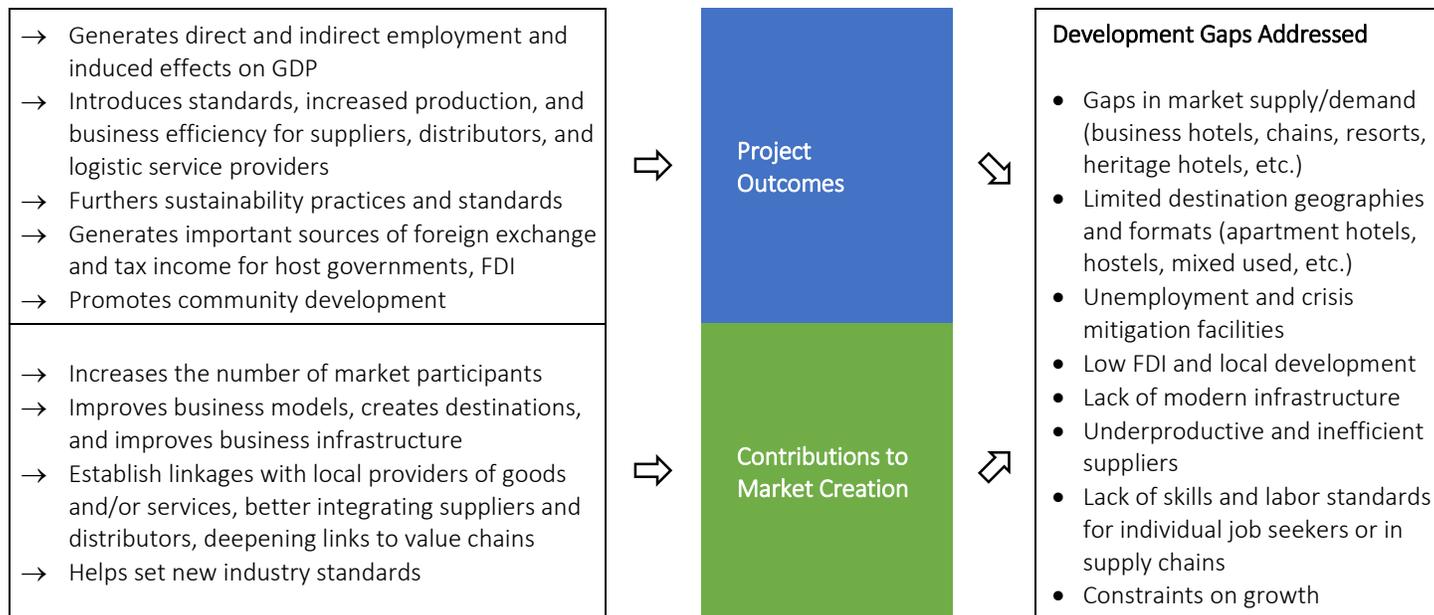


Development Impact Thesis – Tourism is highly labor intensive, facilitates the development of new infrastructure, revitalizes cities and historic sites, and can contribute to international understanding. The sector has a cross-cutting potential to enhance the lives of those living in existing and emerging destinations. IFC provides financing and advisory services in the tourism sector which:



Rating Construct – All AIMM sector frameworks include detailed guidance notes that help define project outcomes and contributions to market creation, aggregating to an overall assessment of development impact.

- For project outcomes, stakeholders, economy-wide, and environmental effects are the key components for which industry-specific benchmarks define the context in which an IFC operation seeks to drive changes. This gap analysis is combined with a separate set of impact intensity estimates that specify the expected results using predefined indicators.
- For contributions to market creation, industry-specific market typologies define stages of development for five market attributes (or objectives): competitiveness, resilience, integration, inclusiveness, and sustainability. These market typologies, when combined with estimates of how much an intervention affects the development of a market attribute, provide the foundation for IFC’s assessment of an intervention’s market-level potential for delivering systemic changes.

