

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

CHILE

TOURISM DEVELOPMENT PROGRAM

(CH-L1023)

LOAN PROPOSAL

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Electronic Links
DEM questionnaire http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=2160116
Technical files http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1383700

ABBREVIATIONS

AWP	Annual work plan
CGR	Office of the Comptroller General of the Republic
CONAF	National Forestry Corporation
CONAMA	National Environmental Commission
CORFO	Chilean Economic Development Corporation
DIPRES	Budget Office of the Ministry of Revenue
ICAS	Institutional Capacity Assessment System
IRR	Internal rate of return
MOP	Ministry of Public Works
NPV	Net present value
OR	Operating Regulations
PEP	Program execution plan
PEU	Program execution unit
SERNATUR	National Tourism Service
SUBDERE	Office of the Deputy Secretary of Regional and Administrative Development

PROJECT SUMMARY

CHILE TOURISM DEVELOPMENT PROGRAM (CH-L1023)

Financial Terms and Conditions					
Borrower: Republic of Chile Executing agency: National Tourism Service (SERNATUR)			Amortization period:		15 years
			Grace period:		5 years and 6 months
			Disbursement period:		5 years
Source		Amount	%	Interest rate:	LIBOR-based
IDB (Ordinary Capital)		US\$31,572,000	62%	Inspection and supervision fee:	*
Local		US\$19,050,000	38%	Credit fee:	*
Total		US\$50,622,000	100%	Currency:	U.S. dollars from the Single Currency Facility of the Bank's OC
Project at a Glance					
Project objective: The program's goal is to enhance the competitiveness of tourism in Chile by attracting special-interest segments capable of reducing seasonality in tourism and geographically deconcentrating Chilean tourism development.					
Special contractual conditions: <ul style="list-style-type: none">Conditions precedent to the first disbursement: (i) Evidence that the program's consolidated integrated accounting system is up and running at SERNATUR under terms agreed upon with the Bank (see paragraph 3.4); (ii) evidence that subsidiary execution agreements have been signed between SERNATUR and the subexecuting agencies under terms agreed upon with the Bank (see paragraph 3.5); and (iii) evidence that the program execution unit has been established under terms previously agreed upon with the Bank (see paragraph 3.1).Special execution conditions: Evidence that a participation agreement between the executing agency and the national, regional, or municipal entity in question has entered into effect, under terms agreed upon with the Bank, will be a condition precedent to the solicitation for the first competitive bidding process for activities related to that participating entity (see paragraph 3.6).					
Revolving fund: 10% (see paragraph 3.14).					
Exceptions to Bank policies: None.					
Project consistent with country strategy:		Yes [X]	No []		
Project qualifies as:		SEQ []	PTI []	Sector []	Geographic [] Headcount []
Procurement: Program procurements will be conducted in accordance with applicable Bank policies (documents GN-2349-7 and GN-2350-7). (See paragraphs 3.12 and 3.13.)					
Verified by CESI on: 27 October 2006.					

* The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable provisions of the Bank's policy on lending rate methodology for Ordinary Capital loans. In no case will the credit fee exceed 0.75%, or the inspection and supervision fee exceed, in a given six-month period, the amount that would result from applying 1% to the loan amount divided by the number of six-month periods included in the original disbursement period.

