries, or employment of foreign nationals who repatriate earnings to relatives abroad are instances where capital leaves the local economy. Heavy reliance on imports of tourism-related products can also contribute significantly to economic leakage in an economy, as increased imports may widen trade deficits.<sup>32</sup>

Economic leakages are particularly pronounced in developing countries, as well as geographically isolated destinations with small populations, where the local economy may lack capacity—such as requisite infrastructure or human capital—to accommodate visitors without external support. Paloma Zapata, CEO of Sustainable Travel International, says, “In small island states, growth in the tourism industry employs a lot of people. When you have an island with a finite number of residents, then you have to import employees. Often a portion of these employees’ salaries are not spent in the local economy.” One study of economic leakages in Bali found that 19% of all tourist spending on accommodation was redirected outside of the country.<sup>33</sup> Leakages were particularly high amongst four- and five-star hotels, where 51% of total revenue was sent abroad.<sup>34</sup>

Economic leakages may weaken the contribution of overnight stays to economic growth, but this does not mean that the economic benefits of these stays are wholly negated. John Perrotet, global tourism specialist at the World Bank, describes the complex factors at play when judging the impacts of these leakages: “In many small economies, capital markets just aren’t large enough to support local ownership of large hotels. In these countries, governments are hungry for foreign investment, as it can drive job creation and support growth in local supply chains. Of course, there are going to be leakages—for example, through imports and remittances and employment of foreign nationals—and governments need to work on minimising those. But it is an oversimplification to say that foreign owners are the only ones benefitting.”

**Figure 9: Understanding economic leakages**

Channels through which economic inflows from overnight visitors might flow out of the local economy



Source: Economist Impact

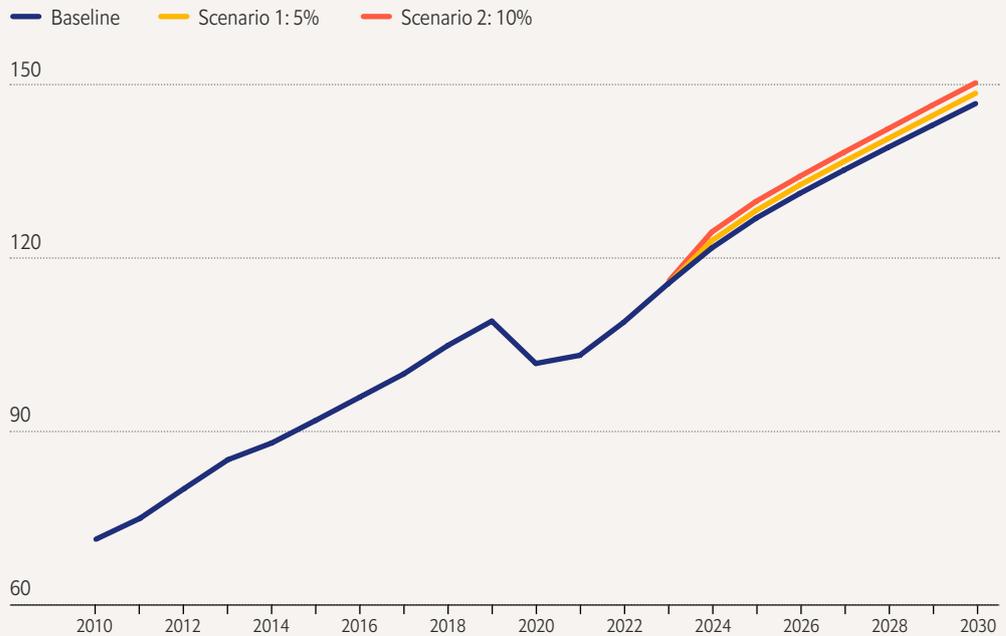
Local policy that focuses on developing local entrepreneurship, production and human capital can help to mitigate some of these economic leakages. A conducive regulatory environment is crucial for facilitating the necessary investment in local infrastructure and development of productive capacities. Crucially, this includes human capital. Some destinations, like Bali, are investing in digital upskilling for small and midsize tourism enterprises to help build local capacity to provide human resources, technology and marketing services in addition to boosting local production.<sup>35</sup> Increased sourcing of local products and produce, where feasible, can also be effective in cases where local sourcing does not require inefficient or unsustainable upscaling of production in local markets. For destinations that attract a large number of visitors, tourism taxes can also be a useful tool, if the raised revenue is re-invested in local communities and their productive capacities.

**Burgeoning budgets: a GDP growth scenario<sup>36</sup>**

If destinations develop capacities to accommodate increased visitors, there is potential to capture large-scale local economic growth. Economist Impact ran a scenario where we increased overnight visitors by 5% compared with forecast visitor flows. The seven North American cities considered in this study could collectively capture an additional US\$110.2bn in real GDP by 2030. Similarly, high-growth travel destinations in Asia and the Pacific could also benefit: a 5% increase in total visits to Bangkok could result in a US\$1.77bn uptick in GDP by 2030.

**Figure 10: G[ain] D[omestic] P[roduct]**

Real GDP scenarios, Bangkok



Source: Oxford Economics, Economist Impact

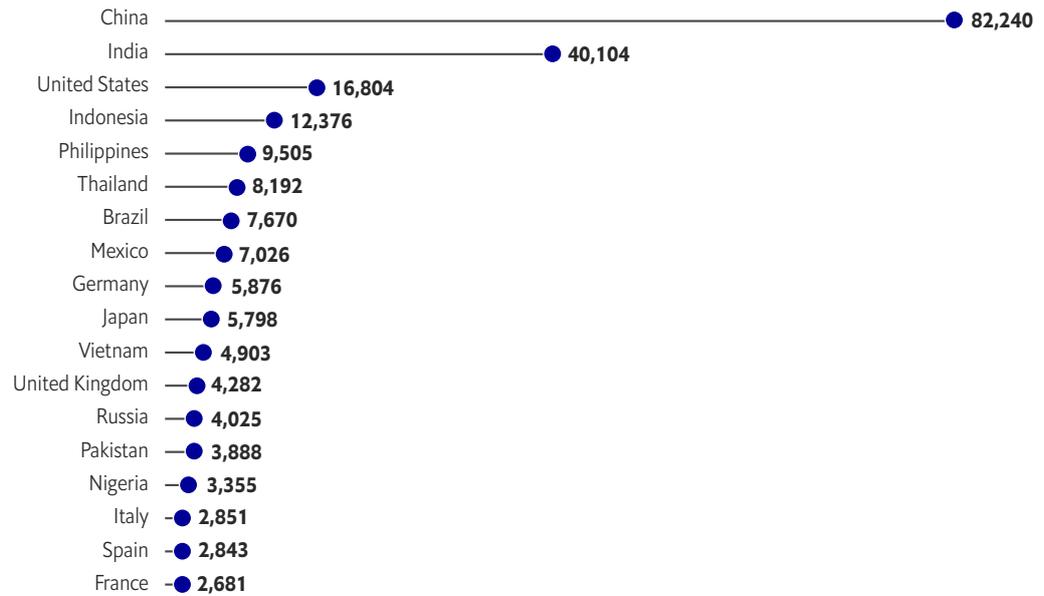
**Working around the clock: the benefits of visitors for the labour market**

As set out in the previous section, an influx of short-term visitors can boost economic growth by driving demand for goods and services. It can also play a major role in driving employment. Travel and tourism generated 10% of all jobs worldwide before the pandemic (see Figure 11).<sup>37,38</sup> And our study further highlights the role travel and

tourism plays in employment: a 1% increase in overnight stays in a destination is associated with a 0.35% decrease in unemployment rates. While this relationship may seem small, it can make significant differences in local destinations' labour forces. In Jakarta, a 5% increase in overnight stays could create an estimated 12,000 additional employment opportunities. These effects are felt in geographies across regions, and policymakers, business leaders and the general population are all aware of these benefits.

**Figure 11: Jobs, jobs, jobs**

Travel and tourism employment (thousands), 2019



Source: World Travel and Tourism Council (WTTC)

**Figure 12: Job market boost**

% of respondents who strongly agree or agree that travel and tourism have a positive effect on employment



Source: Economist Impact policymaker, executive and general population survey, April 2023

Crucially, visitors help to create jobs across the whole economy, including for groups that often struggle to find employment, such as women and young people. Nejc Jus, head of research at the World Travel and Tourism Council, remarks, “a key social benefit of travel and tourism relates to its employment of women and young people, where in many countries it outperforms the overall economy.” Services that visitors use—from accommodation to food services

and transport—require relatively more employees compared with other sectors of the economy. They also require further employment across the value chain (eg, in farming, handicrafts, arts, marketing and digital technology), mostly in small and medium-sized enterprises (SMEs).<sup>39</sup> This means that the contribution to people’s livelihood and prosperity can be substantial, particularly in developing countries.

### All your eggs in one basket: the risks of over-dependence on travel and lessons from the COVID-19 pandemic

While overnight stays can be a valuable source of employment and economic growth, they can also be a source of vulnerability. COVID-19 harshly exposed the vulnerabilities of travel and tourism-dependent destinations. As reported by the World Tourism Organisation, the imposition of restrictions on travel in 2020 resulted in 1bn fewer international travellers compared with 2019, threatening the livelihoods of the 100-120m people employed in the tourism sector globally.<sup>40</sup> This led to huge shortfalls in revenue for geographies dependent on foreign travellers.

In Macao, China, for instance, GDP contracted by 56% in 2020—despite registering no COVID-19-related deaths in that year.<sup>41</sup> Even in countries not dependent on travel and tourism, travel restrictions had a significant impact on millions of people. For instance, in Japan, the reduction in tourism during the pandemic resulted in an estimated 1.7-2.7m people losing their jobs.<sup>42</sup> Brookings Institution research finds that tourism dependence was a more important factor in determining the magnitude with which economies contracted in the first year of the pandemic than the local severity of the pandemic, the intensity of lockdowns or the level of development.<sup>43</sup>

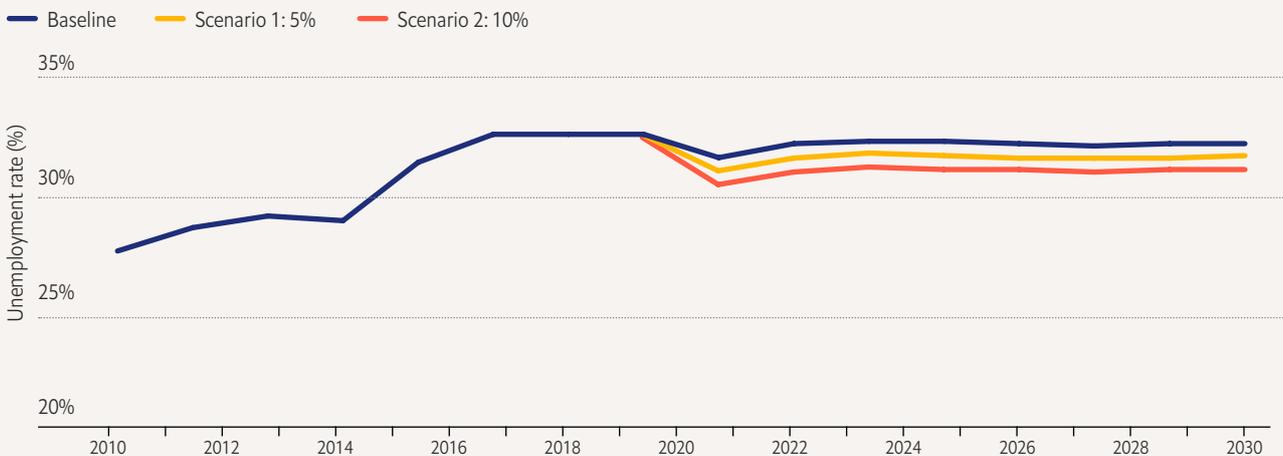
The havoc the pandemic wrought on economic activity and employment underscores the need for developing greater economic resilience and diversification—particularly in tourism-dependent economies. While developing other sectors of the economy will be a long-term process, it could first be facilitated by utilising the income from travel and tourism to develop the offering of locally produced goods and services.<sup>44</sup> To learn more about policy options, see pages 51-57.

### Big wheel keep on turning, population keep on earning: unemployment scenario

While recognising the cyclical nature of unemployment, there is potential to achieve lower levels of overall unemployment through the job-creating effect of additional inflows of visitors. A 5% increase in overnight stays above the current forecast could reduce unemployment rates by an additional 1.7% by 2030, on average across the destinations. In Johannesburg, a 5% uptick could decrease the overall unemployment rate from 32.3% to 31.7%, or add 44,200 jobs to the economy based on 2021 workforce estimates.<sup>45</sup>

In smaller destinations, like Cape Verde, an additional 5% uptick in overnight visits could decrease the overall unemployment rate by an additional 0.6%, creating an additional 1,475 jobs in the economy, based on 2022 workforce estimates.<sup>46</sup>

**Figure 13: Fighting unemployment**  
Potential unemployment scenarios, Johannesburg



Source: Oxford Economics, Economist Impact

### Closing the gap: how overnight visitors can influence social tolerance and gender equity

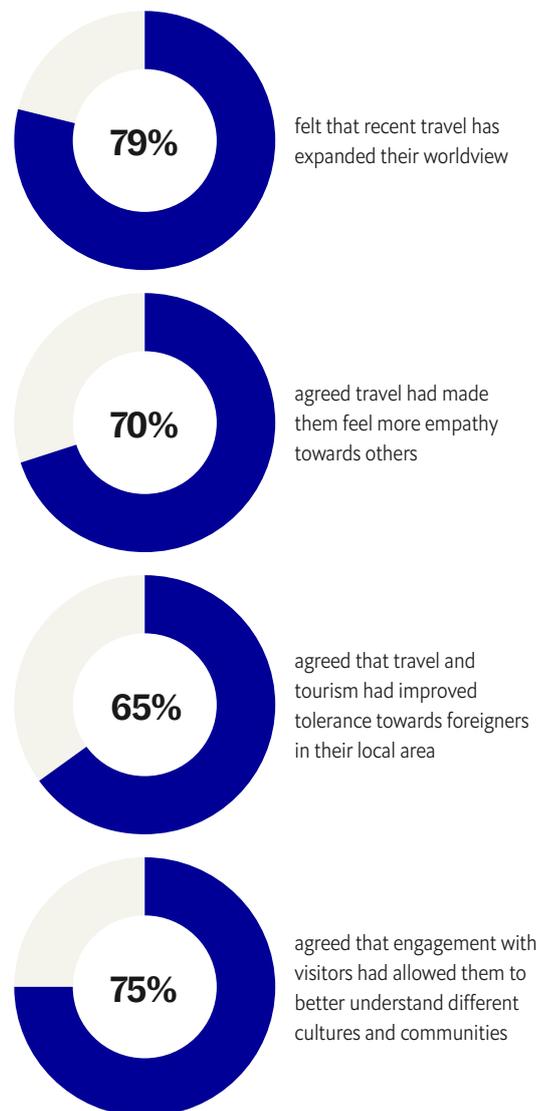
The impact of visitors on social outcomes is less understood and measured than their impact on economic and socio-economic metrics. Nonetheless, our research shows that overnight visitors help individuals better understand different cultures and expand their worldview, driving tolerance among both visitors and host communities. We also found that overnight stays improve equity between men and women, indicating that visitors help to improve the economic, social and political position of women in host destinations.

Even in an era of unprecedented connectivity, intolerance and prejudice remain pervasive and entrenched in our society. Across the globe, fledgling political movements have flourished by preying upon deep-seated fears of “others”, whether they be migrants, religious minorities or the LGBTQ+ community. This is reflected in growing levels of violence against minority groups—in England and Wales, for instance, the number of hate crimes almost tripled between 2014/15 and 2021/22.<sup>47</sup> These worrying trends underscore an urgent need to improve inter-community understanding, empathy and social tolerance. Intriguingly, our research indicates that travel and tourism may have potential to deliver on this critical goal, through facilitating opportunities for interaction and engagement between groups of different backgrounds.

Both travellers and locals believe that interactions with people from other places have improved tolerance in their communities and have increased their understanding of other ways of life (see Figure 14). Four-in-five (79%) respondents in our population survey felt that their recent travel had expanded their worldview, and 70% agreed that travel had made them feel

more empathy towards others. Nearly two-thirds (65%) of respondents agreed that travel and tourism had improved tolerance towards foreigners in their local area, and three-quarters (75%) that engagement with visitors had allowed them to better understand different cultures and communities, and expanded their worldview.

**Figure 14: Rising tolerance**  
% of respondents who strongly agree or agree on the impacts of traveling and overnight visitors (multiple selection)



Source: Economist Impact population survey, April 2023

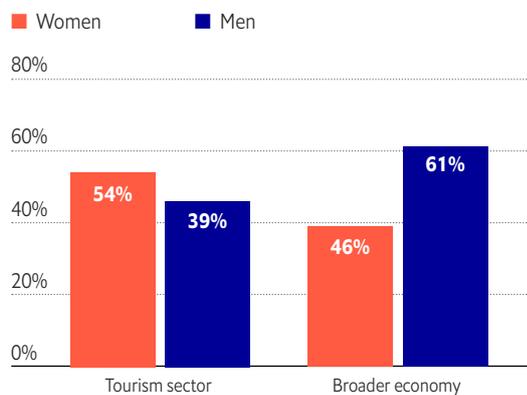


Swelling intolerance is not the only threat to social wellbeing that has emerged in recent years. The repercussions of the COVID-19 pandemic resulted in major setbacks for gender equity worldwide, as recorded in the World Economic Forum’s (WEF) Global Gender Gap report.<sup>48</sup> In particular, women’s economic participation has regressed with female participation in the labour market in 2023 (64%) significantly lower than its recorded peak in 2009 (69%).<sup>49</sup> Improving women’s participation in the workforce, as well as increasing the proportion of women occupying leadership positions in politics and businesses, will be vital in addressing the deeply entrenched gender gaps in households and broader society.

As suggested by the results of our global population survey, the travel and tourism sector has enormous potential to catalyse progress in achieving gender equity worldwide. Over half (63%) of respondents felt that travel and tourism had helped to improve gender equity in their local area. Furthermore, our national-level model found evidence of a positive relationship between overnight stays and gender equity, with a 1% increase in international tourist arrivals linked to a 0.02% improvement in a geography’s score in the WEF’s Global Gender Gap report. This trend held across geographies belonging to different income groups.

**Figure 15: Working girl**

Share of employed by gender and sector



Source: UNWTO

Women constitute 54% of the global travel and tourism workforce—compared with 39% of the workforce across the broader economy (see Figure 15).<sup>50</sup> The gender wage gap is also likely to be smaller in the tourism sector than in other industries, which can contribute to broader empowerment of women. In Peru, women have taken up employment in tourism enterprises, leaving their husbands at home to take care of the family.<sup>51</sup> This has given women earning power and an exposure to different social networks and ways of life. This pattern is replicated across Latin America and the Caribbean, where the percentage of women employed in tourism is as high as 60%.<sup>52</sup>

## ... and the bad: the economic, environmental and social challenges visitors pose

Overnight visitors drive a variety of positive economic and social benefits in host destinations; however, these benefits often involve trade-offs. While visitors' demand for goods and services may drive economic growth, that demand might result in increased prices for those goods and services, putting pressure on the local cost of living. Similarly, while an influx of visitors can play a role in fostering tolerance and inter-cultural understanding within host populations, overcrowding is also often perceived to endanger the survival of local traditions, communities and ways of life.

Sihanoukville, a Cambodian fishing village-turned-resort city on the Gulf of Thailand, is an example of the negative consequences of over-tourism. While, at first, its tourism industry grew slowly—attracting adventurous backpackers seeking an unexplored corner of Southeast Asia—it soon accelerated, drawing ever-increasing numbers of travellers to the city's lush jungles and golden beaches.<sup>53</sup> After two decades of rampant development, Sihanoukville is now almost unrecognisable, morphing from a sleepy backwater to a swarming tourism hub, replete with resorts, malls and more than 80 casinos.<sup>54</sup>

This unchecked development has been accompanied by manifold challenges for local people, including increasing crime rates (such as escalating drunk-driving accidents and incidents of kidnappings) and burgeoning inequality between the city's rich and poor.<sup>55</sup> A new four-lane highway, under construction to funnel tourists between Sihanoukville and Phnom Penh, has cut through neighbouring Ream National Park, threatening dozens of rare species of birds, mammals and marine creatures.<sup>56</sup> And the city's beaches, whose pristine condition once drew travellers from across the world, now lie strewn with plastic waste generated by neighbouring resorts.<sup>57</sup>



This section provides a wide-ranging overview of the challenges associated with overnight visitors, including impacts on the cost of living, inequality, social dynamics and the environment. In doing so, it lays the groundwork for further research and policy discussion on potential solutions to manage the costs of travel and tourism, which are investigated in the third and final section of this paper. Brief introductions to these policy solutions are covered in the ‘How to solve it’ call-out boxes, distributed throughout the section.

### **It’s a rich man’s world...how overnight stays impact income inequality and the cost of living**

While travel and tourism plays a significant role in driving economic growth in host geographies, this growth does not automatically translate into shared prosperity across the entire local population. In Honduras, for instance, cruise tourism has actually been found to worsen the economic situation of local communities, reducing their capacity to pay for necessities and obtain sufficient food.<sup>58</sup> This is particularly problematic when viewed in the context of a broader global trend of worsening income inequality and recent cost-of-living pressures that have arisen following the pandemic. According to the United Nations, these pressures have pushed a further 71m people into poverty across the world, and there is no immediate end in sight.<sup>59</sup> As such, ensuring that the economic benefits of travel and tourism are felt by all segments of society—not just the wealthiest—should be of paramount importance to businesses and policymakers alike.