PROJECT OUTCOME INDICATORS		CONTRIBUTION TO MARKET CREATION INDICATORS	
Stakeholders	<u>Effects on employees</u> <ul style="list-style-type: none"> • Training – training hours (#) • Wages – wage premium and benefits (\$) 	Competitiveness	<ul style="list-style-type: none"> • Changes in market structure (number of competitors) • Changes in standards and quality of existing competitors
	<u>Effects on suppliers</u> <ul style="list-style-type: none"> • Purchases from domestic suppliers (\$M) • Number of suppliers (#) • Training – suppliers acquire new technology (Y/N), suppliers acquire new quality certifications (Y/N), training outlays (\$) 	Resilience	<ul style="list-style-type: none"> • Attraction of different groups and types of tourists • Increased resilience in hotel infrastructure for shocks (e.g. climate, or other localized shocks)
	<u>Effects on community</u> <ul style="list-style-type: none"> • Gender parity • Government revenues • Community social responsibility (CSR) activities 	Integration	<ul style="list-style-type: none"> • Changes in quality standards and certifications in local supply chains • Change in geographical or sectoral reach of supply chains • Change in foreign currency inflows, foreign tourists • Greater availability of finance to sector • Change in business infrastructure or business-related services • Enabling new destinations for leisure tourism and business hubs
Economy-wide	<ul style="list-style-type: none"> • Value-added multiplier • Direct jobs created • Employment multiplier 	Inclusiveness	<ul style="list-style-type: none"> • Adoption of inclusive business models • Adoption of business models and practices or enhanced skills that improve productivity of underserved groups • Reduction in male/female wage differential • Adoption of practices that reduce rural/urban wage differentials
Environ-mental / Social	<ul style="list-style-type: none"> • Water savings/ conservation • Energy savings and remissions reductions 	Sustainability	<ul style="list-style-type: none"> • Adoption of sustainability practices (ESG, climate) relevant to industry/destinations • Changes in strength of legal and regulatory framework related to sustainability issues • Sufficient skills and local service providers to support firms

IFC’s Environmental and Social Performance Standards define IFC clients’ responsibilities for managing their environmental and social risks. While for most IFC investments, meeting Performance Standards reflects improved environmental and social performance, effects from implementation of the standards are only claimed in the AIMM framework where a clear counterfactual can be established and where the investment intent is to improve environmental or social outcomes.

Sector Specific Principles or Issues – The following principles will be applied for projects rated under this framework:

Principle or Issue	Treatment Under Framework
Access	Tourism projects generate effects that are difficult to measure ex-ante, require research beyond the sponsor’s available information, and are qualitative. Those effects can be significant and larger than effects directly related to the hotel’s operations ¹ . Despite the challenge in quantifying those effects it is important to take them into account for a full picture of a tourism project’s impact. While access to a service, good, or other is an important effect for most sectors, the IFC’s AIMM tourism framework only considers access as an impact for investments in business hotels. Consumers become a relevant stakeholder when the project allows for enhanced business infrastructure. In the case of leisure hotels, consumers are not considered a relevant stakeholder group under AIMM.
Indirect and induced effects	A significant aspect of a hotel’s impact is indirect, induced, and related effects of the hotel on GDP beyond its own operations. These effects are triggered by supply chain activity and spending of wages of direct and indirect employees. While assessing the effect of a hotel project, IFC, when possible, estimates those effects which can often be larger than direct effects. This is challenging to do ex-ante: at the time of IFC’s investment, the hotels are usually not yet operational, and the sponsor will have very limited information related to their expected supply chain to arrive at an estimation of effects. IFC has evaluated several case studies and continuously builds on them to estimate effects ex-post. This gives IFC an idea of the extent of this effect for different types of hotels, in different locations, and can inform the ex-ante assessment of some projects.
Guest expenditure	Hotels enable further expenditure in the local economy to the extent that guests consume goods and services outside of the hotel, which in turn supports additional economic activity. Industries that tend to benefit most include restaurants, retail, recreational and leisure services, and transport services. Data constraints make it challenging to produce precise estimates of this expenditure. While assessing the impact of an IFC project, it is challenging, and often impossible to get enough data to arrive at estimates. An IFC and Oxford Economics study from 2015 shows that this can be a significant effect and that the extend of this effect will vary based on type, segment, and geography of the hotel. IFC is engaging in additional research on the matter to inform AIMM assessments.
Qualitative effects	A significant portion of a hotel’s impact can be qualitative, which is challenging to capture within the AIMM framework. It is important that these effects are captured in the AIMM narrative despite their qualitative nature, to reflect the full expected effects of a project accurately.

Project Outcomes – The AIMM system considers the extent of the development gap and uses a gap analysis to classify project contexts according to the size of the deficit/gap being addressed. For each indicator, the size of the gap is measured in relation to development goals associated with the sector. Contexts are classified into very large, large, medium or low gap, for each performance dimension. Development gaps are defined using a combination of qualitative and quantitative benchmarks, which leaves room to consider context-specific attributes that drive investments in the sector.

COUNTRY CONTEXT	Low Gap	Medium Gap	Large Gap	Very Large Gap
Employees <ul style="list-style-type: none"> • Unemployment rate • Share of informal employment • Education constraints • Youth unemployment • Female management • Women employment 	<ul style="list-style-type: none"> – Country indicator >1 STD below EM median for: unemployment rate, share of informal employment, share of firms identifying education as major constraint, youth unemployment rate – Share of firms with female top manager, share women in non-agriculture wage employment >1 STD above EM median 	<ul style="list-style-type: none"> – Country indicator within 1 STD of EM median for: unemployment rate, share of informal employment, share of firms identifying education as major constraint, youth unemployment rate – Share of firms with female top manager, share women in non-agriculture wage employment within 1 STD of EM median 	<ul style="list-style-type: none"> – Country indicator >1 STD above EM median for: unemployment rate, share of informal employment, share of firms identifying education as major constraint, youth unemployment rate – Share of firms with female top manager, share women in non-agriculture wage employment <1 STD below EM median 	<ul style="list-style-type: none"> – Country indicator >2 STD above EM median for: unemployment rate, share of informal employment, share of firms identifying education as major constraint, youth unemployment rate – Share of firms with female top manager, share women in non-agriculture wage employment <2 STD below EM median

¹ There may also be environmental and social risk from tourism development. These risks are addressed through IFC’s Performance Standards.

COUNTRY CONTEXT	Low Gap	Medium Gap	Large Gap	Very Large Gap
Suppliers <ul style="list-style-type: none"> Share inputs of foreign origin Skills levels Competitors 	<ul style="list-style-type: none"> % intermediate goods domestically produced >1 STD above EM median Skill level of local workforce compared to other regions (qualitative) Competitors (qualitative) 	<ul style="list-style-type: none"> % intermediate goods domestically produced within 1 STD of EM median Skill level of local workforce compared to other regions (qualitative) Competitors (qualitative) 	<ul style="list-style-type: none"> % intermediate goods domestically produced >1 STD below EM median Skill level of local workforce compared to other regions (qualitative) Competitors (qualitative) 	<ul style="list-style-type: none"> % intermediate goods domestically produced >2 STD below EM median Skill level of local workforce compared to other regions (qualitative) Competitors (qualitative)

“Core outcomes” are defined as the main and most typical outcomes seen in projects within a sector. Core outcomes are expected to be seen in most projects within the sector and are central to the theory of change. For the tourism sector, core outcomes are stakeholder effects on employees and suppliers. Non-core outcomes include effects on gender parity, government revenues, community social responsibility (CSR) activities, economy-wide effects, and environmental effects.

An IFC operation’s project-level impact is assessed based on the magnitude of its impacts in relative terms, i.e. using a normalization rule that provides an indication of the intensity of impact (e.g. impact per dollar invested). The table below provides a summary for the impact intensity assessment categories.