According to our global population survey, most people believe that overnight stays drive increased living costs without benefitting everyone. We found that 70% of respondents in 12 countries believed that travel and tourism

led to a higher cost of living in their local area, with a further 48% agreeing that it resulted in worsening income inequality. John Perrottet reinforces this point: “the evidence seems to be pretty strong that increased visitor flows lead to economic growth, but the real question is around who is benefitting from this growth”.

There is a complex relationship among economic growth, employment and travel and tourism. While overnight stays are associated with higher rates of employment in host destinations, the jobs created are often relatively low-wage and low-skilled positions compared with those created in other sectors and activities.<sup>60,61</sup> Perrottet highlights that creating low-skilled jobs opens formal employment opportunities, “while tourism tends to employ a lot of low-value jobs, in many developing countries these jobs serve as an entry point to formal employment and a pathway to accessing higher-value jobs down the line by providing opportunities to develop hard and soft skills”, but also acknowledges that, in the short-term, income gaps are reinforced. Gaps can also emerge between neighbourhoods with differing volumes of tourists.<sup>62</sup> These tourist-heavy locations draw employment, resources and other high value-added activities (eg, entertainment) away from less tourist-popular destinations, increasing the wealth disparity between these two types of locations.<sup>63</sup>

Our models find that a 1% increase in overnight visits is associated with a 0.01 (on a scale 0-100) increase in the Gini coefficient—a measure of income inequality—in host geographies. This is a very small magnitude, but the fact that it is statistically significant shows that there likely is a connection between overnight visitors and income inequality, and that action is required to make economic growth more equitable across the population.



### How to solve it: sharing the economic benefits of tourism across society

Policymakers have an important role to play in ensuring that the benefits of overnight stays on local employment are maximised, while mitigating potential negative impacts on income inequality and distributing the benefits across the local population. For example, South Africa’s Responsible Tourism Guidelines—designed to improve the social and environmental sustainability of local tourism businesses—instruct businesses to “ensure communities are involved in and benefit from tourism”; for example, by developing partnerships and joint ventures in which communities have a significant stake.<sup>64</sup> (To learn more, see *Better together! South Africa’s Public-Private Partnership for nature* on page 66).

Some of the policy options that policymakers may wish to consider include:

- Tax incentives for local SMEs in travel and tourism sector
- Training and upskilling programmes for local workforce
- Increased sourcing of local products and produce
- Streamlined licencing processes for local businesses and SMEs
- Streamlined infrastructure planning and construction processes
- Industry coordination
- Technical assistance to local travel and tourism SMEs
- Regional transport infrastructure and integration
- Regional accommodation and utilities infrastructure (eg, energy, water)

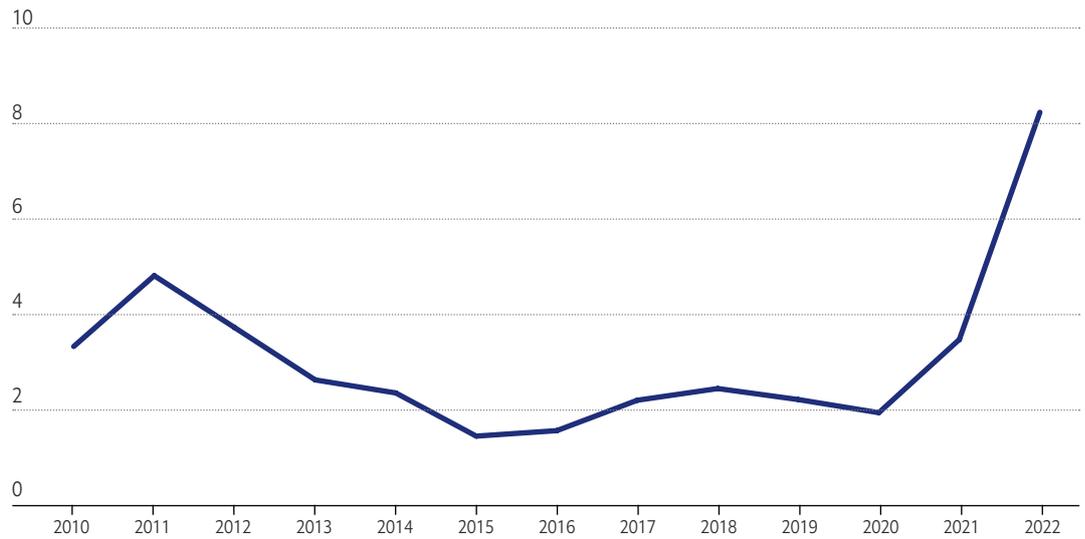
To learn more about these policy options, trade-offs and successful use cases, see the section on pages 51-57.

Many parts of the world are experiencing their largest cost of living crisis in over a decade, and the contribution of visitors to rising goods and services prices—accommodation in particular—is at the forefront of many public and policy discussions.<sup>65</sup> Over two-thirds of (70%) respondents in our population survey felt that

travel and tourism had increased the cost of living in their local area. These perceptions are fuelled by the reality of rapidly growing housing prices, especially in major cities. In Berlin, asking prices for rental apartments increased 18% in the year leading up to April 2022 and, in Miami, median rents jumped 33% over the same period.<sup>66,67</sup>

**Figure 16: Inflation nation**

Global consumer price inflation, annual %



Source: World Bank

**Figure 17: Travel and tourism-dependent cities\***

Heavy travel” and sub-title to “Cities with highest share of travel and tourism revenue in their GDP\*



\*These are desitations in our sample that have a higher share of travel and tourism revenue in their GDP than the median among the 38 cities in our study, which was roughly 5% in 2019.

Source: Economist Impact

While past research has found that travel and tourism raises the price of accommodation relative to local wages, our study identifies a more complex and nuanced relationship between visitors and the cost of living (measured as the rental price on a two-bedroom flat in the city centre).<sup>68,69,70</sup> We found a direct link between visitors and average rental prices in destinations where a higher share of local GDP comes from travel and tourism revenues.<sup>71</sup> In these cities (see Figure 17), a 1% increase in overnight stays is associated with a 0.03% increase in rental prices.

Specifically, increasing visitor numbers can lead to a higher rate of conversion of residential housing into short-term rentals and other forms of tourism-targeted real estate in these cities. If new housing is not expanding at the same pace, overall housing stock availability for residents declines despite demand remaining the same.<sup>72,73</sup> This, in turn, can increase the price of housing for local residents. In US communities that are heavily reliant on summer and winter tourism, such as Key West in Florida and Summit County in Colorado, much of the housing stock has been converted into short-term lets. This has both driven up prices and decreased available stock for year-round residents.<sup>74</sup> Bob Provost reinforces these risks, “We have major companies that invest in short-term rentals, buying up properties that

go for sale regardless of whether they are in a residential community or not. The rental may be unoccupied for up to six months a year due to seasonality, depleting local community affordability. The example of Lake Placid is a case in point.”

Interestingly, when we ran our model across the entire set of geographies included in this study—not just those where a higher share of local GDP comes from travel and tourism revenues—we did not find any significant relationship between overnight stays and rental prices. Our model instead shows that rental prices are predominantly affected by economic and policy factors, such as real GDP growth, local lending rates and unemployment rates. This echoes the results of previous studies on the topic; one analysis conducted across 103 Italian cities, for example, found that there was no significant relationship between tourism and housing prices in half of the cities studied.<sup>75</sup> Armando Perez, vice president of the OECD’s Tourism Committee and lecturer at IULM University agrees with these findings, “there is a strong gap between the perception and the reality regarding the impact travel and tourism has on residential rents. In most cases it’s a very small contribution, with other policy factors having a more significant weight.”

**“There is a strong gap between the perception and the reality regarding the impact travel and tourism has on residential rents. In most cases it’s a very small contribution, with other policy factors having a more significant weight.”**

Armando Perez, vice president of the OECD’s Tourism Committee and lecturer at IULM University

### How to solve it: controlling soaring rental prices in popular destinations

Government housing policy is crucial to ensuring that accommodation remains affordable for residents, despite increasing volumes of short-term visitors. In particular, local governments can play an important role by regulating the conversion of regular housing stock into short-term rental accommodation. This approach has been exemplified by Barcelona City Hall's moratorium on new short-term apartment rentals, which has sought to rein in soaring rent and housing prices across the city.<sup>76</sup>

Some of the policy options that policymakers may wish to consider include:

- Investment in/subsidies for affordable housing
- Streamlined construction planning processes
- Affordable housing zoning requirements
- Regulation of non-residential ownership of properties
- Regulation of short-term letting of properties
- Rent controls
- Regional transport infrastructure and integration
- Regional accommodation and utilities infrastructure (eg, energy, water)

To learn more about these policy options, trade-offs and successful use cases, see the section on page 55.



### A tale of two cities: diverging accommodation costs between city centres and the periphery

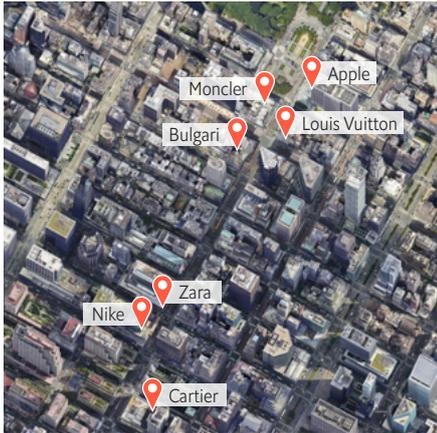
Although our research suggests that the impact of visitors on the cost of housing is relatively minor at the city or regional level, this relationship is likely amplified within individual neighbourhoods. Overnight visitors, and the lodgings in which they stay, tend to cluster around specific neighbourhoods, such as historic town centres or central business districts. In Mexico City, for instance—where demand for short-term rentals shot up by over 44% in the first half of 2022, a remnant of the flexible working uptick established during the pandemic—visitors are concentrated in just a handful of popular neighbourhoods, such as Condesa, Roma and Cuauhtémoc.<sup>77</sup> In Cuauhtémoc, up to 5% of dwellings are now designated for temporary use, resulting in the displacement of longer-term residents to peripheral boroughs outside the city centre.<sup>79</sup> Meanwhile, in some parts of Condesa, the influx of short-term residents from abroad and visitors on tourist visas drove monthly rents up from US\$1,610 in January 2020 to US\$2,250 in November of the same year.

The divergence between city centres and the periphery may obscure the real impacts of overnight stays on the local cost of living in certain areas of cities and regions. To understand these dynamics in greater detail, further research is required that dissects changes in rental prices in individual neighbourhoods.

**Figure 18: Identical high street**

Distribution of shops on popular high streets globally, 2023

**Fifth Avenue, New York**



**Champs-Élysées, Paris**



**Yorkdale, Toronto**



Source: Economist Impact  
Maps: Google Earth

**Pride & prejudice: ambivalence around visitors' impact on social cohesion and local culture**

There is a growing narrative that travel and tourism accelerate the loss of local cultural traditions, as large global brands start selling identical goods and services in popular main streets around the world, accelerating the impacts of cultural globalisation. In Bali, for instance, public figures have lamented how “culture [has been used] like a merchandise”, resulting in “the diversity of local cultures... being unified, homogenised”.<sup>80</sup> In Lisbon, *Morar em Lisboa*—a grassroots social movement—has sprung up to campaign against tourism’s impacts on “the collapse of numerous local communities that give colour and life to the city”.<sup>81</sup>

And the perception of erosion of local culture in favour of homogenisation is not entirely unfounded: a visitor walking the main shopping streets of Paris, New York, Toronto, Milan or Hong Kong will encounter the same set of shops (see Figure 18). Even within cities, local

neighbourhoods are littered with the same shops and brands, many of which are tourist favourites. On the high streets of popular London neighbourhoods—from the Kings Road in Chelsea and Kensington High Street to Marylebone High Street, Covent Garden and Canary Wharf—residents and visitors are likely to find an identical offering of several global brands.

At the core of this perception and fear is the belief that local culture is worth preserving. Fewer than one-third of respondents in our global population survey disagreed that travel and tourism had contributed to the loss of local culture in the area where they live. Six-in-ten survey respondents also felt the impacts of overcrowding, driven by over-tourism, in their local areas. This suggests that the perception of threat is driven by specific challenges in individual destinations and these destinations’ ability to cope.

These fears of cultural loss and homogenisation of local culture have been exacerbated by

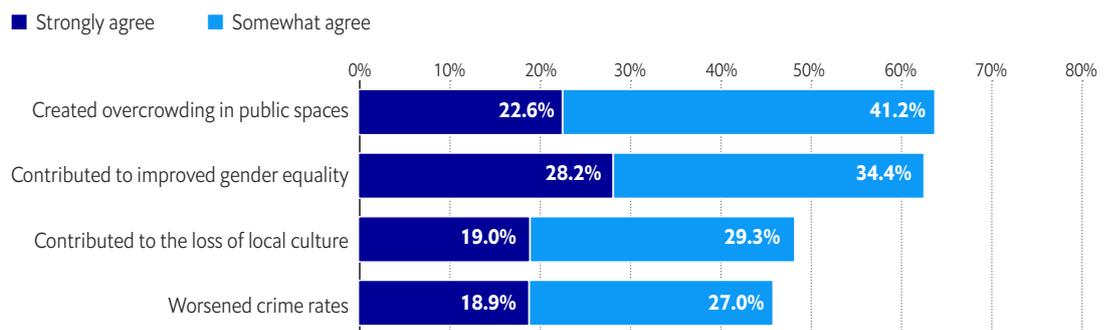


perceptions that visitors contribute to increases in the cost of living and inequality, rendering the centres unaffordable for local residents.<sup>82</sup> In Mexico City, citizens’ groups have campaigned against the “touristification” of historic neighbourhoods, comparing tourism-induced gentrification to modern-day colonialism.<sup>83</sup> In smaller, and often more affluent, destinations local residents’ dissatisfaction with the number of visitors can become a powerful force: in Bruges, overcrowding alienated local residents, prompting the government to put in place strategies to increase the liveability of the city centre for residents (see the Bruges case study on page 60).

These concerns contrast starkly with peoples’ generally positive perceptions that interactions with people from other places have improved tolerance in their communities and increased their understanding of other ways of life (see Figure 20). As discussed, the majority of respondents in our survey felt that travel had expanded their worldview (80%) and made them feel more empathy towards others (70%). Similarly, 65% agreed that travel and tourism had improved tolerance towards foreigners in their local area, and 75% that engagement with visitors had allowed them to better understand different cultures and communities.

**Figure 19: Social consciousness**

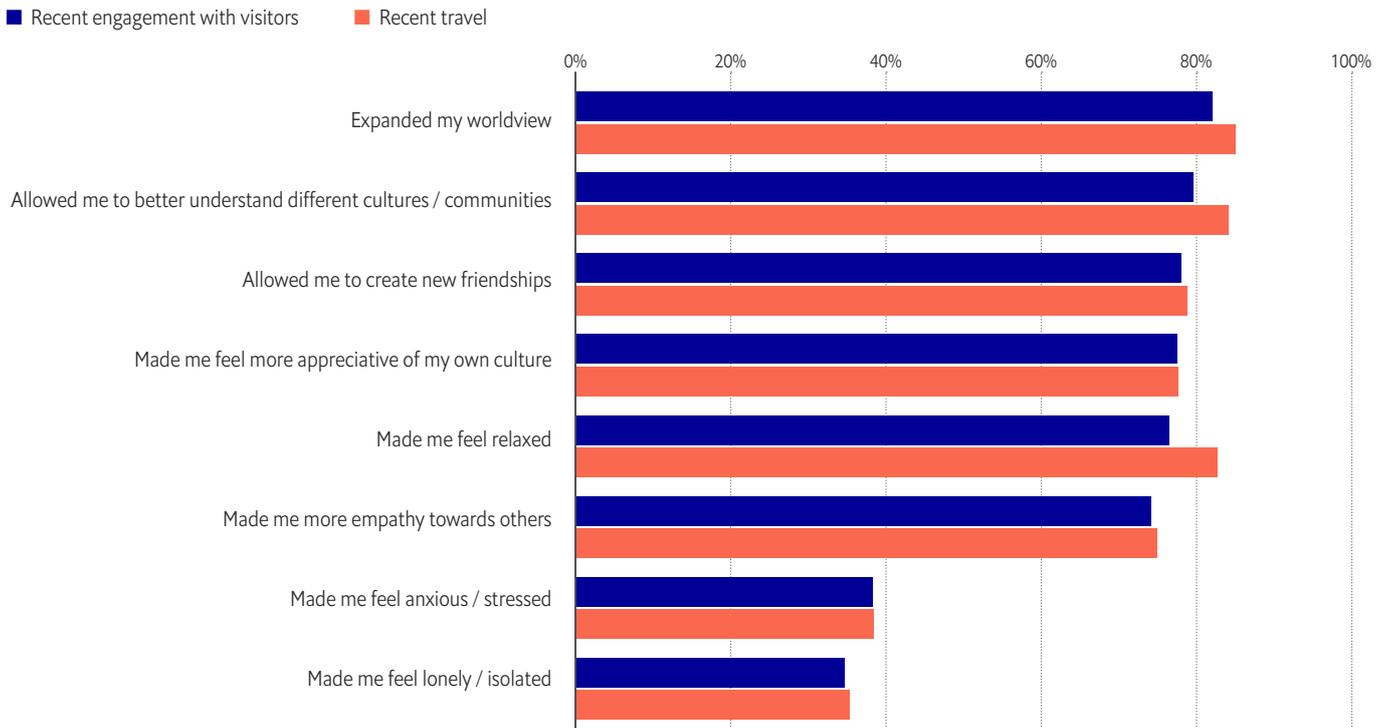
% of respondents who strongly agree or agree that visitors had the following impact on their city/region (multiple selection)



Source: Economist Impact population survey, April 2023

**Figure 20: Cultural dividend**

% of respondents who strongly agree or agree that their recent travel / engagement with visitors in their city/region had the following impact on them



Source: Economist Impact population survey, April 2023

There is also a popular perception that travel and tourism perpetuates crime, particularly petty crime.<sup>84,85</sup> In our population survey, almost half (46%) of respondents felt that travel and tourism had led to increased crime rates in their local area. Some of this perception is related to disruptions in local social dynamics and eroding of social cohesion—explored above—that can inhibit neighbourhoods’ ability to prevent and control crime.<sup>86</sup> In Amsterdam, a tourism campaign encourages young British tourists to “stay away”, due to their perceived impacts on crime and their engagement in anti-social behaviours.<sup>87</sup>

Our model, however, does not find that the number of visitors to a geography impacts the homicide rate, which we use as a proxy for crime more broadly since there is evidence

that trends in non-violent crime and trends in homicide track closely in most geographies.<sup>88</sup> We found, instead, that homicide rates—and, consequently, non-violent crime rates—were driven by broader social factors including income inequality, political instability and GDP growth. Moreover, only 28% of surveyed policymakers agreed that inflows of people had resulted in worsening crime rates in their local community compared with 45% who disagreed. Government policy clearly also plays a role. Since decriminalising the use of illicit drugs in small amounts, Portugal has seen a significant drop in drug-related crime and incarceration rates.<sup>89</sup> While in 2001—the year of decriminalisation—over 70% of reported crimes in Portugal were associated with drugs, by 2019 the proportion of people sentenced for drug offences had fallen to just 15.7%.<sup>90</sup>



LUANG



## CULTURE VULTURE: PRESERVING LUANG PRABANG'S CULTURAL HERITAGE IN A TIME OF GROWTH

### Threats to a World Heritage Site

Over the past three decades, Luang Prabang in northern Laos has seen a significant rise in visitors and residents. The end of Laos' political and economic isolation led the country to adopt liberalisation policies in 1986.<sup>91</sup> A wave of foreign investments spearheaded physical infrastructure projects, including several expansions of Luang Prabang's airport, establishing direct connections with major Southeast Asian cities.<sup>92,93</sup> When it first became a World Heritage Site in 1994, the city attracted 14,400 visitors annually.<sup>94</sup> By 2019, the number of visitors grew to 860,000.<sup>95,96</sup>

This rapid growth has created significant pressure on the city and its cultural heritage. As early as 2007, two World Heritage reports warned about the potential impacts of the expansion plan and further infrastructure development, remarking that these developments were “posing new strains on the site which the existing conservation system appears unable to counter effectively.”<sup>97,98</sup> The growing number of visitors has contributed to rising urban density and the reshaping of architectural features. The need to accommodate a high number of visitors has translated into new urban developments that have disrupted the traditional architectural harmony of Luang Prabang's historical site.<sup>99,100</sup>

A further concern was the replacement of traditional Lao houses—including their distinctive roofing—symbols of the town's cultural heritage, with modern structures in an effort to cater to tourist preferences. Matthew Clancy, Laos Country Director for Easia Travel, says that “A lot of the most impressive colonial buildings have been turned into hotels to

accommodate all the visitors”. This has further accelerated the exodus of local residents from the heritage site to the outskirts of Luang Prabang and even put the site's World Heritage status into question.<sup>101,102,103</sup>

### Policy and support systems to regulate building projects

To address the escalating threats to Luang Prabang's cultural heritage, the Lao government—with support from Chinon City, France and UNESCO—developed a comprehensive regulatory and institutional framework for conservation.<sup>104,105</sup> Under the Safeguarding and Preservation Plan, the Department of Luang Prabang World Heritage (DPL) has power to approve building permits, oversee conservation efforts and infrastructure projects, and provide consultation services to locals.<sup>106</sup>

The DPL established stringent building regulations to conserve Luang Prabang's traditional architectural fabric, particularly around building materials. Widespread use of non-traditional materials was diluting the heritage site's distinct architectural identity. The regulations established that modern materials, such as concrete or steel, could be used only under strict conditions and needed to blend with the traditional ambience of Luang Prabang.<sup>107,108,109</sup> The regulations also addressed paint colour, requiring residents to select from a traditional palette to preserve the historical visual aesthetic of Luang Prabang's heritage site.<sup>110,111</sup> Similarly, roofs were to maintain characteristic Lao architecture, involving the use of small clay or cement tiles and a traditional slope.<sup>112,113</sup>

The DPL, alongside the French Development Agency, provides consulting services to ensure that locals understand and can comply with the set regulations.<sup>114,115</sup> The services include help with appropriately transitioning heritage buildings from residential to touristic use to accommodate the increased flow of tourists. Furthermore, an incentive fund was established to rehabilitate local houses if residents maintained their residential use.<sup>116</sup> The implementation of the DPL's Safeguarding and Preservation Plan has led to notable strides in preserving Luang Prabang's cultural heritage.