PROJECT INTENSITY	Below Average	Average	Above Average	Significantly Above Average
Employees <ul style="list-style-type: none"> Wage premium Training outlays Direct jobs created Female jobs Youth employees Women in leadership 	<ul style="list-style-type: none"> Wages above national minimum wage (qualitative) Training hours per year: Below industry average Benchmark against number of jobs per \$1M invested Benchmark against number of female jobs per \$1M invested Hotel intentions on youth employment (qualitative) Policies promote female managers (qualitative) 	<ul style="list-style-type: none"> Wages above national minimum wage (qualitative) Training hours per year: at industry average Benchmark against number of jobs per \$1M invested Benchmark against number of female jobs per \$1M invested Hotel intentions on youth employment (qualitative) Policies promote female managers (qualitative) 	<ul style="list-style-type: none"> Wages above national minimum wage (qualitative) Training hours per year: above industry average Benchmark against number of jobs per \$1M invested Benchmark against number of female jobs per \$1M invested Hotel intentions on youth employment (qualitative) Policies promote female managers (qualitative) 	<ul style="list-style-type: none"> Wages above national minimum wage (qualitative) Training hours per year: significantly above industry Benchmark against number of jobs per \$1M invested Benchmark against number of female jobs per \$1M invested Hotel intentions on youth employment (qualitative) Policies promote female managers (qualitative)
Suppliers <ul style="list-style-type: none"> Purchase from domestic suppliers Purchase from SMEs Training outlays 	<ul style="list-style-type: none"> Low share of local purchases of goods and services SMEs represent a low share of total suppliers Training outlays: minimal 	<ul style="list-style-type: none"> Average share of local purchases of goods and services SMEs represent an average share of total suppliers Training outlays: average, no plans, or plan same as offered elsewhere 	<ul style="list-style-type: none"> High share of local purchases of goods and services SMEs represent a significant share of total suppliers Training outlays: high, specific plan that is better than offered elsewhere 	<ul style="list-style-type: none"> Very high share of local purchases of goods and services Most suppliers are SMEs Training outlays: very high, specific plan that is better than offered elsewhere, IFC advisory involved

The AIMM methodology considers the uncertainty around the realization of the potential development impact being claimed, making a distinction between the potential outcomes that a project could deliver and what could be realistically achievable in the project’s development context. Table below presents the key types of risks factors for mining sector operations.

PROJECT LIKELIHOOD	Operational Factors	Sector Factors
Assessment Considerations	<ul style="list-style-type: none"> Complexity of project Sponsor’s experience ESG and integrity risks 	<ul style="list-style-type: none"> Presence or absence of barriers to entry Dynamism of sector in terms of adaptability to change Contextual information about sector

Contribution to Market Creation – The market is defined as the industry and sector in which the project is taking place, or the industry and sector directly affected and linked to the project. The tourism sector directly affects the agribusiness sector, the manufacturing sector, and the logistics sector through its supply and distribution chains. Tourism market typologies provide the building blocks in the AIMM system to construct a narrative for how much an IFC intervention is advancing a market objective. These typologies provide a description of the market gap based on various stages of development for a given sector from least developed to most advanced and

enable the location of the market before and after IFC’s intervention. The table below summarizes the characterizations of the tourism market for the two most attributes (competitiveness and integration).

MARKET TYPOLOGY	Highly Developed	Moderately Developed	Underdeveloped	Highly Underdeveloped
Competitiveness	<ul style="list-style-type: none"> – Market is competitive, with good mix of operators that are relevant for the local market and demand – Local demand mostly satisfied and not expected to grow significantly – Relevant infrastructure for hotels to operate is developed – All existing players and competitors have new and updated facilities, operate at high levels of quality standards, and do not need to refurbish/upgrade 	<ul style="list-style-type: none"> – Market is moderately competitive – Demand still higher than current supply; gap expected to grow – Gaps in development of relevant infrastructure for hotels to operate – Some players have new and updated facilities, others have either one or several of those issues; state of facilities and operational practices impedes ability to compete for these players 	<ul style="list-style-type: none"> – Few hotels within project category or within the industry as a whole – Demand for development is high and unmet – Most players have one or several issues, including: (i) old facilities; (ii) limited rooms; (iii) no or limited facilities; (iv) low quality standards – State of facilities and operational practices impedes ability to compete for these players 	<ul style="list-style-type: none"> – No hotel in project category in local market – Demand for development high and unmet – All players have one or several issues, including: (i) old facilities; (ii) limited rooms; (iii) no or limited facilities; (iv) low quality standards – State of facilities and operational practices impedes ability to compete for these players
Integration	<ul style="list-style-type: none"> – Most local suppliers produce goods and services at quality level desired by hotel; suppliers work with other players and do not need training – Destination is recognized for tourism – Business services and infrastructure well developed; strong supply base and significant variety of services – Large supply of business hotels; prices aligned with average market price in the region for category 	<ul style="list-style-type: none"> – Few local suppliers cannot supply hotel at quality level desired; – Destination starting to become attractive for tourists; government implementing measures and marketing efforts to increase arrivals – Access to business-related services and infrastructure either scarce or not within easy reach – Limited supply of business hotels; prices above average market price in region for category 	<ul style="list-style-type: none"> – Most local suppliers cannot supply hotel at quality level desired; suppliers do not work with any other players; few have acceptable quality standards on par with needs of hotel; high demand for higher quality of local provision of goods and services; training needed to work with other market players – Destination not attractive and sees very few tourists; government starting to take measures to increase destination attractiveness – Limited availability (or none) of services beyond hotel/ project – Monopoly in business hotel segment; prices well above average market in region 	<ul style="list-style-type: none"> – Local suppliers cannot supply hotel because quality is too low; suppliers do not work with other players; high demand for higher quality of local provision of goods and services; training needed to work with additional players – No foreign tourists – No availability of services beyond hotel/ project – This is first hotel in its segment