### **Without implementation, enforcements and funding, policy cannot drive change**

The implementation of the Preservation and Safeguarding Plan has not been universally successful, however. One analysis finds that modern building materials continue to replace traditional ones in ways that often go against the prescriptions of the regulations on masking concrete and steel. World Heritage monitoring has consistently highlighted that enforcement of the regulations is inadequate.<sup>117,118</sup> Mr Clancy concurs, "The [DPL] creates the guidelines, but nobody enforces them—that's the big issue we see."

This points to the second challenge of incentives and affordability, particularly when it comes to residential buildings. The Safeguarding and Preservation Plan requires commercial businesses to adhere to regulations for licensing, incentivising them to adhere to the guidelines,<sup>119</sup> but residential buildings often end up preferring more practical and cheaper modern materials, therefore improving the financial incentives and capacity for conservation is critical.

These pressures are likely to increase with the recently completed high-speed railway connecting Laos and China and the post-pandemic recovery of regional travel and tourism.<sup>120,121</sup> This will intensify calls for improvements and adaptability in the city's preservation policies, particularly in terms of enforcement, financial support and collaboration between the regulators and local residents. Mr Clancy points out that, "there is currently little communication between residents and local authorities". Improving collaboration between residents and authorities is important for creating a shared responsibility for the heritage preservation among all stakeholders.

## **LESSONS LEARNED**

# 1

### **Incentives for positive change**

- Heritage preservation can conflict with the pragmatic considerations of local residents. To prevent gravitation towards cost-effective solutions instead of practices that prioritise heritage conservation, local authorities can offer incentives or subsidies to encourage adherence to conservation guidelines.
- Funds for such incentives or subsidies can be obtained through levying a minor tax on tourist activities. The travel and tourism industry, too, can introduce heritage conservation funds to preserve the sites their sector relies on.

# 2

### **Share the responsibility**

- Preservation efforts—of culture or nature alike—are not merely the responsibility of local authorities: every stakeholder, from residents to visitors, can play a role. To better prime preservation efforts, policymakers can establish platforms where all stakeholders can provide ideas, voice concerns and collaborate on preservation issues regarding heritage or the environment.

### How to solve it: repairing relations between tourists and locals

Government policy can help to mitigate some of the pressures that visitors can place on local cultural heritage and social tolerance. In particular, tackling the excesses of mass tourism—such as overcrowding and antisocial behaviour—has potential to reduce the sense of alienation and disenfranchisement that local residents may experience in overburdened destinations.<sup>122</sup> For example, a ban on alcohol consumption in public spaces in Antalya, Turkey, has sought to reduce public disturbances by tourists, which have the potential to foster resentment amongst local residents.<sup>123</sup> Similarly, in the Andalusian city of Seville, authorities have introduced compulsory noise metres in specific neighbourhoods of the city's historic centre.<sup>124</sup> The ruling was introduced as a response measure to excessive disturbances to the residents of the city centre. Owners of short-term rentals are notified and fined if excessive noise levels are not rectified swiftly.

Some of the specific policy options that policymakers may wish to consider include:

- Cultural/behavioural awareness campaigns
- Local regulations (eg, excessive noise, construction requirements)
- Restrictions on tourist access to certain times/locations
- General welfare and social support programmes
- Community consultation processes
- Financial incentives for local culture preservation and enhancement (eg, discounts on refurbishments)

To learn more about these policy options, trade-offs and successful use cases, see the Bruges case study on page 60.

### Head in the smog: overnight visitors' impacts on carbon emissions and air quality

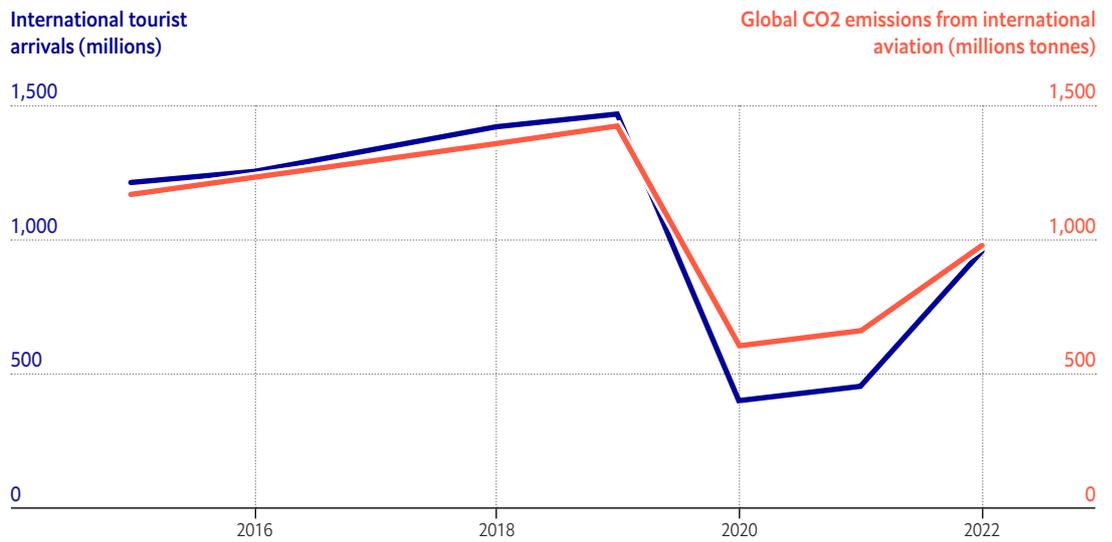
As the threat posed by the climate crisis becomes increasingly apparent, the impacts of visitors on greenhouse gas emissions are the subject of escalating scrutiny. Visitors require transportation—including road transport, aviation and shipping—which is an important source of CO<sub>2</sub> emissions in the global economy.<sup>125</sup> In fact, travel and tourism-related transport emissions are estimated to account for over a fifth of all transport emissions globally and 5% of all man-made emissions.<sup>126</sup> The contribution of travel and visitors to global aviation emissions were highlighted at the height of the COVID-19 pandemic, as the tight restrictions placed on international travel and tourism reduced global emissions from aviation significantly (see Figure 21). Furthermore, an intrinsic side-effect of one of the major benefits of travel and tourism—elevated economic activity, including

infrastructure construction and consumption of goods and services—is an increase in greenhouse gas emissions. This trade-off constitutes a thorny problem for policymakers seeking to reap the economic benefits of visitors while minimising their impacts on the climate crisis (see Figure 22). International initiatives such as The Glasgow Declaration aim to tackle some of these trade-offs by highlighting the need and potential pathways for climate action in travel and tourism.

Unsurprisingly, our national-level model highlights the link between emissions and emissions from transport: a 1% increase in the number of international arrivals to a country is associated with a 0.24% increase in emissions arising from air traffic. In remote geographies, which rely heavily on aviation as a means of transport, emissions from air traffic contribute a sizable portion of their carbon footprint. In the Maldives, for example, 34% of CO<sub>2</sub> emissions in 2019 were attributed to air traffic.<sup>127,128</sup>

**Figure 21: Flying dirty**

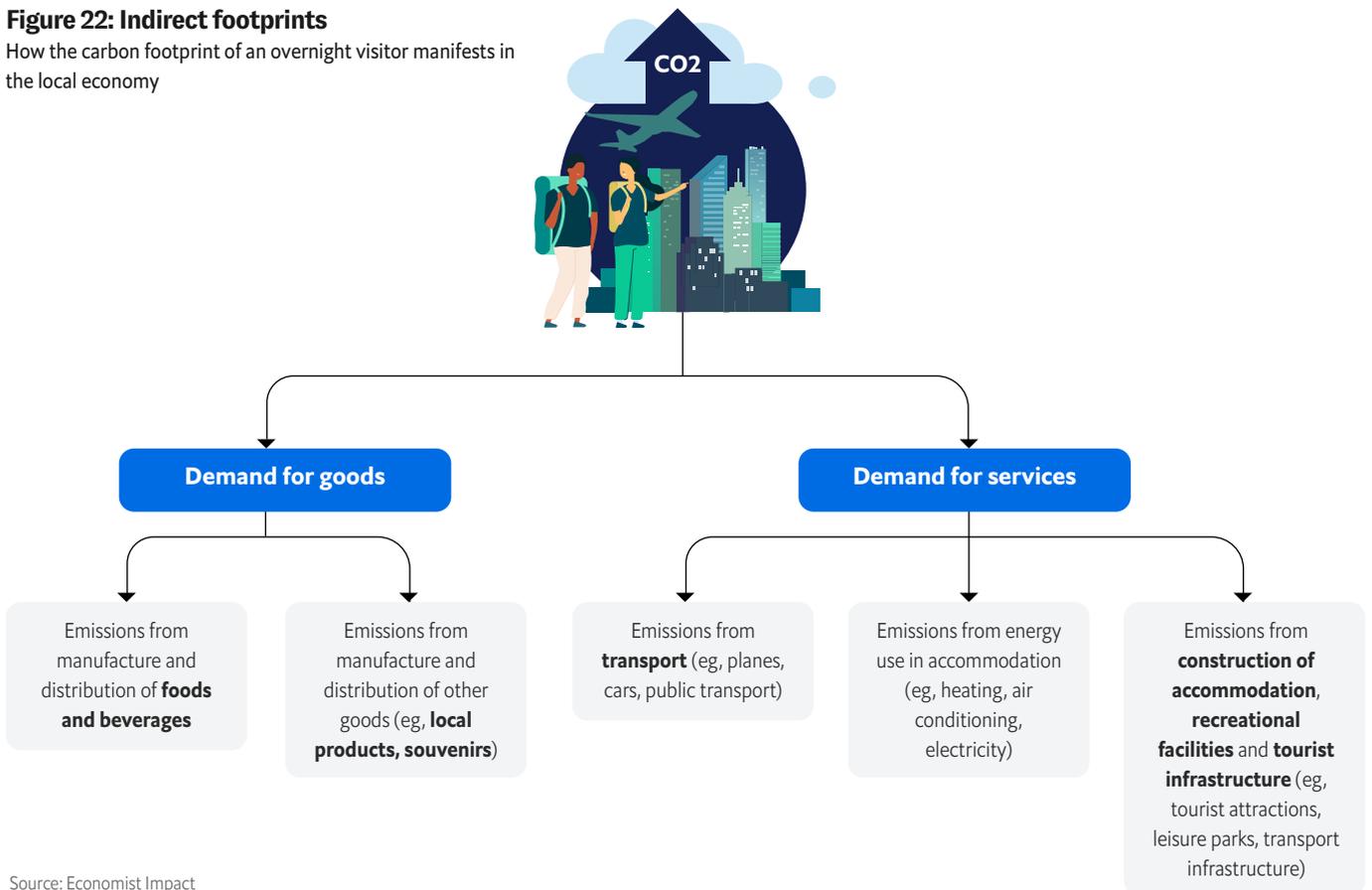
International tourist arrivals vs global CO2 emissions from international aviation



Source: UNWTO Tourism Dashboard; OECD Air Transport CO2 Emissions Data

**Figure 22: Indirect footprints**

How the carbon footprint of an overnight visitor manifests in the local economy



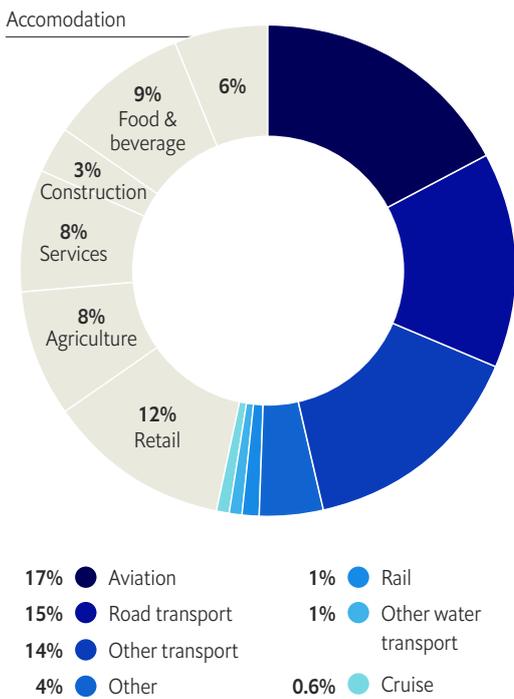
Source: Economist Impact

Perhaps more intriguingly, our model found that the direct contribution of visitors to destinations' carbon emissions (excluding air travel) is predominantly determined by the underlying carbon intensity of the destination. When controlling for the economic, energy and demographic characteristics of the destinations, our model found that overnight visitors do not have a significant additional impact on local carbon emissions, beyond what is reflected in their contribution to local economic activity. This suggests that although visitors contribute to local emissions in absolute terms because of the build infrastructure and their use of energy, transport, goods and services, the level of their contribution depends on the structure of the local economy. This also reflects the fact that the bulk of the carbon emissions stemming from travel and tourism come from transport (see Figure 23).

Broader economic and energy factors—GDP, population and the local energy mix—drive local carbon emissions. Our model shows that a 1% increase in GDP is associated with a 0.79% increase in CO2 emissions. Underpinning this trend is the strong historical connection between GDP growth and greenhouse gas emissions, which reflects the role of energy as a fundamental engine of economic development. This trend has just started to slowly reverse in some regions of the world, such as the EU, where increased demand for environmental policies can reduce emissions during periods of economic growth (see Figure 24).<sup>129,130</sup> Nevertheless, given expected growth in the number of people travelling around the world, visitors can contribute to climate action, particularly in destinations that rely heavily on revenue from travel and tourism.<sup>131</sup>

**Figure 23: Heavy transport**

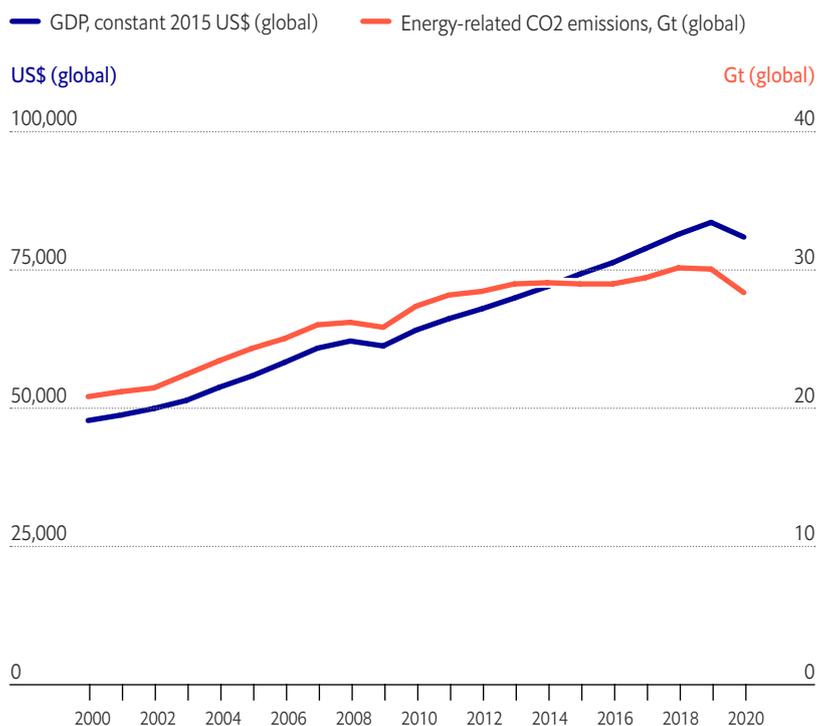
Split of tourism-related GHG emissions by industry, 2018, %



Source: WTTTC

**Figure 24: De-coupling yet?**

Global energy-related CO2 emissions and GDP



Source: World Bank; International Energy Agency

Our model also found that a 1% increase in the number of overnight stays is associated with a 0.08% increase in local air pollution, measured as the concentration of PM2.5.<sup>132</sup> This is aligned with previous research, which found that, while domestic tourism can worsen local air pollution, international visitors do not, as they tend to use public transportation.<sup>133</sup> In our model, population and GDP are more powerful factors determining local air quality. Interestingly, we found that while a 1% increase in population is associated with a 0.2% increase in PM2.5 concentration, a 1% increase in GDP is actually associated with

a 0.23% decline. This apparent contradiction points to the fact that richer countries are more likely to have the resources to invest in measures to improve air quality, such as electrification of public transport, cycle lanes and green spaces.<sup>134</sup> In Paris, PM2.5 levels decreased by 51% between 2010 and 2019, despite steady growth in the number of visitors. The city's success in tackling air pollution is a product of ambitious government policy, which included measures to phase-out diesel and petrol-powered mobility and expanding public transport networks and cycling routes.<sup>135</sup>

### If you build it, they will come: infrastructure development and overnight stays

Travel plays a vital role in the economic growth and development of many countries, creating jobs, promoting cultural exchange and generating revenue. Successful geographies, however, rely heavily on robust and well-planned infrastructure. Infrastructure for travellers encompasses transportation, accommodation, communication networks, utilities and public services, among others.

One of the primary travel infrastructure challenges across emerging destinations is inadequate transportation connectivity. Accessible airports, roads, railways and ports are essential for tourists to reach their desired destinations easily. Remote locations often lack proper transportation facilities, discouraging potential visitors. Improving transportation networks, especially in less-developed areas, requires significant investment and coordination across stakeholders, including local governments. China and Laos recently completed the construction of the China-Laos high speed railway, enabling better transportation connectivity across travel destinations in Laos.<sup>136</sup> The railway boosts connectivity between rural destinations and the Lao capital, drastically reducing travel times. Investment in critical infrastructure can create a virtuous cycle of growth and demand propelling destinations' visitor economy, economic diversification and overall development. Dubai managed to utilise public-private partnerships (PPPs) and foreign direct investment (FDI) in transportation, energy, healthcare and waste management to accommodate the rapidly growing number of visitors and local residents, improve its allure as a business destination, and expand and diversify its offerings.<sup>137</sup>

However, balancing the need for infrastructure development with sustainable practices is critical. Investment in public transportation and e-mobility, as well as incentivising the uptake of public transportation is key to ensuring traveller growth in established destinations does not further negatively impact environmental outcomes. Amsterdam has invested in multi-modal green public infrastructure—including electrification of buses and trams, integration of cycle lanes and urban development around tram routes.<sup>138</sup> The Amsterdam public transport network has contributed to significantly reducing car usage in the city, bringing environmental benefits for both residents and visitors. Between 2010 and 2019 Amsterdam lowered its average air pollution PM2.5 concentration by just over 30%.<sup>139</sup>

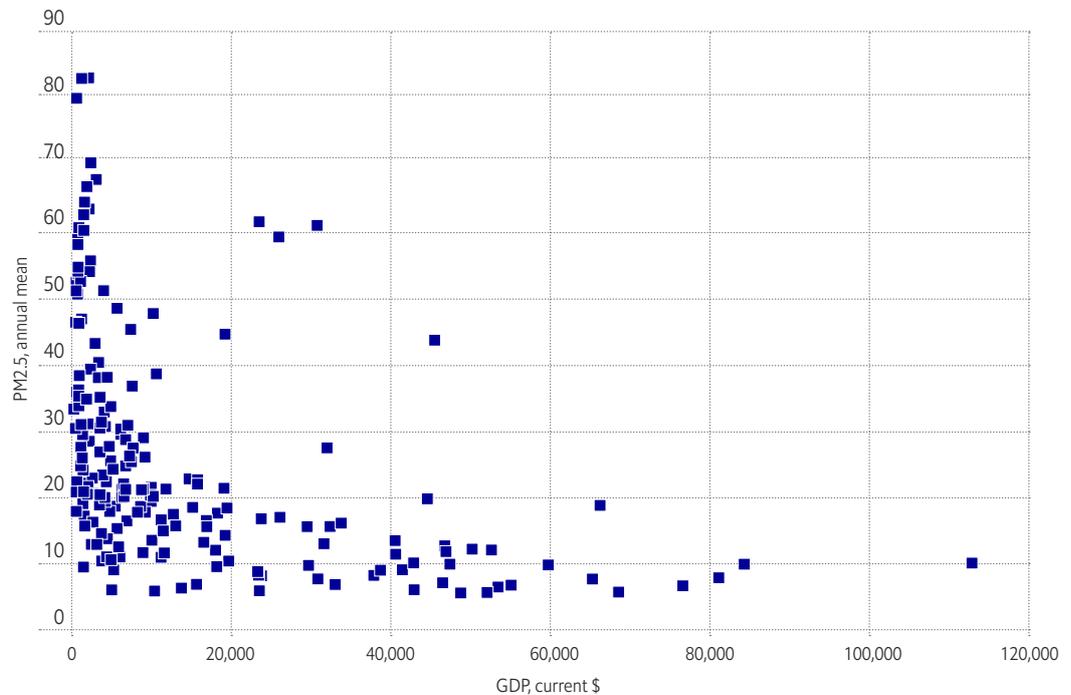
In addition to physical infrastructure, the integration of individual public transport networks, and potentially other commercial mobility services, can improve accessibility and prompt travellers to make more sustainable travel choices.<sup>140</sup> For instance, the EU has made the cross-border integration of different types of local and long-distance public transport one of the priorities of its ambitious European Green Deal.<sup>141</sup>

Policy interventions aimed at addressing inadequate transport connectivity play a crucial role in promoting sustainable travel and tourism development.



**Figure 25: Rich and clean**

PM2.5 concentration and GDP per capita, 2019



Source: World Bank

**How to solve it: accelerating structural changes to reduce emissions**

These results highlight that addressing carbon dioxide emissions and air pollution associated with visitors requires structural and systemic policy changes, including transformation of energy systems, development and use of public transport networks running on renewable energy and innovation in low-carbon energy technologies.<sup>142</sup> Hundreds of cities have set net-zero or carbon-neutral targets, often exceeding the ambition of their respective national goals.<sup>143</sup> The experiences of early movers, such as Sydney or Copenhagen (see case study on page 45), show that the transition is complex and requires a comprehensive strategy, significant infrastructure investment and the cooperation of all stakeholder groups.

Some of the policy options that policymakers may wish to consider include:

- Carbon taxes or emission trading schemes (cap & trade) implemented through the travel and tourism value chain
- Measurement and disclosure standards for carbon emissions for local businesses
- Accessible environmental certification standards for local businesses and construction
- Tax incentives/subsidies for local renewable energy generation (eg, solar panels)
- Streamlining processes for installation of renewable energy generation capacities (eg, solar panels)
- Investment in public transport, e-mobility and micro-mobility
- Congestion charges/low-emission zones
- Regulations on the flow of visitors (eg, restrictions on the number, type or lengths of visits)

To learn more about these policy options, trade-offs and successful use cases, see the section on page 45.

## PERU



## ACHOO PICCHU: MONITORING AIR QUALITY IN LIMA

### A city with air pollution six higher than recommended

Air pollution is invisible, yet insidious: it is estimated that 13 people around the world die every minute because of air pollution, making air quality the fourth greatest killer worldwide.<sup>144</sup> The problem is most acute in cities—only 1% of the 12,990 cities globally have an air quality that is aligned with World Health Organisation (WHO) recommendations.<sup>145</sup> Lima is one of the most polluted cities in Latin America, mainly from transport sector emissions. Its annual average PM2.5 concentration is around 28ug.m3, nearly six times greater than what WHO guidelines recommend.<sup>146</sup> In Peru, 8,905 premature deaths were attributed to high concentrations of PM2.5 in 2019.<sup>147</sup>

### Developing policy focused on improving air quality in areas children frequent

One of Lima's challenges is a lack of data to understand the scale of the problem. To provide a foundation for a comprehensive strategy to improve local air quality, the city launched *Aires Nuevos para la Infancia* (New Air for Children) with a specific focus on Lima's most vulnerable residents: children. This initiative actively expands the city's air monitoring network, promoting safer spaces to facilitate the

development of children and their caregivers, and introducing environmental concepts into the educational approach.

As a result, 44 air quality monitors were installed across strategic points in the city. The city is also working with 14 educational, health and shelter institutions to support the initiative and assess the value of installing sensors in their facilities.<sup>148</sup> In 2022, low-cost sensors were placed in another 23 institutions (schools, shelters, paediatric centres).

The programme is also designed to support, and ultimately measure the impact of, other policies, including the first low-emission zone that will be developed in the Historic Centre of Lima. This is a dedicated experimental area to explore the benefits of limiting vehicle circulation, disincentivising dirtier and fossil fuel vehicles, promoting and improving walking and cycling infrastructure, and increasing public transport.<sup>149</sup>

To ensure the sustainability of the *Aires Nuevos* project and protect it against political changes, the Metropolitan Municipality of Lima developed an 'Ordinance to Promote Clean Air for Early Childhood'. It aims to establish a regulatory framework at the municipal level to promote, preserve and improve air quality for early childhood. It is a necessary attempt to create standards to institutionalise and promote actions that will maintain the validity of the projects over time.<sup>150</sup>



### Increased monitoring capacity and further spurred action

To date, the *Aires Nuevos* project has increased Lima's monitoring capacity by 191%. Monitoring air quality has been used as a base to spur mitigation and adaptation actions: in 2021, the city held the first 'science-based actions' event in the grounds of Fe y Alegria No. 4 school, a known polluted district that achieved a 45% reduction in PM2.5 through strategic, low-cost actions such as re-vegetation and developing safe, accessible spaces for children. More than 1,200 children have directly benefitted.<sup>151</sup>

Similar initiatives across the city—focused on accessible pathways and playgrounds removed from busy traffic routes and close to vegetation—have benefitted 8,000 children. These types of measures are estimated to have improved air quality by 45% in the targeted locations, and expected to reduce the risk of respiratory and cardiovascular disease by nearly 30%, and increase life expectancy by more than 11 months.<sup>152</sup>

This initiative also inspired the launch of the 'Transformation of public spaces by clean air' project, which aims to eliminate

solid waste points, implement spaces for children to play and relax in green areas and create safe routes to school zones.

### A drop in the ocean of understanding the full scale of the problem

There is concern about the continuity of *Aires Nuevos para la Infancia* as it lacks an institutional budget. The low-cost sensors that form the base of the programme were obtained through external financing, which makes maintenance and replacement more complex.

There is also still a lot of work required to fully understand Lima's main sources of pollution and to quantify them. For instance, the use of charcoal—a traditional fuel used for Lima's famous rotisseries, which attract tourists globally—is estimated to be high in the city, but there are few estimations of the scale of use and the consequent emissions. A 2021 C40 study estimates that charcoal contributes to almost 16% of total PM2.5 emissions in Lima. More accurate analysis of the scale of the problem and the subsequent development of regulations and measures that aim to prevent and control these emissions are still needed.

## LESSONS LEARNED

### 1 The power of data-driven policy

- Policies formulated on robust data are not only more effective, but also lend themselves to transparent communication with the public, increasing levels of compliance. Policymakers can prioritise the establishment and consistent updating of systems that provide reliable data, which can then be used to improve decision-making and public communication.

### 2 Long-term funding for long-term impact

- For environmental initiatives to make a lasting impact, dedicated long-term funding is needed. Sustainable funding mechanisms ensure the continuity and adaptability of long-term initiatives, allowing them to evolve and respond to the challenges at hand.
- Policymakers can aim to establish partnerships with multiple stakeholders—including international organisations, the private sector and community stakeholders—to set-up long-term funding mechanisms with greater security.



## COPENHAGEN



## COPENHAVEN? ENVIRONMENTAL SUSTAINABILITY AND COPENHAGEN'S DRIVE FOR SYSTEMIC CHANGE

### The challenge: a city in flux

A rapidly growing population and burgeoning tourism sector have shaped Copenhagen's transformation over three decades, from an ageing capital in decline to a diverse and vibrant metropolis that consistently ranks among the world's most liveable cities.<sup>153</sup> Between 2010 and 2023, the city's population swelled by over 13%, reaching an estimated 1.4m.<sup>154</sup> Furthermore, the number of tourists in the city increased by over 50% between 2010 and 2019, reaching a record 12.7m overnight stays.<sup>155</sup> This trend is set to accelerate: Wonderful Copenhagen, the city's official tourism organisation, forecasts that visitor numbers to the city will more than double by 2030.<sup>156</sup>

Escalating numbers of short-term visitors threaten Copenhagen's ambitious goals for achieving environmental sustainability. As the largest generator of municipal waste per capita in the EU—at 845kg per inhabitant—Denmark faces particular challenges in ensuring the sustainable management of its waste.<sup>157</sup> Circular Copenhagen, a major circular economy initiative, has set a goal of recycling 70% of all household, light industrial and commercial waste in the city by 2024.<sup>158</sup> It also plays a significant role in spurring progress towards the city's carbon-neutrality.<sup>159</sup> Expanding waste production from Copenhagen's growing population and inflows of short-term visitors, however, places significant pressure on efforts to recycle waste and become carbon neutral. Making progress will necessitate comprehensive transformation across social, economic and environmental spheres, a hurdle given the increased demand for energy, products and services.

### Two for one: the Amager Resource Center

To tackle the interconnected challenges of waste management, carbon neutrality and energy security, Copenhagen has invested in an innovative solution: incinerators.<sup>160</sup> These incinerators convert vast quantities of waste into power, while removing pollutants that are released in the process of combustion to mitigate air pollution. The Amager Resource Centre (ARC) has grown to epitomise Copenhagen's ambitious commitment to achieving environmental sustainability.<sup>161</sup> Known as "Copenhill," the US\$660m incinerator serves a dual purpose: both as a



waste-to-energy plant and popular recreational facility. Atop the building is the city's first artificial ski slope, alongside a 278-foot-high climbing wall. Further complementing these features are a full-service restaurant and an après-ski bar, all nestled within an environment rich with tree-lined hiking trails.<sup>162,163</sup>

Despite the impressive combination of utility and recreation the ARC provides, it has faced significant challenges. Initial optimism was high: in 2018, Copenhagen set a target to be carbon neutral by 2025, buoyed by ARC's advanced incineration capabilities and its potential to attract roughly

DKK8bn (€1.1bn) from the Danish government’s Carbon Capture and Storage (CCS) fund. However, ARC was unable to meet the specific equity capital requirements necessary to access the CCS fund, delaying Copenhagen’s path to carbon neutrality.<sup>164</sup> Sophie Hæstorp Andersen, Copenhagen’s Mayor, expressed her disappointment, “It’s a shame we won’t reach it by 2025. But that’s not the same as saying we won’t make it by 2026, 2027 or 2028. So there is still hope that we will”, she stated, while highlighting that Copenhagen had already reduced CO2 emissions by 80% since 2009.<sup>165</sup>

**“Tourism for Good”: fostering green growth in the short-term travel sector**

In parallel with Copenhagen’s ongoing commitment to become carbon neutral, Wonderful Copenhagen has outlined a vision for sustainable tourism in its “Planet Copenhagen Manifesto”.<sup>166</sup> The manifesto, backed by more than 50 private partners, proclaims the city’s goal to become “the world’s most sustainable destination”, seeking to make a positive contribution not only locally, but also globally.

Mikkel Aarø-Hansen, CEO of Wonderful Copenhagen, is explicit: “For us in Copenhagen, sustainable tourism

is the only tourism that should exist. [...] We integrate environmental and social perspectives into everything we do.” And indeed, as part of its “Tourism for Good” strategy, Wonderful Copenhagen has developed initiatives that aim to transform the traditionally consumptive tourism model into a force for change that nurtures a more sustainable and liveable city for visitors and inhabitants alike.<sup>167</sup> These initiatives span the development of guides to sustainable gastronomy and the promotion of eco-friendly accommodation and public transport. Wonderful Copenhagen also runs a partner programme to boost sustainability expertise within the tourism industry itself and develop green business models.<sup>168</sup>

To illustrate, Mr Aarø-Hansen highlights Wonderful Copenhagen’s partnership with Green Key, an international eco-label for tourism facilities.<sup>169</sup> This partnership has allowed Copenhagen to rapidly expand its provision of sustainable accommodation, with approximately 70% of hotel rooms in the city now eco-certified.<sup>170</sup> These standards pertain to various aspects of environmental management, including reducing energy and water consumption, waste management and green procurement.<sup>171</sup>

**LESSONS LEARNED**

**1 Holistic and collaborative approach to sustainability**

- Policymakers and industry can craft solutions that integrate a range of sustainability goals, using approaches such as the ARC incinerator’s combination of waste management, energy production and recreation.
- Partnerships can be pursued to advance shared goals, as illustrated by Wonderful Copenhagen’s collaboration with Green Key to scale eco-friendly practices.

**2 Empower visitors**

- The travel and tourism industry provides better choices to foster an environmentally-conscious visitor culture. Wonderful Copenhagen’s sustainable gastronomy guides exemplify tools that can help visitors make their travel and tourism more sustainable.

**3 Flexibility in policy implementation**

- Policymakers will benefit from recognising that while ambitious goals, such as carbon neutrality, are essential, adaptability in the face of challenges is equally critical. Copenhagen’s initial carbon neutrality by 2025 goal faced setbacks when ARC could not secure the expected funding; however, the city displayed resilience, remaining committed to its overarching sustainability objective, albeit under adjusted timelines.

### Acquired waste: the impact of visitors on waste generation and pollution

An influx of visitors naturally results in an increase in waste generation. The same growth in demand for goods and services that drives visitors' impact on economic growth is also responsible for causing an increase in the production of waste. In fact, the United Nations Environment Programme (UNEP) estimates that tourists produce roughly 35m tonnes of solid waste annually.<sup>172</sup> Policymakers were of the same view: almost 83% of respondents agreed that inflows of visitors had resulted in increased water and waste pollution in their local community. The majority of the general population (53%) also agreed that travel and tourism had increased waste and pollution in their city or region. These impacts can be particularly damaging for small geographies, such as small island states, with vulnerable ecosystems. Overburdened waste management systems pose a number of environmental and health threats, including contamination of groundwater and soil, increased risk of fires and proliferation of pests.<sup>173</sup> As our case study of Maldives (see below) indicates, improving local waste management infrastructure presents a critical challenge to these economies.

One of the most commonly used policy instruments aimed at reducing plastic pollution are restrictions on single-use plastics. Almost all countries in the world have adopted some single-use plastics product-related policies, with the most wide-reaching legislation to date being the EU's Single-Use Plastic Directive.<sup>174</sup> These can come in the form of a ban on a type or combination of single-use plastics; a levy on supplies of single-use plastics; a levy on retailers; a levy on consumers; or a combination of a ban and a levy.<sup>175</sup> However, the effectiveness of these tools

has proven to be highly variable, depending on the quality of enforcement mechanism. Crucially, as these tools target just one specific type of material, to achieve the overall objectives, they need to be accompanied by efforts to improve waste management practices, use of alternative materials in product design, and pollution/littering fines. Similarly, voluntary instruments, such as the Global Tourism Plastics Initiative—launched by the UNWTO and UNEP in collaboration with the Ellen MacArthur Foundation—can play a role, but need to be part of a coordinated effort to move destinations and the travel and tourism industry towards circularity.<sup>176</sup>





## TROUBLE IN PARADISE: SOLVING THE MALDIVES' WASTE PROBLEM

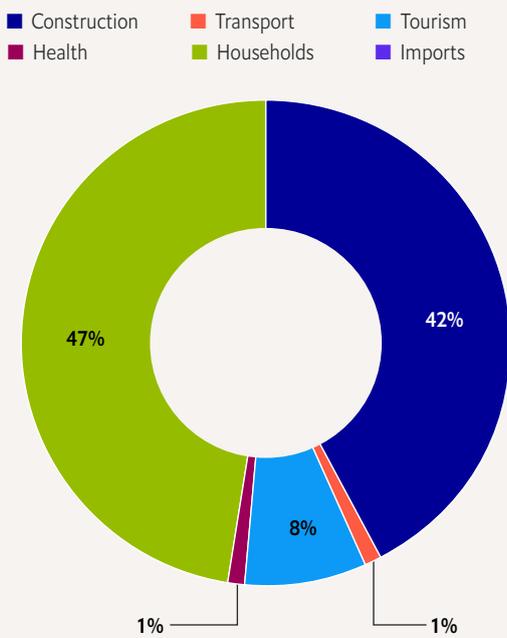
### “Garbage island”

The Maldives comprises roughly 1,200 islands, only 200 of which are inhabited and 80 designated for tourist resorts. While the capital city, Male, accommodates over a third of the country’s 450,000 residents, the Maldives’ territory is over 99% water, making it one of the most geographically dispersed countries in the world. A challenging consequence is that the country has limited groundwater resources—it relies heavily on bottled water—and no landfill sites, which poses a significant logistical problem for national waste management.

The majority of the 860 tonnes of waste—primarily consisting of plastic—produced on a daily basis in the Maldives is incinerated.<sup>177</sup> The country’s reliance on tourism exacerbates the issue. The Maldives welcomes over 1.5m tourists annually and luxury resorts have been the primary generators of waste in the country.<sup>178</sup> Single-use plastics, particularly plastic water bottles and single-use consumer goods marketed in resorts, contribute significantly to the country’s waste production.

More broadly, the country’s waste management infrastructure is sorely lacking, failing to cover many of the Maldives’ islands, both populated and unpopulated. Thilafushi, an artificial island near Male, has become the unfortunate epicentre of the country’s waste disposal challenges. Originally intended to act as a one-island solution to the waste management problem, Thilafushi has achieved infamy as the Maldives’ “garbage island”. Every day, the island receives over 400 tonnes of garbage from islands across the Maldives.<sup>179</sup> The majority of this waste is burned, releasing harmful toxins into the environment and posing severe threats to the surrounding marine ecosystem. Furthermore, approximately 25% of the waste transported to Thilafushi ends up in the Indian Ocean.<sup>180</sup>

**Figure 26: What a waste**  
Maldives waste production by source, 2019



Source: UN ESCAP

### Life without plastic, it’s fantastic

The Maldives has implemented a series of regulations aimed at reducing plastic waste. In June 2022, the Maldives banned the production, import and sale of single-use plastics in the country.<sup>181</sup> Furthermore, since April 2023, all businesses that provide plastic bags to customers have been required to charge MVR2 (US\$0.13) per bag sold.<sup>182</sup> Building on these measures, a proposal to disallow all imports of waste into the country was introduced in late March 2023 and is currently under parliamentary consideration.<sup>183</sup>

The Greater Male Environmental Improvement and Waste Management Project (GMEIWMP), launched in 2017, seeks to help the Male government to establish a “sustainable solid waste management system in the Greater Male capital region and its inhabited outer islands by (i) establishing a modern waste collection, transfer and disposal system; (ii) improving community-based outer-island waste management systems; (iii) building institutional capacity for sustainable services delivery; and (iv) raising public awareness in reduce, reuse, recycle behaviours.”<sup>184</sup> As part of the project, a waste-to-energy plant is being set up on Thilafushi, to mitigate the myriad environmental problems associated with current waste management practices on the island, as well as develop a new source of clean energy.<sup>185</sup> The electricity generated from the 13MW-capacity plant is expected to offset 200,000 tonnes of CO2 emissions a year.

### Implementation nation

There is significant evidence that the single-use plastic ban regulation is being strictly implemented, with the Maldives government publicising the incineration of plastic goods confiscated at the border by customs officers.<sup>186</sup> For example, a statement was released by the President claiming that, as a result of this law, plastic bag imports had reduced by 50% in the year following the implementation of the newly amended waste management law.<sup>187</sup>

As per an April 2022 assessment by Green Network Asia, the first phase of the GMEIWP was completed successfully, as “smoke emission from the garbage mountains (in Thilafushi) has ceased, and the project is gearing up to implement its second phase”.<sup>188</sup> Waste transfer stations have also been established and essential waste management infrastructure—such as bins, trucks and protective equipment—procured. The project is set to be completed by December 2023.<sup>189</sup>

According to Shumais Mohamed, a waste management expert who has worked with the Maldivian government since 2004, segregation of waste has been mandated at the municipal level, with all “generators of waste” required to sort waste by biodegradability before collection. Many resorts, which were the primary sources of plastic and other non-biodegradable waste, have therefore begun to implement sustainable waste management practices. Before the adoption and promotion of such practices, resorts would dispose of waste through incineration or burial of waste, which posed significant environmental and health hazards for local communities (such as poisoning of potable groundwater). The adoption of sustainable waste management practices has drastically reduced the incidence of these hazardous and harmful activities.



### Hit where it hurts: biodiversity and nature conservation suffer from visitors

The world is in the midst of a global biodiversity crisis, which poses a significant threat to human health and wellbeing.<sup>190,191</sup> Globally, at least 1.2m plant and animal species are under threat of extinction by 2100.<sup>192</sup> And the movement of people is exacerbating this crisis: our model found that a 1% increase in international tourist arrivals is associated with a 0.01% decrease in a country’s International Union for Conservation of Nature (IUCN) Red List score on conservation of local biodiversity.<sup>193</sup> This result was echoed in our global population survey, where 54% of

respondents agreed that travel and tourism had contributed to a loss of biodiversity in their local area. Travel and tourism can contribute to habitat destruction, depletion of natural resources (such as groundwater), littering and air, water and noise pollution (see our Maldives case study above).<sup>194,195,196</sup> For instance, rampant development of coastal tourist resorts has been found to damage local marine ecosystems—such as coral reefs—through sewage runoff, dredging, coastal erosion and sedimentation of the water, leading to coral die-offs. In Egypt, researchers found that tourism-exposed coral sites had significantly lower frequency of hard coral than unexposed sites.<sup>197</sup>

Interestingly, however, this negative association between international tourism arrivals and biodiversity loss does not exist across the low-income countries included in our research. Instead, in these economies, international arrivals were associated with improved conservation. It is likely that, because lower-income countries tend to rely more on incomes from nature-based travel and tourism, there are incentives for conservation. As Mr Jus highlights, “many countries tend to take better care of their natural environment because it is a key asset in attracting tourists”. This has been at the centre of initiatives, such as the *Nature Positive Tourism*

*Partnership*, calling for adoption of nature-positive approaches, including biodiversity safeguards across the industry.<sup>198</sup> Conservation efforts are often funded from visitors’ fees. In Kenya, the wildlife service derives roughly 70% of its income from tourism revenue and its conservation efforts were put in jeopardy as a result of the pandemic-related drop in visitors.<sup>199</sup> Importantly, as Mr Jus notes, “fees, such as for entry to national parks, can have a positive impact on local communities so long as the money is used in the right way—for example, for infrastructure projects or protecting the natural environment”.

### How to solve it: ensuring tourists help wildlife, rather than harm it

Policymakers are vital to ensuring that visitors support the conservation of local nature and biodiversity, rather than threaten it. For example, the Periyar National Park and Tiger Reserve in Kerala, India, has implemented a community-based ecotourism model to encourage local people—including many who were formerly employed in poaching and other activities harmful to biodiversity—to work in the tourism sector.<sup>200</sup> This has helped to decrease levels of poaching, allowing tiger numbers to remain stable in the park despite chronic declines in neighbouring areas.<sup>201</sup>

Some of the specific policy options that policymakers may wish to consider include:

- Local waste fees and taxes
- Measurement and disclosure standards for water use and waste management at the destination level, including local businesses
- Environmental certification standards for local businesses and construction
- Regulation of single-use plastics
- Establishment of protected areas/national parks
- Tourism taxes and fees (with revenues allocated to environmental protection)
- Regulations on the flow of visitors (eg, restrictions on the number, type or length of visits)
- Public environmental awareness campaigns
- Pollution/littering fines
- Promotion of eco-tourism products
- Training and upskilling in green skills (eg, conservation, circular economy)

To learn more about these policy options, trade-offs and successful use cases, see the section on page 62.