In general, most individual projects are not expected to make a significant and immediate systemic market change, unless the project is a pioneer in a non-existent or nascent market. Instead, most projects are expected to have incremental effects on the market. In other words, it takes more than one intervention to move a market to the next stage. This means that integrated and concerted efforts are often needed to generate substantial market effects. For example, cumulative World Bank Group efforts over time will have a stronger effect on markets than non-integrated and non-concerted interventions. Where a project is explicitly part of a programmatic approach, the expected movement induced by the program should be the basis for the assessment where timebound movements, market effects, and indicators are available. The most important market creating effects from IFC’s tourism operations are competitiveness and integration. The rating for market level impact of a project is designed to capture both the market typology and the degree to which the project contributes to market creation. The scoring for the degree of contribution to market creation has four levels:

MARKET MOVEMENT	Marginal	Meaningful	Significant	Highly Significant
Competitiveness	<p>A tourism project can contribute to competitiveness via demonstration effects and standard setting. Demonstration effects will happen in an environment where the tourism sector is under developed, either generally or in one segment, and where demand is high enough for new players to enter the market. A tourism project can also contribute to a more competitive sector by setting standards in a city, area, or region where existing players are lagging. Incumbents, with the entry of a new player with high standards could be compelled to upgrade their own processes to compete.</p>			

MARKET MOVEMENT	Marginal	Meaningful	Significant	Highly Significant
Integration	<p>A tourism Project can contribute to enhanced integration in several ways. A hotel can contribute to the integration of the hotel's supply chains in domestic and regional markets via capacity building. As a hotel helps its suppliers gain standards, raise them, increase production, those suppliers can gain access to new markets and sell their products or services beyond the project. Those effects would depend on the extent to which the project will source inputs from local markets and build capacities, as well as raise standards and quality. This effect can be enhanced with an advisory service project. A hotel can also contribute to integration of a city or region in more regional networks within the tourism sector. For resorts, this would materialize by the project' contribution to the creation a "destination" through promoting a market enabling environment where tourism-related businesses would spur and develop (restaurants, activities, retailers, etc.). For business hotels, this would materialize via contributions to the creation of a business hub that provides a market enabling environment where business-related infrastructure could develop (conference centers, convention centers, office space, etc.). By attracting tourists to a certain area, a hotel project has the capacity to enhance related markets that may benefit from increased demand, triggering the creation of a service cluster that targets the additional visitors, permeating other subsectors within the local economy. Both aspects would likely be enhanced if the project is associated with other projects to promote enabling infrastructure (roads, airports, etc.) and if the government has identified the city or region as a destination to be developed.</p>			

This likelihood adjustment follows the principles for the likelihood adjustment for project outcome potential. The main factors for the market likelihood assessment for mining projects will be relating to sector and regulatory policy risks. It will also include risk associated with the performance of a public partner (such as a state-owned enterprise) involved directly or indirectly in the project.

MARKET LIKELIHOOD	Sector Factors	Political / Regulatory / Policy Factors
Assessment Considerations	<ul style="list-style-type: none"> Overall functioning, stability and history of the tourism sector 	<ul style="list-style-type: none"> Overall economic and political stability Presence or absence of appropriate national policies, legislation, or regulations