# Plotting the course: navigating the benefits and challenges of overnight stays

As demonstrated in the earlier sections of this report, the complex economic, social and environmental impacts of overnight visitors present destinations with the challenge of how to reap the benefits for the local population and manage the negative externalities. While growth in the travel and tourism sector can bring a multitude of benefits, each of these is often associated with its own set of challenges. Understanding the potential trade-offs of various policy interventions is key to driving informed decisions. The following section explores the risks, opportunities and successful applications of various policy tools to facilitate dialogue and support efforts to build local-level roadmaps.

## Plugging the holes: developing local capacity to avoid economic leakages

Policyholders and business executives in our surveys see investment in local businesses and skills as a leading policy to support local economic development. When given the opportunity to select 13 different policy interventions, 40% of policymakers and 29% of business executives highlighted training and upskilling programmes for the local labour force as a priority. Meanwhile, 36% and 30%, respectively, see increased sourcing of local

products as a key lever. Three-in-ten (30%) business executives see inadequate capacity of local businesses and SMEs as the top barrier to reaping the benefits of travel and tourism in the local economy, while 43% of policymakers see the lack of local skilled labour as the key obstacle.



**Figure 27: What business execs like best**

Share of business executives who selected a given policy option as one of the top three to drive economic growth (multiple selection)



Source: Economist Impact executive survey, April 2023

**Figure 28: Policymaker preferences**

Share of policymakers who selected a given policy option as one of the top three to drive economic growth (multiple selection)



Source: Economist Impact policymaker survey, April 2023

Tax breaks for SMEs are among the tools that destinations have been using to support local travel and tourism businesses, particularly since the COVID-19 pandemic.<sup>202,203</sup> Ideally, targeted tax breaks are used only as temporary measures in appropriate circumstances. Overuse of tax breaks can undermine the destination’s public finances and investment.<sup>204,205</sup>

More structural reforms, such as streamlining and consolidating local licensing and planning procedures—also popular among policymakers and business executives in our survey—offer a more promising avenue for developing local capacity. For instance, Greece established the Special Service for the Promotion and Licensing of Tourism Investments to provide support on

the conditions, procedures and standards relating to the development of tourism facilities.<sup>206</sup> In Spain, the Smart Tourism Destination Programme aims to improve planning, development and governance at the destination level to create a network of “smart destinations” through improved coordination and knowledge sharing at

a national and regional level.<sup>207</sup> As our case study on Kentucky (see page 54) indicates, the drive to develop and integrate local businesses into travel and tourism can be predominantly industry-led, but requires a suitable enabling environment and a collaboration across the industry and the public sector.

**Figure 29: Learn [to combat economic leakages] by example**  
How destinations are using policy to combat economic leakages



Source: Economist Impact

**Going digital: a sector embracing skills**

Travel and tourism was one of the fastest sectors to adopt digital technology, even before COVID-19 accelerated digitalisation.<sup>208</sup> Online sales, as a share of worldwide tourism sales, stood at 68% in 2022 and are expected to reach 74% by 2027.<sup>209</sup> Investing in digital skills development and training programmes is critical to ensure the local economy and population benefit from incoming visitors.<sup>210</sup> As a result, destinations are trying hard to enhance the digital skills of local employees and SMEs. In Malaysia, the government introduced a ‘Tourism Digital Transformation Program’ aimed at enhancing digital skills amongst SMEs through workshops and online resources on topics such as digital marketing, social media management and website development. Similarly, the Kerala Tourism Department organises workshops focusing on digital marketing strategies for travel and tourism SMEs.<sup>211</sup>



KENTUCKY



## BOURBONOMICS: KENTUCKY'S BOURBON TRAIL DRIVES STATE'S GROWTH

### The challenge: driving growth in the Bluegrass State

With one of the US's highest unemployment rates and lowest per capita incomes, Kentucky is in dire need of strategies to catalyse economic growth.<sup>212,213</sup> According to the Kentucky Travel Association, investment in tourism has historically been relatively low. The Association notes, "there is a significant need for more of our leaders to embrace tourism as one of the state's most important and valuable industries".<sup>214</sup>

### "America's Native Spirit": leveraging the fame of Kentucky Bourbon

Kentucky's efforts to attract tourists have centred around the state's most famous export: bourbon. With the spirit's manufacture dating back to the 1780s,<sup>215</sup> the state produces 95% of the bourbon sold and consumed in the world. There were 95 distilling establishments in Kentucky in 2021, employing approximately 6,000 people and generating almost US\$9bn annually.<sup>216</sup> In 1999, the Kentucky Distillers' Association (KDA) created the Kentucky Bourbon Trail, hoping to leverage bourbon to attract visitors, just as tourists travel to France for its vineyards or the Scottish Highlands for its whisky distilleries. The Kentucky Bourbon Trail offers visitors a chance to explore the art of bourbon manufacturing. Building on the success of the trail, which CNN named a "Top 10 Classic American Experience in 2012,"<sup>217</sup> the KDA launched the Kentucky Bourbon Trail Craft Tour to showcase 24 boutique distilleries across the state in the same year. A dedicated website offers visitors information to prepare for their journey, including suggestions for itineraries and transportation options (such as tour operators, boats or bikes).<sup>218</sup>

While it is primarily an industry initiative, the Kentucky state government has also contributed to promoting the Bourbon Trail.<sup>219</sup> "While we receive no government funding, we partner with lawmakers to address legislative hurdles and pave the way for richer and more engaging tourism experiences at Kentucky distilleries", says Amandalin Ryan, director of Kentucky Bourbon Trail Experiences. Ms Ryan explains that in 2016 the law was changed to allow visitors to enjoy cocktails and food at their establishments. This resulted in enhanced visitor experiences, new job opportunities and local economic growth. Recently, Kentucky distilleries were also granted the ability to establish satellite tasting rooms in different cities and to sell their products at fairs, festivals and farmers markets.

### The economic benefits of a bourbon-fuelled tourism boom

In 2013, visits to Kentucky distilleries stood at approximately 735,000.<sup>220</sup> This figure reached 1.7m by 2019. Following the pandemic, there was a remarkable resurgence in visitor



numbers, culminating in a record-breaking achievement of attracting over 2m visitors in 2022.<sup>221</sup> This resulted in the Kentucky Bourbon Trail gaining widespread media exposure.

The trail is proving to be an important source of revenue for the state. More than 70% of visitors are from outside Kentucky and they spend an average of between US\$400 and US\$1,200 during their trip. "Bourbon tourism supports Main Street businesses and local economies across Kentucky, including restaurants and entertainment venues, souvenir shops, galleries, museums, bars, hotels and B&Bs", says Ms Ryan. Downstream, KDA distillers purchase 17m bushels of corn annually— 75% of which is from Kentucky farmers— which has led to a tripling of corn production in several counties where the distilleries are located.<sup>222</sup> Furthermore, Ms Ryan notes: "the industry also supports thousands of supplier jobs across Kentucky, including architectural and engineering firms, forestry and logging operations, stave mills, cooperages, bottling and labelling operations, packaging producers and, as of last year, a glass bottle factory that announced it would locate in Bowling Green, Kentucky."

### Resolving outstanding challenges

The success of the initiative has come with some challenges. Growing visitor numbers means that better organisation and planning is needed to maintain a quality experience.<sup>223</sup> "The challenge we are currently facing is managing the expectations of our visitors. Many of our larger distilleries are busier than ever and their tours are booked out for months in advance", says Ms Ryan. "We have launched a Book Now, Bourbon Later campaign to encourage people to plan their experiences and book their tours in advance so they're not disappointed when they walk into a distillery without a reservation and can't get a tour."

### Rent packing: improving housing affordability without limiting economic contribution

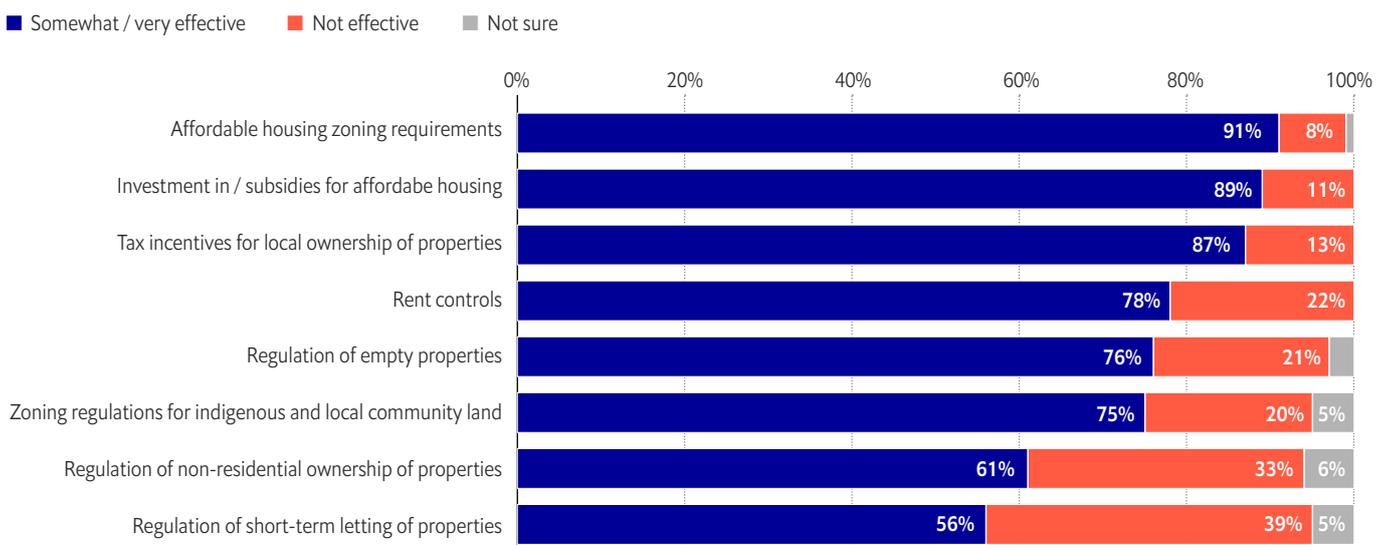
Policymakers in our survey believe that improving the supply of affordable housing is generally preferable to more restrictive measures.<sup>224</sup> The vast majority of respondents identified affordable housing zoning requirements (91%), investment and subsidies for affordable housing (89%) and tax incentives for property ownership (87%) as effective for improving local housing affordability. More restrictive measures, such as regulation of short-term letting of properties (56%), regulation of non-residential ownership of properties (61%) and rent controls (78%) are seen as less effective.

Nevertheless, there is a clear trend of increasingly intrusive regulation being implemented — particularly in cities. Licensing, limiting or even

outright banning of short-term rentals, as well as rent caps, are becoming more commonplace with mixed results.<sup>225</sup> Mr Provost suggests that softer zoning policies are preferred in rural contexts: “Zoning laws, requiring property to be owned by individuals rather than corporates, are particularly effective in maintaining neighbourhoods and social cohesion within New York State, avoiding severe depopulation during periods of low tourism seasonality.” However, these interventions can be a part of a more comprehensive management of the housing market. For instance, Montreal introduced restrictions on short-term rentals operations in certain areas, alongside careful urban planning, optimisation of land use and effective public transport. Montreal’s house prices are 20-40% cheaper than its Canadian counterparts.<sup>226</sup> As our case study on Vienna indicates, a long-term strategic and cooperative approach is key to housing affordability.

**Figure 30: Supply beats demand**

Policymakers’ views on effectiveness of policy options for improving local housing affordability



Source: Economist Impact policymaker survey, April 2023

## VIENNA



## ONE HUNDRED YEARS OF SOCIAL HOUSING: VIENNA'S SOLUTION TO HOUSING AFFORDABILITY

### Vienna: a global city

Over the past 15 years, Vienna has experienced a consistent rise in the numbers of residents and visitors. Since 2012, the Austrian capital has seen its population increase by 12.5%, making it the city with the highest population growth (13.1%) amongst the ten largest EU cities between 2010 and 2020.<sup>227</sup> This trend continues, with Vienna's population expected to reach 2m people in 2027.<sup>228</sup> Migration has been central to supporting this population growth. In 2015, the city led EU capitals in terms of net migration, with 119,299 new inhabitants, more than double the number for Berlin and Paris (roughly 54,000 and 51,000, respectively).<sup>229,230</sup> By 2022, Vienna's foreign-born population stood at 42.6%, significantly outstripping the EU average of 13.8%.<sup>231,232</sup>

Vienna has also seen increasing volumes of short-term tourists. In 2019, the city recorded 17.6m overnight stays, 83% being international visitors.<sup>233</sup> This represents a 62.5% rise since 2010. This rapid influx of people—both short-term tourists and long-term migrants—has presented significant challenges for the city, most notably regarding the supply of housing.

### Social housing: the key to affordable accommodation?

The government has sought to address the growing demand for accommodation through progressive housing policies.

In particular, Vienna's housing provision allows roughly half of the city's 1.9m residents to live in municipal or subsidised affordable housing units.<sup>235,236</sup> Vienna is committed to being the European leader in social housing, building approximately 10,000 dwelling units annually. Amidst a peak in foreign migration in 2015, the city bolstered its policy by approving the "Gemeindewohnungen NEU" and "SMART" housing development initiatives.

Central to the city's housing policy is the provision of housing that is not priced by the market. The City of Vienna sets municipal housing rents, which are around 60% lower than private rentals. Rents for subsidised housing, controlled by limited-profit associations, are based solely on project costs, resulting in rates about 30% lower than private housing.<sup>237</sup> Alongside affordable housing, free services to counsel and advise tenants, which are meant to prevent housing issues before they arise, are also provided. This includes 24/7 online support and tools like rent calculators.<sup>238</sup> Additionally, the city has measures to prevent eviction, such as the Centre for Secure Tenancy, which intervenes once eviction proceedings begin, and a public housing "Case Management" system offering specialised assistance.<sup>239,240</sup> Prioritising vulnerable groups, these eviction prevention efforts aim to reduce personal distress and housing company costs as well as foster social inclusion.



A core aspect of Vienna’s housing policies, alongside affordability and security, is social cohesion, with a distinct focus on nurturing good-neighbour relations and fostering robust communities within municipal housing estates. Wohnpartner, a public service institution with 150 community workers, encourages communication and positive relations amongst social housing residents, through various on-site activities and Residents’ Centres dedicated to enhancing estate life and camaraderie.<sup>241</sup> Vienna’s Urban Renewal Offices foster neighbourhood development by incorporating residents’ ideas, building networks and promoting participation in planning and decision-making processes, thus empowering residents to contribute to their community’s growth.<sup>242</sup>

Vienna’s progressive suite of housing policies mean that the supply of affordable housing available to residents is relatively plentiful. Key requirements determining eligibility for municipal or subsidised housing include a minimum age of 18, two years of residency in Vienna, Austrian citizenship or legal residence status, a defined family status and income below a certain threshold. These thresholds are generous, allowing for roughly 75% of the population to access municipal or subsidised housing. These measures have had a ripple effect on the entire housing market, including the private sector. As such, Viennese residents incur significantly lower average housing costs (roughly €9.8/m<sup>2</sup> in 2021) than in other European capitals, such as Paris (€27.8/m<sup>2</sup>) and London (€20.1/m<sup>2</sup>).<sup>243</sup>

**LESSONS LEARNED**

**1 Integrated policy approach for interrelated challenges**

- Destinations facing a growing number of visitors and residents will benefit from recognising the interrelation between housing affordability, social cohesion and travel and tourism.
- A comprehensive policy response to these challenges creates more harmonious and resilient social and urban environments.

**2 Civic participation in housing decision-making**

- Policymakers will yield better results by promoting mechanisms for resident input when formulating housing policies.
- Empowering citizens within the decision-making processes fosters a sense of community ownership and can drive innovative housing solutions that, by design, better resonate with local communities.

**3 Vienna’s approach to providing affordable housing might not work for every location**  
(see Figure 31)

**Figure 31: Learn [to conquer housing stock problems] by example**

How destinations are using policy to address housing stock



Source: Economist Impact

Kyoto, renowned for its cultural heritage, has seen a 1.7% annual rise in visitors—from 74m to 88m—between 2009 and 2019.<sup>244</sup> Amidst this growth, the city faced rising apartment prices, due to demand from both domestic and international investors who do not let their properties, landscape-preserving restrictions on high-rise developments, and ‘akiya’—a phenomenon of abandoned homes linked with Japan’s ageing population and preference for new-builds.<sup>245</sup> To mitigate these challenges, the city approved a progressive tax on vacant homes—with rates increasing based on the duration of vacancy—aimed to incentivise apartment owners to rent or sell.<sup>246,247</sup> Kyoto’s strategy is tailored to its unique challenges and aims to maintain housing accessibility, while revitalising neighbourhoods from akiya and unoccupied investments.

Hong Kong, one of the most expensive cities in the world, has a longstanding issue with housing affordability: median home prices were almost 25 times the median annual wage in 2021.<sup>248</sup> In a new pilot scheme, Hong Kong has turned to a PPP model.<sup>249</sup> Under this scheme, local authorities collaborate with private developers to construct residential flats on rezoned lands priced at approximately 65% of market value, alongside making certain land parcels available at a concessionary rate to incentivise development.<sup>250,251</sup> Hong Kong’s latest scheme aims to leverage the strengths and capacities of the private sector alongside robust public oversight, a synergy of optimal resource allocation and responsible land use.

### **Sense & sensibility: considering both the local population and visitors**

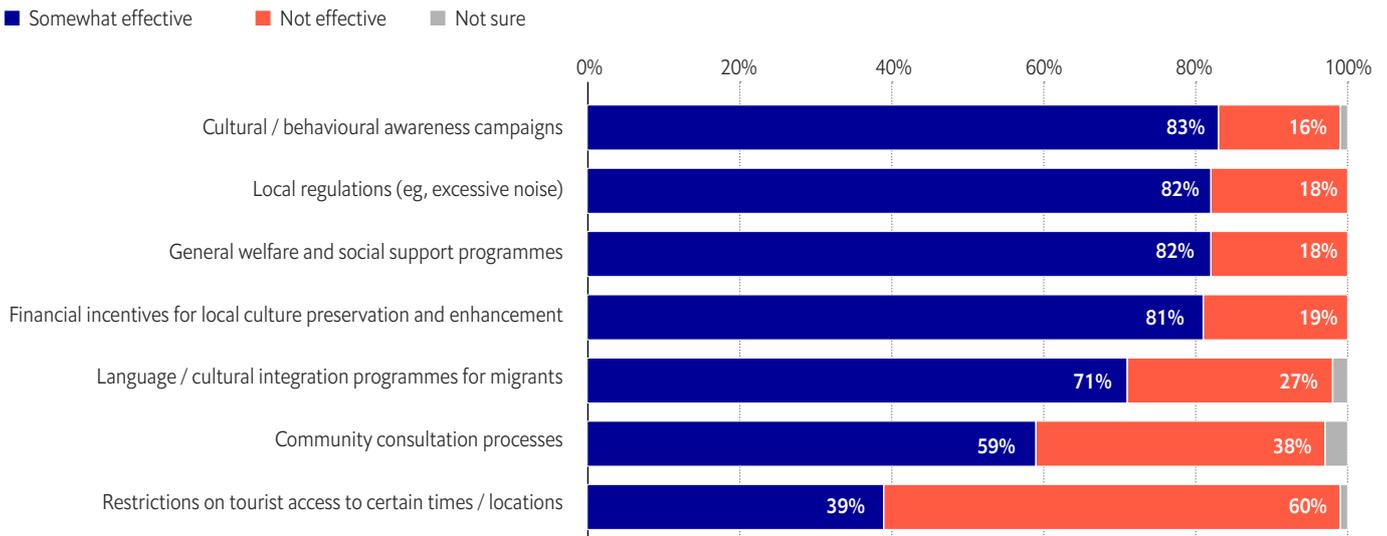
Meeting and balancing the needs of visitors and local residents is at the heart of developing a healthy and prosperous destination. Policymakers in our survey see a combination of policies targeting visitors and the local population as effective in improving social tolerance. These

include awareness campaigns for incoming visitors, local regulations controlling issues like excessive noise, social support programmes for residents and financial incentives for local culture preservation. Interestingly, such campaigns are often viewed as ineffective by the broader population—the Venetian authorities’ #EnjoyRespectVenezia campaign, launched in 2017, was dismissed as “just a propaganda campaign” by local residents.<sup>252</sup>



**Figure 32: Kumbaya**

Policymakers' views on effectiveness of policy options for improving societal tolerance



Source: Economist Impact policymaker survey, April 2023

Previous research has found that introducing behavioural “nudges”—subtle changes to the external environment designed to influence behaviour without compromising freedom of choice—are amongst the most effective interventions in helping tourists to behave better.<sup>253</sup> For example, tourists have been found to be more likely to make a voluntary donation to a worthy local cause if they are asked to opt out from the donation (rather than opt in).<sup>254</sup> Punitive penalties for undesirable behaviours, however, have been found to be much less effective in influencing how tourists behave.<sup>255</sup> This may be because perceived threats to behavioural freedoms induce psychological reactance in

tourists, with counter-productive impacts on their compliance with the rules.

Key to promoting better social wellbeing of residents in destinations that attract a high number of visitors each year is understanding and engaging local residents in the policymaking process.<sup>256,257</sup> For example, the city of Bruges’ tourism strategy was informed by a survey of local residents’ perceptions of and experiences with visitors. Similarly, Vienna’s new Visitor Economy Strategy identifies local residents as the key stakeholders. Beyond this, successful cultural preservation efforts can include the creation of tourism offerings centred around cultural experiences.<sup>258</sup>

## BRUGES



## IN BRUGES: MASS TOURISM CHALLENGES THE GOOD HUMOUR OF LOCAL RESIDENTS

A 2016 survey of Bruges' residents reveals the need for policy solutions that successfully balance the benefits of travel and tourism with its impacts on local quality of life for permanent residents of the city.<sup>259</sup> While 85% of Bruges' residents support travel and tourism and appreciate its contribution to the local economy, only 28% of those surveyed believe that higher volumes of tourists would lead to greater benefits for residents.

A primary challenge in Bruges is overcrowding. This is a direct consequence of the influx of day-trippers, who often outnumber locals in the city.<sup>260</sup> The high density of visitors in Bruges leads to excessive congestion and noise in the city centre, which negatively impacts the quality of life and sense of belonging of Bruges' residents, the survey suggests. Just under half (45%) of surveyed residents perceive overcrowding, including the noise and traffic that high numbers of tourists create, as a significant issue.

Day-trippers also present an economic challenge for Bruges. They tend to contribute less to the local economy than overnight visitors and congregate in high-traffic tourist spots, creating an imbalance in which businesses benefit from tourism. According to the survey, 67% of Bruges' residents do not receive any personal economic benefit—such as income or employment—from travel and tourism. This indicates that local authorities need to ensure that the benefits of tourism are more evenly distributed across Bruges' economic model.<sup>261</sup>

Cruise ships, the main source of day-trippers, create particular social and environmental challenges.<sup>262,263</sup> Docking

in the nearby port of Zeebrugge, cruise ships, and the tourists they bring, create significant peaks in demand for services and facilities, placing pressure on Bruges' transport, security and sanitation systems. Beyond causing strain on Bruges' infrastructure and services, cruise ships also cause significant environmental impacts, including air pollution, which can affect the health of Bruges' residents.<sup>264</sup> As Jonathan Nowakowski, executive director of Musea Brugge, explains, the main issue is "congestion and the fact that [day-trippers from cruise ships] don't really add value to the economy. For example, they don't go to restaurants, because they have their lunches on the boat, yet they put strain on the city, such as producing waste".

### Relieving pressure on an overburdened city centre

Faced with the predicament of reconciling travel and tourism with their city's liveability and the protection of its heritage, local authorities in Bruges have devised a Strategic Vision Memorandum on Tourism.<sup>265</sup> The plan highlights four crucial pillars: ensuring balanced growth of travel and tourism, enhancing connectivity within the city, making the city more appealing to tourists and fostering entrepreneurship.

Under its goal of ensuring balanced growth, city authorities aim to enhance the quality of the city's travel and tourism offering. A significant step in this direction was taken in 2015, when Tourism Bruges employed big data to map visitor numbers and profiles to better manage overcrowding.<sup>266</sup> This data, obtained through mobile data traffic analysis, gave

a detailed view of the number of visitors, their engagement with city attractions, like museums, and even their country of origin. Another project, VLOED, aims to provide valuable insights into hourly pedestrian traffic, which can inform decision-making and resource allocation. The data will be instrumental in promoting certain locations to distribute tourists evenly across the city. VLOED's ultimate goal is to create a functional dashboard providing useful 'pressure forecasts' for various sectors and city services, thereby managing the influx of tourists more efficiently.<sup>267,268</sup>

Another initiative taken to address overcrowding has been to limit the number of cruise ships that can dock in nearby Zeebrugge to two per day, and to encourage weekday docking.<sup>269</sup> This action aims to distribute day-trippers more evenly, mitigating the adverse effects of overcrowding, noise and traffic. Furthermore, to address the issues associated with day-trippers, local authorities no longer advertise or promote day trips to the city, emphasising the city's push towards a more controlled and sustainable approach to tourism management.<sup>270</sup> To manage the development of new travel and tourism infrastructure, city authorities have

implemented selective criteria for new hotels or extensions to existing properties in the city, as well as a pause on holiday accommodation development in the city centre.<sup>271</sup>

The city authorities have sought to promote deeper visitor engagement with areas of the city outside of the most famous historic sites. These include a new Meeting & Convention Centre, a 'Republiek' hub for creatives and BRUSK, a state-of-the-art exhibition hall. These new projects underscore the dual mission that local authorities have set themselves—to encourage tourism in new quarters of the city and to mitigate the sense of detachment from their city residents might experience due to mass tourism.

Finally, the city's dedication to fostering entrepreneurship and stimulating innovation demonstrates its commitment to growing sectors of the economy that have been overshadowed by travel and tourism. Initiatives such as the Brugge.inc start-up incubator for mechatronics and IT projects, and the promotion of entrepreneurship among university students, demonstrate the city's commitment to economic diversification, addressing the issue of residents not benefitting economically from tourism

## LESSONS LEARNED

### 1 Deepening visitor engagement

- The travel and tourism industry can aim to promote lesser-known sites and attractions, reducing overcrowding in city centres.
- Schemes, such as a travel and tourism card that offers access to both well-known attractions and exclusive experiences at lesser-known sites can help propel visitors towards deeper engagement with cities.

### 2 Engaging residents in tourism policy

- Policymakers can benefit from the inclusion of local resident perspectives when shaping travel and tourism strategies. Conducting surveys of the resident population can help better align tourism development with the local community's needs and aspirations, helping to harness the benefits of travel and tourism, while maintaining liveability.

### 3 Balanced infrastructure development

- Policymakers can implement criteria for new projects that align with a city's vision of balanced growth to ensure that infrastructure development spurred by burgeoning travel and tourism preserves the quality of life for residents.
- Bruges' decision to pause the development of visitor accommodation in the city's centre is an example of how strategic infrastructure decisions can help preserve local heritage and historic ambience.

### Conservation nation: protecting nature, while keeping it accessible

The global biodiversity crisis underscores the need for policy response that can mitigate the negative impacts of visitors on environmental conservation. Policymakers in our survey highlight a number of interventions as potentially highly effective in reducing the impact on local ecosystems, both on the business and the consumer side. Limiting the opportunity for environmental damage through tourism taxes and fees (with revenues allocated to environmental protection) and the establishment of national parks or protected areas are among those seen as most effective.

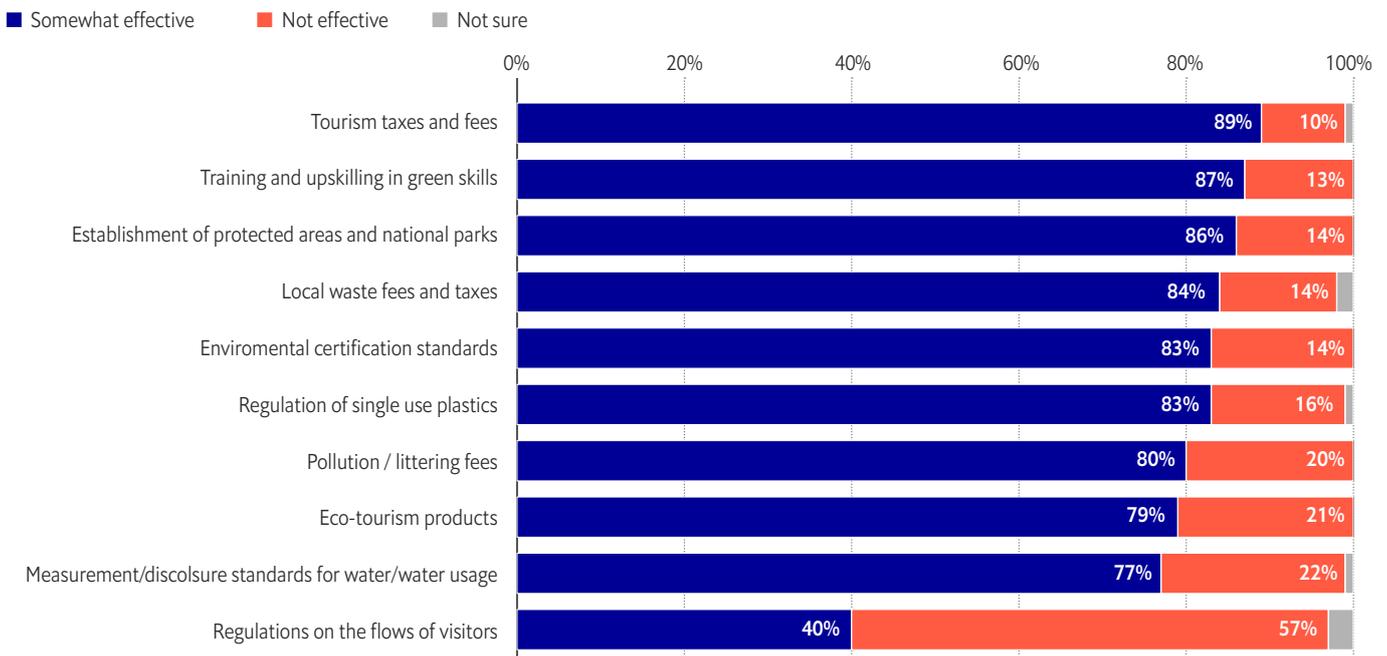
The establishment of national parks and protected areas can be a highly effective tool in conserving local biodiversity.<sup>272,273</sup> Protected areas can prevent the encroachment of disruptive activities and also provide employment for local communities, thus incentivising them to participate in conservation efforts.<sup>274</sup> Revenues from visitors' fees can fund further conservation initiatives.<sup>275</sup> Evidence from long-established systems, such as the US

National Park Service, suggests that national parks require national-level coordination, strong institutional underpinning and stakeholder engagement to be effective.<sup>276</sup> Public environmental awareness and education are also a critical part of a comprehensive strategy.

Environmental certification standards for local businesses can also help to foster practices that safeguard local biodiversity: 83% of policymakers surveyed agreed that these standards can be effective. These certification standards can help visitors identify more environmentally friendly products, incentivising businesses to reduce their environmental footprint.<sup>277</sup> However, to be effective, the certification standards need to be credible, understandable and tailored to the local context. Ms Zapata agrees: "In theory the certifications do support businesses to strive for better practices across their operations; however, they tend to fail if not adapted to the local context. For example, the sustainability certificate in the Seychelles did not work because it was relevant for big hotels but not for small businesses. Ultimately, certifications need to be adapted to the needs of the destination."

**Figure 33: Paint the town green**

Policymakers' views on effectiveness of policy options for improving environmental conservation



Source: Economist Impact policymaker survey, April 2023



The government has also made significant investments in creating Wildlife Protected Areas (WPAs) and has effectively developed a system of 27 national parks, which span the diverse ecological landscapes included within the country.<sup>293,294</sup> Importantly, the National Parks Service Act (Law No. 6.084 of 24 August 1977) placed restrictions on the construction of physical infrastructure in national parks to prevent detrimental effects on biodiversity and environmental conservation.<sup>295</sup>

### A global conservation champion

Costa Rica has become the principal champion of ecotourism in Central America.<sup>296</sup> This has directly benefitted local communities. The establishment of protected areas has been found to have reduced poverty amongst neighbouring Costa Rican communities by an estimated 16% between 1980 and 2000.<sup>297</sup> In the Manuel Antonio and the Monteverde regions, the tourism industry has enabled local residents to improve their education (for example, at a local ecotourism college) whilst creating new job opportunities and empowering women.<sup>298</sup>

With the imposition of park entry fees and the generation of alternative sources of income, the ecotourism sector has proven to be more financially lucrative in Costa Rica than environmentally harmful activities such as agriculture, cattle grazing, logging and mass tourism.<sup>299,300</sup> In the Osa Peninsula, ecotourism has been found to “offer local residents higher incomes—nearly double the earnings per month—than other employment opportunities”, as well as addressing disparities in access to education, jobs and job training.<sup>301</sup>

Meanwhile, government efforts have brought the country to the forefront of the fight against deforestation.<sup>302</sup> The country has successfully reversed deforestation and restored forest cover through policies like the PES.<sup>303</sup> As such, in 2019, Costa Rica received the Champions of the Earth award, considered the highest environmental accolade awarded by the United Nations, for its commendable efforts towards the preservation of nature and the implementation of ambitious policies aimed at combating climate change.<sup>304</sup> In the same year, the tourism industry played a significant role in the country’s economy, generating US\$4.28bn in revenue, accounting for 6.6% of Costa Rica’s GDP.<sup>305</sup>

## Blue sky thinking: reforming transport and energy systems to address carbon emissions and air pollution

Policymakers in our survey identify decarbonisation of local transport and energy systems as the key levers for reducing carbon emissions and air pollution related to visitors. They see the promotion of public transport and e-mobility, and incentives for local renewable energy generation as the most effective tools. One area destinations can address directly is the electrification of public transport systems and procuring renewable energy to power electric transport systems. For instance, Madrid is the first major European city to achieve a 100% clean bus fleet, comprising buses running on compressed gas, hydrogen and electric power, with plans to reach 25% full electric buses by 2025.<sup>306</sup>

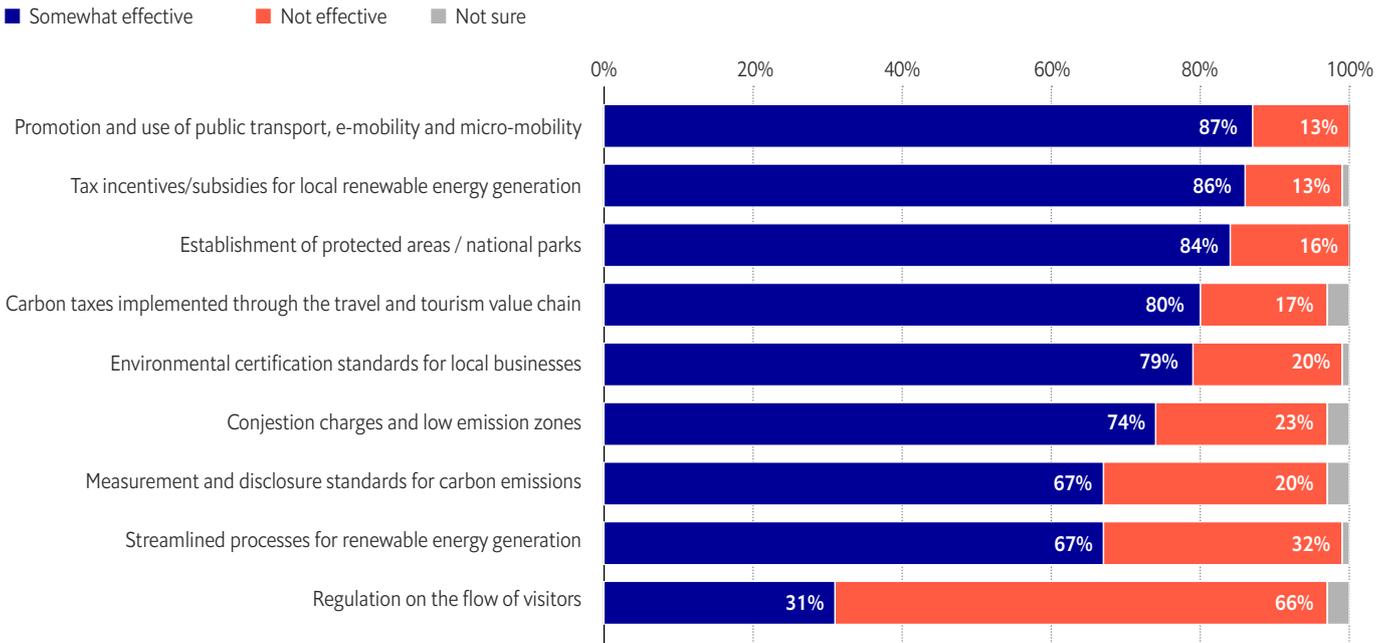
Cleaning up the local transport sector requires a multi-pronged approach to promote zero or low-emission alternatives, such as walking, cycling,

transit and electric vehicles. For instance, London championed the use of Ultra Low Emission Zones (ULEZ) and the installation of rapid-charging stations for electric vehicles (EVs) to discourage using highly polluting cars and vans.<sup>307</sup> Designing these interventions in a way that they ultimately do not discourage the movement of people, or disproportionately impact vulnerable populations, is key.

Decarbonising air travel—the most carbon-intensive form of transport—is a more challenging and slower process. Passenger caps that several airports imposed in the face of staff shortages can deprive cities of visitors and can have limited impacts on overall carbon emissions. Airport mandates for the use of sustainable aviation fuels (SAFs) is another popular and less disruptive option, but the effectiveness of these measures depends on their scale and ambition.<sup>308,309</sup> In either case, a broader national-level coordination and dialogue with the industry can help avoid economic losses and diversion of emissions to other airports.

**Figure 34: Breathe freely**

Policymakers' views on effectiveness of policy options for tackling carbon emissions and air quality



Source: Economist Impact policymaker survey, April 2023

Decarbonising energy systems also requires national-level interventions and coordination, particularly in areas such as large-scale clean energy generation and carbon pricing. National and regional carbon taxes and cap and trade mechanisms are increasingly popular around the world.<sup>310</sup> Local interventions can also contribute, particularly through smaller-scale renewable energy generation, in addition to building energy regulations and mandatory standards.<sup>311</sup> Finally, initiatives to develop green skills among local workers and businesses play an increasing role in countries' and cities' decarbonisation strategies.

The key challenge for most of these interventions, however, is their potential cost. When given the opportunity to select 15 different barriers to implementing policies for

managing the impacts of visitors, policymakers in our survey identified high investment costs as the key challenge. Similar to nature protection, this is where involving the private sector—through investment promotion, industry-government dialogues or explicit PPPs—can play a vital role. For example, the Chilean Ministry of Energy's Public Solar Roof Programme targets private sector partners to collaborate in the installation of solar panels on public buildings across the country.<sup>312</sup> In doing so, the programme aims to stimulate the market for rooftop solar energy solutions and develop technical and institutional capacities for expanding solar energy production. This has already resulted in a reduction in the price of solar systems from US\$4.5/W to US\$1.31/W in less than two years.<sup>313</sup>



## SOUTH AFRICA



## BETTER TOGETHER! SOUTH AFRICA'S PUBLIC-PRIVATE PARTNERSHIP FOR NATURE

### A tourist sector threatened by environmental degradation

As the third most biologically diverse country in the world, South Africa's tourism industry has historically centred around the country's outstanding natural heritage.<sup>314</sup> However, poor management of this biodiversity throughout the twentieth century risked jeopardising the future of the country's tourism sector. The South African government's first White Paper on the Development and Promotion of Tourism (published in 1996) identified inadequate protection of the environment as one of the key constraints on development of the country's tourism industry.<sup>315</sup>

### Mobilising the private sector as custodians of South Africa's natural heritage

Central to South Africa's environmental strategy has been the establishment of a network of protected areas and reserves nationwide. The Protected Areas Act (2003) provided for the protection and conservation of ecologically viable areas, including both natural landscapes and seascapes.<sup>316</sup> The Act also established a dedicated conservation authority that is mandated to conserve, protect, control and manage national parks and other defined protected areas.<sup>317</sup> Furthermore, in 2008, the government published the National Protected Area Expansion Strategy, a 20-year strategy for expanding the network of protected areas to foster ecological sustainability and climate change adaptation.<sup>318</sup> Thanks to these measures, 9.2% of South Africa's land area has come under protection, including 19 National Parks, 42 Marine Parks and eight UNESCO World Heritage Sites.<sup>319</sup>

The South African government has also introduced initiatives to encourage private sector participation in environmental conservation. Privately-owned nature reserves are able to request inclusion in the Register of Protected Areas if they are engaged in management practices that ensure the conservation of local biodiversity. Once formally recognised in the Register, private reserves can obtain support from government agencies and conservation organisations.<sup>320</sup> The Income Tax Act (No. 58 of 1962) established tax incentives for businesses that invest in conservation and ecotourism initiatives, including a tax deduction for capital expenditure incurred in the establishment of a nature reserve or a game reserve.<sup>321</sup> Similarly, the Tourism Incentive Programme (TIP), managed by the National Department of Tourism, offers funding to businesses that promote ecotourism development and job creation.<sup>322</sup>

South Africa is also one of the few countries in the world to have a Biodiversity Act (Act 10 of 2004).<sup>323</sup> The Biodiversity



Act mandates the management and conservation of the country's biodiversity, including the preservation of species and ecosystems that warrant national protection. This is particularly crucial given the fact that South Africa contains three of the world's 34 biodiversity hotspots—the Maputaland-Pondoland-Albany Hotspot, the Cape Floristic Region and the Succulent Karoo.<sup>324</sup> South Africa's National Biodiversity Strategy and Action Plan (2015–2025) recognises that tourism relies heavily on biodiversity and ecosystem services and provides a strategic framework to strengthen the linkages between tourism and biodiversity conservation.<sup>325</sup>

### Maximising the economic benefits of protected areas

As a result of the interventions outlined above, South Africa's land-based protected areas grew by nearly 1.2m ha between 2015 and 2020, an 11.7% increase. This was a larger increase than the previous 15 years combined.<sup>326</sup> Given the importance of conservation to maintaining South Africa's tourism sector, this is not only beneficial from an environmental perspective, it also contributes to the country's GDP, employment, rural development and social wellbeing.<sup>327</sup> In South Africa, the tourism sector directly employed around 1.5m people in 2019, with a further 700,000 jobs supported indirectly.<sup>328</sup> The government now aims to increase these numbers to 2.3m direct jobs and 1.1m indirect jobs by 2030. To realise this goal, continued efforts to preserve nature will be crucial.<sup>329</sup>

Motivated by the above mentioned tax incentives and regulatory reforms, South Africa's private sector has played a leading role in managing the country's vibrant and diverse network of nature and game reserves. These reserves—such as the Sabi Sands Game Reserve—have become significant contributors to the country's economy and tourism industry. Besides contributing to the conservation of biodiversity and wildlife, private reserves are estimated to generate US\$408.7m a year and support 100,000 jobs.<sup>330</sup>

### **“Vacation, all I ever wanted. Vacation, had sustainably”: the rise of the responsible traveller**

As awareness of the human contribution to climate change and environmental degradation grows, consumers are increasingly seeking ways to reduce their footprint through more sustainable consumption choices.<sup>331</sup> When they travel, visitors are seeking more ethical and sustainable ways to engage with and empower local destinations and communities. This extends from being mindful about food waste and reducing single-use plastics to being more conscious about transportation options to and from destinations. A recent survey of travellers suggests that three-in-four want to travel more sustainably over the next 12 months.<sup>332</sup>

While travellers primarily consider environmental impacts, there is evidence of a shift towards exploring more sustainable cultural and economic impacts as well. A 2022 survey of 7,700 travellers across 11 geographies suggests that 43% of respondents consider respecting the culture and heritage of a local destination as a form of sustainable travel and 30% consider supporting local businesses and livelihoods as such.<sup>333</sup>

Travellers are increasingly making conscious choices when it comes to resource consumption—from water to energy to food usage—during overnight stays, and travel operators are increasingly supplying options to reduce resource use. Such options include providing locally sourced amenities, introducing water conservation measures and more efficient use of energy.<sup>334</sup> Appetite for authentic and local experiences that give better economic returns to destination communities is on the rise (see the Costa Rica case study on page 63). A growing number of travellers want to shift away from traditional mass tourism activities and prioritise fair and responsible travel products that provide more unique opportunities to engage with local communities.<sup>335</sup> The rise in eco-tourism and its expected double-digit growth rate over the next decade signals a growing demand for a more conscious type of travel.<sup>336</sup>

Translating this intent into action is still in its infancy and there are significant barriers to scaling sustainable travel. The lack of sustainable travel products within travel and tourism businesses' offerings remains a key obstacle. Sustainable products may be prevalent from an anecdotal perspective, but are not present at scale.<sup>337</sup> Travellers have not yet shown that they trust readily-available sustainable options. Following allegations of underdelivering on desired outcomes, solutions like carbon offsets have limited credibility among consumers.<sup>338</sup> Building that credibility will require developing and delivering products that are transparent, certified and verified.<sup>339</sup>

Finally, and fundamentally, sustainable travel solutions carry a higher cost. Evidence suggests that rental accommodation with a sustainable tourism label is associated with a price premium of 7-9%.<sup>340</sup> Other sectors within travel face much steeper premiums if sustainable solutions are scaled. The aviation industry—a key enabler for the tourism sector that is responsible for 2-3% of global carbon emissions<sup>341</sup>—has no immediate, price-competitive pathway to more sustainable alternatives. Sustainable aviation fuels, while a promising alternative to drastically reduce aviation carbon emissions,<sup>342</sup> are more expensive than traditional jet fuels and require significant amounts of additional capital expenditure from the supply side.<sup>343</sup>

According to a recent survey, two-in-five travellers believe the obligation to reduce the negative impact of travel should fall on governments, while almost an equal number (37%) believe it is a shared obligation among individuals, industry and the public sector.<sup>344</sup> Policymakers can provide better incentives for stakeholders along the value chain to introduce and promote more sustainable product offerings. Within the aviation sector, policy promoting production mandates and industry uptake of sustainable aviation fuels as well as investment incentives in alternative propulsion aviation technology is needed to provide travellers with more sustainable options. These frontier developments have the potential to drastically reduce carbon emissions associated with air travel in the medium to long term.<sup>345</sup>

# Taking the plunge: what can you do to help future-proof a destination?

The key to unlocking the full potential of travel and tourism lies not in isolation but in a balance of effective policy, industry initiatives and conscious visitor choices. Policies, strategies, new business models and good practices that work towards strengthening and supporting travel and tourism destinations in increasing their resilience are critical. The global pandemic highlighted the crucial benefits stemming from the flow of visitors and shifted the focus to resilience. Policymakers can work towards creating a

resilient environment that maximises the benefits of visitor inflows, while mitigating the potential harms that come in tandem. While the role of policy is indispensable, it is not standalone. To truly transform the challenges of travel and tourism into opportunities, it is also essential to harness the industry’s capacity for innovation and influence and visitors’ ability to steer that industry through conscious choices. What can you do?

**If you are...**

...a policymaker	...in the travel and tourism industry	...a visitor
<p>You are at the helm of shaping travel and tourism. Your role extends beyond regulation of the industry itself. You are the architects of the environment in which travel and tourism occurs, influencing how the sector both benefits and impacts the economy, nature and local communities.</p>	<p>You have a direct impact on how the sector evolves. The actions and decisions that you take can either exacerbate or alleviate the challenges associated with travel and tourism.</p>	<p>You are integral in shaping the impact of your overnight visits on the local economy, environment and communities. Do not merely be a consumer of the travel and tourism industry, be an active participant in its evolution.</p>
<p><b>Develop local capacity to harness the economic benefits of travel and tourism and minimise leakages.</b> Investing in local businesses and skills—through the creation of training and upskilling programmes, for example— can help build a robust and skilled workforce that meets the demands of the travel and tourism industry. Promoting the sourcing of local products can help retain the economic benefits of short-term people flows within the local community.</p> <p><i>To learn more: explore Bali’s investment in digital upskilling for tourism SMEs on page 21.</i></p>	<p><b>Work with other actors in the industry towards both increasing visitor spending and driving it into a wider range of local businesses.</b> This can create a more equitable distribution of tourism revenue, fostering healthy growth of local economies. Thinking through how to manage overcrowding by encouraging visitors to leave the city centre can be an effective tool.</p> <p><i>To learn more: explore how Bruges is encouraging visitors to explore more of the city on page 60.</i></p>	<p><b>Consciously choose to prioritise local businesses and products.</b> Being considerate consumers of local offerings not only minimises economic leakages, but can also enhance experience of the local culture. It improves the balance between visitors and residents. Whether residents receive economic benefits from travel and tourism significantly influences their perception and acceptance of visitors.</p> <p><i>To learn more: explore Kentucky’s strategy for promoting local businesses on page 54.</i></p>

If you are...

...a policymaker	...in the travel and tourism industry	...a visitor
<p>You are at the helm of shaping travel and tourism. Your role extends beyond regulation of the industry itself. You are the architects of the environment in which travel and tourism occurs, influencing how the sector both benefits and impacts the economy, nature and local communities.</p>	<p>You have a direct impact on how the sector evolves. The actions and decisions that you take can either exacerbate or alleviate the challenges associated with travel and tourism.</p>	<p>You are integral in shaping the impact of your overnight visits on the local economy, environment and communities. Do not merely be a consumer of the travel and tourism industry, be an active participant in its evolution.</p>
<p><b>Create separate market pools for residents and visitors to maintain housing affordability without limiting economic contribution.</b> The provision of subsidised housing for local communities can ensure affordable options for residents and prevent travel- and tourism-driven displacement and gentrification. If these policies make such accommodation available only to residents, they will not compromise the economic benefits of an open market for visitor accommodation.</p>	<p><b>Shape experiences that aim to enhance social causes like gender equity and cultural tolerance.</b> Engagement with visitors fosters increased cultural understanding and tolerance amongst local communities. Promoting activities that highlight cultural practices and diverse gender roles—like showcasing local, women-led businesses—can enrich the experience of visitors and residents alike.</p>	<p><b>Make (and demand) sustainable choices, particularly regarding transportation and accommodation.</b> Visitors’ mode of arrival and departure most significantly contributes to carbon emissions. Where feasible—such as for journeys where plane and train travel times are comparable—travellers can prioritise more eco-friendly alternatives. The rise in green certifications for accommodations provides visitors with the opportunity to make sustainable choices.</p>
<p><i>To learn more: explore Vienna’s long-term investment in social housing on page 56.</i></p>	<p><i>To learn more: explore the role that travel and tourism plays in women’s empowerment in Peru and across Latin America and the Caribbean on page 43.</i></p>	<p><i>To learn more: explore how 70% of hotel rooms in Copenhagen have achieved eco-certification and the increasing feasibility of booking sustainable accommodation on page 45.</i></p>
<p><b>Engage with local communities and understand how their everyday life can integrate with visitors to better balance the interests of residents and visitors.</b> Engaging with local communities through surveys or regular workshops can provide valuable insights into their needs and concerns regarding travel and tourism, and help develop policies that balance the interests of both groups. Undertaking this engagement helps create appropriate awareness and local regulations, all while making use of effective behavioural ‘nudges’ to guide visitor behaviour.</p>	<p><b>Promote richer and deeper visitor engagement.</b> Stakeholders including museums, galleries, tour guides and travel associations can promote experiences involving greater interaction with residents to improve appreciation of overnight visitors. Designing these experiences to encourage a sense of shared responsibility for preserving local culture and environment can contribute to a more sustainable travel and tourism landscape, while satisfying visitors and residents alike.</p>	<p><b>Engage with and respect the local culture and nature.</b> A more conscious approach to local traditions and heritage not only deepens visitors’ understanding and appreciation of the destination, but also fosters a positive interaction that contributes to the preservation and vibrant exchange of cultures. A conscious effort to respect the natural environment can ensure that the unique landscapes and biodiversity of the destination remain unspoilt for both residents and future visitors.</p>
<p><i>To learn more: explore how Bruges’ tourism strategy was informed by a survey of local residents on page 60.</i></p>	<p><i>To learn more: explore how Luang Prabang is supporting local residents and developers to ensure new build and restoration projects preserve the city’s unique architecture and heritage on page 36.</i></p>	<p><i>To learn more: explore how Costa Rica’s government has facilitated a tourism industry that respects the natural environment and allows tourists to appreciate it on page 63.</i></p>

# Appendix: Methodology note

## Quantitative approach: estimating the impact of overnight visits

### Framework

The first stage of the analysis uses econometric modelling to understand the strength and direction of the relationship between overnight visits and key **economic**, **social** and **environmental** variables.

Economist Impact selected a set of independent and dependent variables from a number of databases and national sources according to the following criteria:

- (i) coverage of **a large number of geographies** with data at appropriate **granularity**;
- (ii) coverage of **geographies across all five major regions** (Asia and the Pacific; Europe; Latin America and the Caribbean; Middle East and Africa; and North America);
- (iii) availability of **time series data**, allowing for panel modelling approaches.

Some indicators identified in the literature review were excluded from the regression analysis due to lack of availability of current and/or forecast data or suspected high endogeneity between the independent and dependent variables. Overall, 7 multivariate panel regressions were conducted for 50 destinations (38 cities and 12 non-urban geographies) around the world (see the selection criteria and the full list below). Additionally, we developed 4 multivariate panel regressions at a national level, using data for 100 countries. In both sets of models, we used data covering at least 10 years up to the latest available year. For most models we used data up to 2021 and included controls for the impact of the covid-19 pandemic in 2020 and 2021.

### Panel approach

The use of an econometric modelling approach allows for the effects of overnight visits on selected economic, social and environmental variables to be isolated from the effects of other factors through the use of control variables and geographic dummy variables.

A panel regression approach is used to develop the models. This approach assesses the relationship between overnight visits and each dependent variable of interest between the 50 geographies and across 5 regions over a time period (a minimum of 10 years where possible). It is worth noting that

while this approach allows us to assess variation both across countries and over time, data gaps in the availability of time series data limit the robustness of the analysis.

In the most basic form, the panel regression model used in the analysis can be expressed in the following form:

$$y_{i,t} = \alpha_0 + \beta_1 ONS_{i,t} + \beta_2 POP_{i,t} + \gamma_1 x_{i,t} + \delta_1 GEO_i + \delta_2 YEAR_t + \varepsilon_{i,t}$$

Where  $y_{i,t}$  is the dependent variable of interest (see economic, social and environmental indicators) for geography  $i$  at time  $t$ ;  $\alpha_0$  is a constant;  $ONS_{i,t}$  is the measure of travel-and-tourism-related overnight visits;  $POP_{i,t}$  is a measure of non-tourism-related people flows expressed in terms of population growth;  $x_{i,t}$  is a vector of control variables to account for variation in the dependent variable outside of changes in  $ONS$  and  $POP$ ;  $GEO_i$  is a set of fixed geographic and regional dummy variables;  $YEAR_t$  is a set of time period dummy variables; and  $\varepsilon_{i,t}$  is an error term capturing other factors influencing the variable of interest that are not explicitly captured in the model. In this model framework, the coefficients ( $\beta_1, \beta_2$ ) provide an estimate of the relationship between people flows and the dependent variables of interest.

We developed 11 regression models focusing on different dependent variables of interest across the economic, social and environmental categories. For each model, alternative model specifications were tested to identify the model with the best fit. Log transformations were introduced both on independent and dependent variables where applicable.

In addition to the main independent variables capturing people flows, a set of time-varying controls, captured by the vector  $x_p$ , specified above, were included to control for factors that vary with the dependent variables across the regression models. A set of additional independent variables was also added to the regression model to reduce model misspecification arising from omitted variable bias. Omitted variable bias occurs when a relevant variable that explains the variation of the dependent variable and is correlated with other independent variables in the model is omitted from the regression model. Factoring in the effects of other independent (or explanatory) variables that have explanatory power on the dependent variable and may be correlated with the main independent variable helps reduce bias in the estimated regression coefficients. The choice of additional independent regressors differs according to the main independent and dependent variable of investigation. These include among others the **quality of institutions** (corruption, political stability, government effectiveness) and **investment and macroeconomic environment**.

In addition to the variables above, we control for **differences across geographies** and time which impact on the observed levels for each independent variable through a set of fixed geographic time period dummy variables. This allows us to isolate the impacts of changes in overnight stays.

### Model specifications

Movements of people for reasons of business and travel and tourism are captured through the use of the following **independent variable** in panel regressions conducted at the destinations level:

- **Overnight visits:** expressed as the sum of domestic and international overnight visits, this variable captures the number of unique visitors to a specific geography. Overnight visits capture

travel-and-tourism-related people flows. Overnight visits data is sourced from *Oxford Economics Global City Travel Service* and is expressed in 000s. Additional data gaps for non-urban regions are collected from Eurostat and national statistical agencies.

In panel regressions conducted at the national level, the number of overnight visits is proxied through the following **independent variable**:

- **Number of international arrivals**: expressed as the sum of all incoming passenger traffic into a country in a given year. Number of international arrivals data is sourced from the UN World Tourism Organization and distributed through the World Bank International Tourism database.

**Dependent variables** are grouped as follows:

- **Economic indicators**: the analysis assesses the impact of overnight visits on measures of GDP growth, cost of living (proxied through rental prices) and employment.
  - **GDP growth**: measured using real GDP (constant US\$ billion, 2005 prices) data from Oxford Economics and national sources. Where GDP is expressed in local currency or nominal terms, appropriate conversions to real US\$ billion are made. These figures are used to calculate year-on-year changes in real GDP.
  - **Unemployment**: measured through unemployment rate data (as a share of labour force, ILO definition) using Oxford Economics data sources and complemented with ILO-collected country-level sources.
  - **Rental prices**: measured using the cost of a medium-sized, two-bed unfurnished apartment compiled by the EIU Cities Data Service. Values are expressed in local currency units (LCU) and are converted to US\$. These figures are used to calculate year-on-year changes in the cost of living.
- **Social Indicators**: the analysis assesses the impact of overnight visits on indicators that capture social outcomes. These are focused on income inequality, crime and gender inequality.
  - **Income inequality**: we measure income inequality using the gini coefficient (expressed as a number between 0 and 1) from 2thinknow data providers, the World Bank and national sources.
  - **Crime**: measured through the prevalence of homicides in destinations per 1,000 inhabitants, as a proxy for the prevalence of petty crimes. Data on overall homicides is sourced from the UN Office on Drugs and Crime data portal and converted on a per-capita basis using data from UN World Urbanization Prospects. Data gaps are addressed using national sources.
  - **Gender inequality**: measured through the World Economic Forum Global Gender Gap Report rating. Collected at the national level.
- **Environmental indicators**: the analysis assesses the impact of overnight visits on environmental emissions and measures of the effectiveness of transport infrastructure.
  - **Air quality**: measured through PM2.5 air pollution data provided by the Air Quality Open Data Platform and IQAir to measure air quality at a geography-specific level.

- **Domestic CO<sub>2</sub> emissions:** proxied through national-level carbon emissions (metric tons) as calculated by the International Energy Agency. National-level measurements are used over destination-specific CO<sub>2</sub> emissions due to data availability issues.
- **International air travel CO<sub>2</sub> emissions:** measured through annual CO<sub>2</sub> emissions related to commercial, freight and general aviation flights on both a territory and residence basis. The data is compiled by the OECD and includes International Civil Aviation Organization (ICAO) data. Data points are collected at the national level.
- **Biodiversity:** measured through the IUCN Red List Index, capturing trends in overall extinction risk for species, and used by governments to track their progress towards targets for reducing biodiversity loss.

To assess the relationship between people flows and economic, social and environmental indicators, we built a set of regressions using overnight visits as our key independent variable.

### Destination-level model specifications

No.	Outcome variable	Independent variables	Key data sources
1	GDP growth	<ul style="list-style-type: none"> <li>• <b>Overnight visits:</b> key variable of interest, measured through the sum of domestic and international overnight visits</li> <li>• <b>Population:</b> captures change in population, which influences the supply size of the destination's economy</li> <li>• <b>Trade openness:</b> measured through the sum of imports and exports as a % of GDP</li> <li>• <b>Rule of law:</b> acts as a proxy for institutional quality which may affect GDP</li> <li>• <b>Regional controls:</b> controls for region-specific effects that may affect GDP</li> <li>• <b>Regional interaction terms:</b> captures the region-specific effects of overnight visits on GDP growth</li> <li>• <b>Time controls:</b> controls for time-specific effects, such as financial crises and pandemics, that may affect GDP</li> </ul>	Oxford Economics, UN Population Division, World Bank
2	Rental prices	<ul style="list-style-type: none"> <li>• <b>Overnight visits:</b> key variable of interest, measured through the sum of domestic and international overnight visits</li> <li>• <b>GDP:</b> captures change in economic activity, which affects rental prices in the local economy</li> <li>• <b>Investment:</b> proxies gross fixed capital investment, expressed as a % of GDP</li> <li>• <b>Rule of law:</b> acts as a proxy for institutional quality which may affect rental prices</li> <li>• <b>Lending rates:</b> captures national lending rates which affect rental prices in the local economy</li> <li>• <b>Travel dependency dummy:</b> captures destinations that drive a large part of their economy from travel and tourism</li> <li>• <b>Regional controls:</b> controls for region-specific effects that may affect rental prices</li> <li>• <b>Time controls:</b> controls for time-specific effects, such as financial crises and pandemics, that may affect rental prices</li> </ul>	EIU, Oxford Economics, UN Population Division, World Bank

No.	Outcome variable	Independent variables	Key data sources
3	Unemployment rate	<ul style="list-style-type: none"> <li>• <b>Overnight visits:</b> key variable of interest, measured through the sum of domestic and international overnight visits</li> <li>• <b>Population:</b> captures change in population, which influences the supply size of the labour force</li> <li>• <b>GDP:</b> captures change in economic activity, which affects unemployment levels in the local economy</li> <li>• <b>Trade openness:</b> measured through the sum of imports and exports as a % of GDP</li> <li>• <b>Rule of law:</b> acts as a proxy for institutional quality which affects economic growth and unemployment levels</li> <li>• <b>Regional controls:</b> controls for region-specific effects that may affect unemployment</li> <li>• <b>Regional interaction terms:</b> captures the region-specific effects of overnight visits on unemployment</li> <li>• <b>Time controls:</b> controls for time-specific effects, such as financial crises and pandemics, that may affect unemployment</li> </ul>	Oxford Economics, UN Population Division, World Bank
4	Income inequality	<ul style="list-style-type: none"> <li>• <b>Overnight visits:</b> key variable of interest, measured through the sum of domestic and international overnight visits</li> <li>• <b>GDP:</b> captures change in economic activity, which affects the income inequality in a destination</li> <li>• <b>Population:</b> captures change in population, which influences the supply size of the labour force and in turn the air quality of the local geography</li> <li>• <b>Unemployment:</b> captures the level of unemployment in an economy, which affects income distribution</li> <li>• <b>Political stability:</b> captures changes in national political stability which affect inequality levels in an economy</li> <li>• <b>Not in employment, education or training (NEET):</b> captures the number of inactive youth in the economy</li> <li>• <b>Travel dependency dummy:</b> captures destinations that drive a large part of their economy from travel and tourism</li> <li>• <b>Regional controls:</b> controls for region-specific effects that may affect income inequality</li> <li>• <b>Time controls:</b> controls for time-specific effects, such as financial crises and pandemics, that may affect income inequality</li> </ul>	2thinknow, Oxford Economics, UN Population Division, World Bank, OECD
5	Prevalence of crime	<ul style="list-style-type: none"> <li>• <b>Overnight visits:</b> key variable of interest, measured through the sum of domestic and international overnight visits</li> <li>• <b>GDP:</b> captures change in economic activity, which affects the level of crime in a destination</li> <li>• <b>Gini index:</b> captures the levels of relative inequality between highest earners and the lowest earners in an economy</li> <li>• <b>Political stability:</b> captures changes in national political stability which affect crime levels in an economy</li> <li>• <b>Not in employment, education or training (NEET):</b> captures the number of inactive youth in the economy</li> <li>• <b>Unemployment:</b> captures the level of unemployment in an economy, which affects levels of crime</li> <li>• <b>Regional controls:</b> controls for region-specific effects that may affect rental prices</li> <li>• <b>Time controls:</b> controls for time specific effects, like financial crises and pandemics, that may affect crime levels</li> </ul>	UNODC, Oxford Economics, UN Population Division, World Bank.

No.	Outcome variable	Independent variables	Key data sources
6	Air quality	<ul style="list-style-type: none"> <li>• <b>Overnight visits:</b> key variable of interest, measured through the sum of domestic and international overnight visits</li> <li>• <b>GDP:</b> captures change in economic activity, which affects the air quality levels in a destination</li> <li>• <b>Population:</b> captures change in population, which influences the supply size of the labour force and in turn the air quality of the local geography</li> <li>• <b>Renewable energy mix:</b> captures the proportion of total energy consumed that is generated from renewable sources</li> <li>• <b>Regulatory quality:</b> acts as a proxy for environmental regulations</li> <li>• <b>Regional controls:</b> controls for region-specific effects that may affect air quality</li> <li>• <b>Time controls:</b> controls for time-specific effects, such as financial crises and pandemics, that may affect air quality</li> </ul>	Air Quality Open Data Platform, IQ Air, EIU, Oxford Economics, United Nations Population Division, World Bank
7	Carbon emissions	<ul style="list-style-type: none"> <li>• <b>Overnight visits:</b> key variable of interest, measured through the sum of domestic and international overnight visits</li> <li>• <b>GDP:</b> captures change in economic activity, which affects the levels of carbon emissions in a destination</li> <li>• <b>Population:</b> captures change in population, which influences the supply size of the labour force and in turn the carbon intensity of the local geography</li> <li>• <b>Renewable energy mix:</b> captures the proportion of total energy consumed that is generated from renewable sources</li> <li>• <b>Regulatory quality:</b> acts as a proxy for environmental regulations</li> <li>• <b>Regional controls:</b> controls for region-specific effects that may affect carbon emissions</li> <li>• <b>Regional interaction terms:</b> captures the region-specific effects of overnight visits on carbon emissions</li> <li>• <b>Time controls:</b> controls for time-specific effects, like financial crises and pandemics, that may affect carbon emissions</li> </ul>	EIU, Oxford Economics, Population Division, World Bank

Models 1, 2 and 3 provide an assessment of the impact of overnight visits on economic outcomes, models 4 and 5 on social outcomes, and models 6 and 7 on environmental outcomes. Our 7 core models assess impacts at the destination-specific level, while our additional 4 models assess impacts at the national level.

### National-level model specifications

No.	Outcome variable	Independent variables	Key data sources
8	Gender inequality	<ul style="list-style-type: none"> <li>• <b>International arrivals:</b> captures the number of international visitors to a country</li> <li>• <b>Population:</b> captures change in population, which influences the supply size of the labour force</li> <li>• <b>GDP:</b> captures change in national economic activity</li> </ul>	WEF, World Bank, UN Population Division, EIU

No.	Outcome variable	Independent variables	Key data sources
9	Total CO <sub>2</sub> emissions	<ul style="list-style-type: none"> <li>• <b>International arrivals:</b> captures the number of international visitors to a country</li> <li>• <b>Population:</b> captures change in population, which influences the supply size of the labour force</li> <li>• <b>GDP:</b> captures change in economic activity, which affects the levels of carbon emissions in a destination</li> <li>• <b>Renewable energy mix:</b> captures the proportion of total energy consumed that is generated from renewable sources</li> <li>• <b>Regulatory quality:</b> acts as a proxy for environmental regulations</li> </ul>	IEA, World Bank, UN Population Division, EIU
10	International air travel CO <sub>2</sub> emissions	<ul style="list-style-type: none"> <li>• <b>International arrivals:</b> captures the number of international visitors to a country</li> <li>• <b>Population:</b> captures change in population, which influences the supply size of the labour force</li> <li>• <b>GDP:</b> captures change in economic activity, which affects the levels of carbon emissions in a destination</li> </ul>	OECD, World Bank, UN Population Division, EIU
11	Biodiversity	<ul style="list-style-type: none"> <li>• <b>International arrivals:</b> captures the number of international visitors to a country</li> <li>• <b>Population:</b> captures change in population, which influences the supply size of the labour force</li> <li>• <b>Trade openness:</b> measured through the sum of imports and exports as a % of GDP</li> <li>• <b>GDP:</b> captures change in economic activity, which affects the levels environmental protection in a country</li> <li>• <b>Agricultural land:</b> captures the quantity of national agricultural land, which influences the levels of natural asset conservation</li> </ul>	IUCN, UN Population Division, World Bank, EIU

### Scenario analysis

The coefficient results from the regression models discussed above are used to develop a set of scenarios to model the impact of total overnight visits on economic, social and environmental outcomes in 2030 across five regions. Our scenario development focuses on three total visits trajectories:

- **Baseline growth trajectory** (based on existing total visits forecasts provided by the Oxford Economics Tourism Economics database, where available) – following a strong rebound in total visits in 2022 and 2023, total visits will recover in 2024 and return in line with the 2019 pre-covid-19 growth trends (2–4% year-on-year growth, based on 2022–30 CAGR).
- **Scenario 1: Accelerated growth trajectory** – following higher-than-expected global growth and decrease in transport costs, and after a strong rebound in total visits in 2022, total visits will recover in 2023 compared with pre-pandemic levels and will stabilise above pre-covid-19 trends (10% year-on-year growth).

- **Scenario 2: Subdued growth trajectory** – tarnished by a slower-than-expected economic recovery, rising transport costs and a lower share of business travel, the return to pre-pandemic levels will happen in 2025 or later, and will stabilise below pre-covid-19 trends (5% year-on-year growth).

The magnitude of the change in overnight visits under these scenarios is based on findings from the literature review and the expert interview programme. The scenarios assess the deviation from the baseline forecast based on a percentage change in overnight visits by applying the regression coefficients to the baseline values.

The difference in outcomes between the baseline forecasts and the optimistic/pessimistic scenarios provides an estimate of the impact of changes in overnight visits across the selected destinations considered in this study. The baseline forecasts of the key outcomes (eg, GDP) are based on existing projections or historical trends. Where applicable, region-specific coefficients from the regression models described above are then applied to measure the changes in optimistic and pessimistic scenarios, reflecting the regional differences.

### Limitations of the quantitative analysis

The approach taken faces a series of challenges and limitations. The models outlined in the previous section rely on a set of simplified assumptions and choices that may influence the results of the analysis.

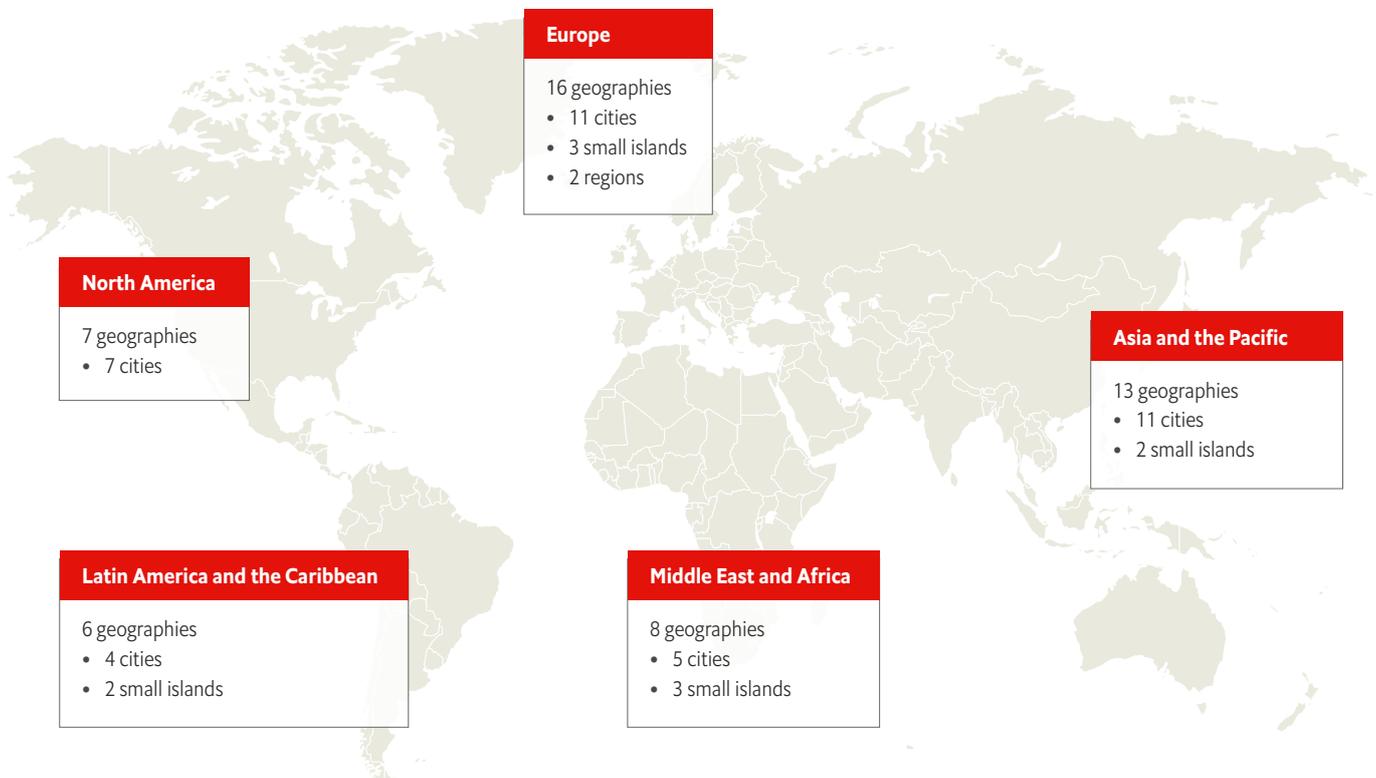
- **Data availability:** a key limitation encountered is the lack of availability of data, particularly the lack of comparable and consistent time-series data at the city and non-urban levels. To overcome this, Economist Impact sourced city-level datasets from established data providers and addressed any additional data gaps by undertaking ad hoc research into national data sources. Furthermore, we used linear interpolation techniques to address additional data gaps in the time series. The latter adjustments can potentially introduce a degree of measurement error in the analysis and may bias the coefficients of the regression models.
- **Robustness of econometric specification:** there are a number of challenges associated with panel regression models. These include **reverse causality** and **omitted variable bias**. Regression approaches using panel data frequently suffer from biases due to reverse causality. For example, people flows may be driven by economic growth, rather than driving economic growth. The omission of variables in the model specification that are related to both the independent and dependent variables may also bias the model results. Consequently, it is not firmly inferred that the estimated relationships are causal in nature, or whether they indicate a mere correlation or covariance.
- **Scenario analysis results:** the development of the baseline and alternative future scenarios relies on forecasts for future values of our independent and dependent variables. Where external forecasts for certain variables are unavailable, we derived our own forecasts based on a set of assumptions. Reliance on these assumptions may bias the outputs of our model.
- **Regional and destination-specific travel trends:** while the models did attempt to mitigate any differences in destination-specific effects – through controlling for a series of variables including the quality of institutions (rule of law, political stability, government effectiveness), investment and macroeconomic environment, population growth and geography type (city, non-urban destination) – the global scope of the dataset implies that regional and geography-specific trends in the local travel market may not have been fully captured in this region. Further micro-level research into individual or small groupings of similar destinations is needed to fully understand these trends.

## Geographic selection

The selection of geographies was informed by the following considerations:

- (i) **Data availability:** the geographic selection is contingent on data availability. The research focuses on a sample of geographies that have sufficient data available to conduct panel regression analysis (described below).
- (ii) **Global reach:** geographies are selected across all five major regions (Asia and the Pacific; Europe; Latin America and the Caribbean; Middle East and Africa; and North America) to ensure regional representation and global scope of the research.
- (iii) **Urban/non-urban coverage:** geographies considered are a mix of urban and non-urban (rural) areas. This is to capture the different impacts of overnight visits on urban agglomeration and rural area destinations.
- (iv) **Global relevance:** geographies that are of global relevance have been considered in this study. We used publications, such as the *EIU Liveability Index*, *EIU Safe City Index*, *Kearney Global Cities Index*, *Mori-M Foundation Global City Power Index*, and others to inform this selection.

### Summary of geographic selection\*



\*Please note that the following 8 destination geographies from 4 regions have been added to the GDP and cost of living models to ensure robustness of the underlying relationships: Abu Dhabi, Athens, Budapest, Colombo, Doha, Prague, Rio de Janeiro, San José.

Asia and the Pacific	Europe	Latin America and the Caribbean	Middle East and Africa	North America
Bangkok	Adriatic Croatia	Bahamas	Cabo Verde	Chicago
Fiji	Amsterdam	Bogotá	Cairo	Miami
Hong Kong	Barcelona	Buenos Aires	Dubai	New York
Jakarta	Berlin	Mexico City	Johannesburg	San Francisco
Kuala Lumpur	Brussels	São Paulo	Lagos	Toronto
Maldives	Canary Islands	Trinidad and Tobago	Mauritius	Vancouver
Melbourne	Cyprus		Seychelles	Washington, DC
Mumbai	Istanbul		Tel Aviv	
Seoul	Lisbon			
Shanghai	London			
Singapore	Madrid			
Sydney	Malta			
Tokyo	Paris			
	Rome			
	Tuscany			
	Vienna			

## Qualitative approach: consumer, executive and policymaker surveys

### Population survey

Economist Impact undertook a consumer survey of the general population regarding attitudes towards and perceptions of travel. Survey specifications are as follows:

- **Sample size:** 4,800
- **Geography** (respondent location): UK, US, Germany, France, China, India, Brazil, Mexico, UAE, Nigeria, South Africa and Singapore.
- **Screeners:** 18+ respondent age
- **Methodology:** online only

### Executive and policymaker surveys

Economist Impact conducted two surveys on policies to mitigate the negative effects of travel and tourism as well as on policies to maximise the positive effects of travel and tourism. Survey specifications for the two groups (policymakers and travel industry executives) are as follows:

#### Policymaker survey:

- **Sample size:** 150
- **Geography** (respondent location): 50 from APAC (Australia, India, Singapore), Europe (Germany and UK) and US
- **Seniority:** Senior manager and above
- **Sector:** Government (national and local level)
- **Screeners:** Do you work in a policy area that could have implications for the travel and tourism sector (eg, tourism, finance, economic development, transport, environment)
- **Methodology:** Computer-assisted telephone interview (CATI) and online

#### Executive survey:

- **Sample size:** 450
- **Geography** (respondent location): 100 from APAC (Australia, India, Singapore), Europe (Germany and UK) and US, and 50 each from Africa, Latin America and Middle East
- **Seniority:** Director + with at least 25% C-suite
- **Sector:** Travel and tourism
- **Company size:** 10+ employees, with at least 50% with around 250 employees
- **Screeners:** Do you have a role in setting your organisation's strategy?

### Global workshops

Economist Impact hosted seven global events in Madrid, Brussels, Singapore, Washington DC, São Paulo, Johannesburg and Dubai convening global travel and tourism experts, industry executives and policymakers. The sessions provided feedback and recommendations to the different stages of the research process from methodology development, to result validation. See below for the list of all workshop participants.

## Workshop participants

Name	Institution	Name	Institution
Alessandra Priente	UNWTO	Gergana Nikolova	Adventure Travel Trade Association
Amit Khndelway	Emirates	Gillian Saunders	South Africa
Amit Nayak	Hospitality Asset Managers Association	Gracen Chungath	Destination Canada
Andrew Cameron	ACCOR	Graham Wood	Sun International
Armando Peres	OECD Tourism Committee of Paris	Guy Hutchinson	Rotana
Bob Provost	New York State Tourism Industry Association	Herika Miralha	Invest SP
Bonita Mutoni	East Africa Tourism Platform	Ines Delgado	Turismo de Portugal Delegation
Brent A. Robinson	Biden-Harris Administration	Isabel Hill	US Department of Commerce
Bruno Kazuhiro	State Government of Rio de Janeiro	Isabel Oliver	UNWTO
Bryanne Tait	Jumeriah Hotels and Resorts	Isabell Büschel	European Federation for Transport & Environment
Caragh Curran	Sustainable Tourism Consultants	Javier Gandara	easyjet
Catherine Prather	National Tour Association	Jeff Strachan	Dubai Economy and Tourism
Cevat Tosun	George Washington University	Jeffrey Goh	Star Alliance
Christopher L. Thompson	Brand USA	Jennifer Aguinaga	US Department of Commerce
Cinzia De Marzo	EU Climate Pact Ambassador	José María Vera Villacia	UNICEF Spain
Daniel Martinez	Madrid Council	Kevin Carey	American Hotel & Lodging Association
Daniel Mes	European Commission	Kevin Phun	The Centre for Responsible Tourism Singapore
Dorota Tomalak	European Committee of the Regions	Khangi Khoza	Swissport South Africa
Dr Ngwako Sefoko	Department of Tourism, Government of South Africa	Kulpramote Wannalert	Royal Thai Embassy
Duncan Walker	US Embassy Pretoria	Kwee Wei-Lin	Singapore Hotel Association
Eleni Skarveli	Greek National Tourism Organisation - UK & Ireland Office	Lars Mosdorf	Dusseldorf Airport
Eric Philippart	European Commission	Laurent Donceel	A4E
Eva Ramos	Environment agency Abu Dhabi	Leandro Franco	State Government of São Paulo
Ewout Versloot	Netherlands Board of Tourism & Conventions (NBTC)	Leandro Serino	Aerolineas Argentina
Fazal Bahardeen	CrescentRating	Lee-Anne Bac	BDO South Africa
Fernando Tanaka	Tourism Council, Envision Tecnologia	Lindsay Morvan	The Mauritius Tourism Authority
Geoff Freeman	US Travel Association	Liz Ortiguera	Pacific Asia Travel Association
Georgina Ryan	National Treasury of South Africa	Lorenzo Casullo	Ricardo Energy and Environment
Gerald Ng	Changi Airport Group	Lucia Bellocchio	Trend Smart Cities
		Luciane Leite	State Government of São Paulo

Name	Institution	Name	Institution
Luigi Cabrini	Global Sustainable Tourism Council	Patrick Bontinck	VisitBrussels
Lynn Osmond	Choose Chicago	Pau Solanilla	Barcelona City Council
Marco Vilas Boas	Associação Brasileira da Indústria de Hotéis (ABIH)	Quentin Fouesnant	Fiscal Note ESG Solutions
Mariana Aldrigui	World Travel Market Latin America, Tourism Council and Fecomercio SP	Rafael Coloma Ojeda	Ministry for Industry, Trade and Tourism, Spain
Mariana C. Malufe Spignardi	State Government of São Paulo	Rafael Schwartzman	IATA
Marty St. George	LATAM Airlines	Raul Sanchez Fernández-Bernal	Las Rozas Innova
Matt Brown	Expo City Dubai	Rita McClennay	Virginia Tourism Corporation
Matthew Boyse	US Department of State	Rubén Leonor	Renfe
Matthias Albrecht	Switzerland Tourism	Sergio Guerreiro	Turismo de Portugal
Max Zeumer	Flixbus	Shawn Loh	Singapore Economic Development Board
Mayor John Hamilton	City of Bloomington Indiana	Sheldon Scott	Eaton Workshop
Meredith Beaujean	Marina Bay Sands	Sofia Zacharaki	Greece
Miguel Galmes Schwarz	TUI	Soza Sydney Simango	Department of Tourism, Government of South Africa
Milena Nikolova	BehaviorSMART	Sven Wiltink	Radisson Hotel Group
Munthir M Al-ansari	Ministry of Tourism Saudi Arabia	Szue Hann Tan	Keppel Land
Nabil Najjar	Wiltshire Council, UK	Teresa Parejo	Iberia
Nadia Kaddouri	Swissport International	Theresa Belpulsi	Destination DC
Nataliey Bitature	The Simba Group	Veronica Pamio	Aeroporti di Roma S.p.A.
Nicolás Casasfranco	Procolombia	Walid Ibrahim Al Rahmani	General Civil Aviation Authority, UAE
Nils Persson	Visit Sweden	William Costley	Minor Hotels
Omar Eltahry	Wasl	Zoritsa Urosevic	UN World Tourism Organization
Paloma Zapata	Sustainable Travel International		

# Endnotes

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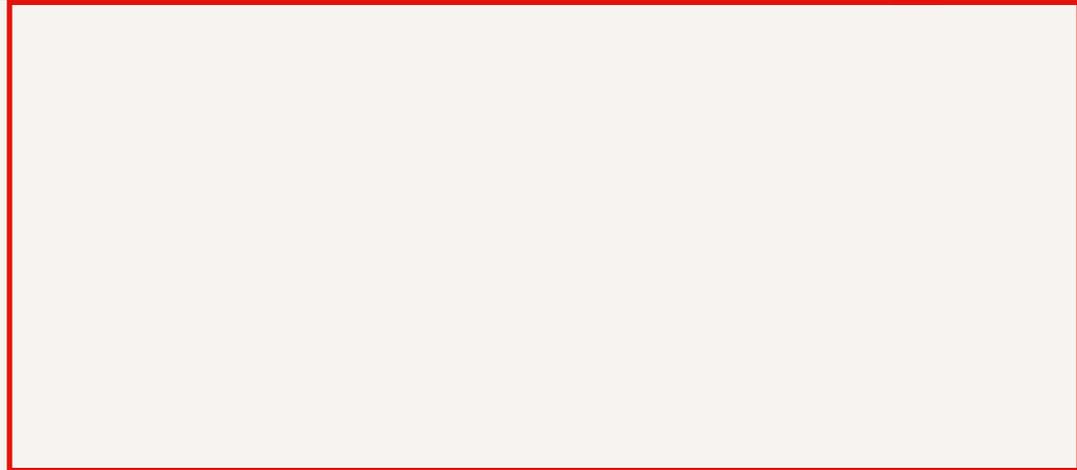
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