I. FRAME OF REFERENCE

A. Tourism in Chile

- 1.1 Tourism in Chile is still an emerging business, although it is becoming a significant economic option given its ability to generate foreign exchange, drive domestic development, and redistribute wealth. In 2003, tourism represented 3% of Chile's GDP and 2.7% of total national employment.¹ In 2007, the country generated a total of US\$1.7 billion from inbound tourism, making tourism the fourth leading productive sector, surpassing even the wine industry in foreign exchange revenues.
- 1.2 With 2,245,576 visitors in 2007, Chile ranked third in South America in international arrivals (following Brazil and Argentina) and despite isolated drops in 2002, due to the combination of the impact of the September 11, 2001 attacks and the Argentine crisis, the volume of international visitors grew 35% between 1995 and 2007. In addition, in recent years the traditional dependence on Argentine tourism has been reduced² with the generation of a more varied portfolio of visitors, particularly from long-haul markets (North America and Europe). Nevertheless, efforts must continue to consolidate this trend in diversification of demand, since the South American markets that are generating the greatest volume of demand for travel to Chile (nearly 65% of international arrivals) are contributing only one third of total revenues from inbound tourism. In terms of domestic tourism, the lack of systematic studies makes analysis difficult, but certain estimates reflect its significance: in 2005 tourism consumption by Chilean residents appears to have been five times higher than inbound tourism consumption.
- 1.3 The factors driving growth in tourism in Chile include the following: (i) it is a safe destination, far from major conflicts and natural disasters affecting tourism in other parts of the world; (ii) it has a wide range of spectacular natural resources, including the National System of Protected Wildlife Areas (SNASPE), in addition to notable cultural resources; (iii) it has a modern, expanding airport, port, roadway, and transportation infrastructure; (iv) its tourism infrastructure is growing, and all the major international hotel chains in the four to five-star segment operate in the country; (v) sightseeing routes are developing steadily, so that package tours can be organized featuring Chile as sole destination or in combination with other bordering nations; and (vi) it is gaining a foothold in the area of business tourism, professional meetings, and cruises.
- 1.4 Despite this steady growth, exploitation of Chile's resources still fails to realize its tourism potential. The rate of growth of international arrivals to Chile has been much slower than for competing regional destinations: in the period 1995-2005 Argentina saw growth of 70%, and Brazil, 169%. Moreover, comparing the level of inbound tourism revenues in Chile to those of other global destinations with

¹ Data taken from the most recent Tourism Satellite Account established in the country.

² Outbound tourism from Argentina represented approximately 50% of international arrivals in 2000, and just 30% in 2006.

analogous tourism resources, but with more diversified tourism offerings and more aggressive and segmented marketing efforts, one can appreciate the potential that still exists for Chilean tourism.

Table I-1
Inbound Tourism Revenues in the World's Five Countries
with Ecosystems in Far Southern Latitudes
(2006, in US\$ millions)

Argentina	Australia	Chile	New Zealand	South Africa
3,349	17,840	1,214	4,536	7,875

Source: World Tourism Organization (UNWTO).

- 1.5 This underuse of tourism potential stems from four structural problems in the sector: (i) the concentration of tourism activity in space and time; (ii) the low level of business competitiveness; (iii) weakness of the institutional framework for tourism; and (iv) lack of interinstitutional coordination.

(a) Concentration of tourism activity in space and time

- 1.6 Tourism in Chile is characterized by a weak value chain structure and little diversity in the range of products and services offered. In terms of international demand, there is a clear preference for “touring,” that is, generalist routes that focus visits on the best known attractions such as San Pedro de Atacama, Torres del Paine, and Easter Island. Domestic demand is also focused on a few destinations: Valparaíso, the Lakes Region, and Coquimbo. Nevertheless, Chile’s resources are good and plentiful enough to venture into new tourist destinations and segments by expanding and deepening certain types of tourism in which the country has begun working (recreational fishing, for example).

- 1.7 Visitors are also characterized by seasonality. In general, the sector has a working season of no more than four or five months, which contributes to the very low levels of occupancy in tourist lodging establishments (in 2005 the national average rate was 34%). The revenues generated during these few months must provide upkeep for the entire year, resulting in virtually nonexistent savings, and limited opportunity for reinvesting to improve the business. This lowers quality standards, raises prices, creates instability in tourism employment, and dampens entrepreneurship. In combination with the spatial concentration of tourism, this seasonality causes the most popular destinations to exceed their threshold capacity.

(b) Low level of business competitiveness

- 1.8 The sector is dominated by microenterprises and family and temporary businesses that provide services only during the high season. The obstacles preventing many of these enterprises from organizing as a true tourism system include: (i) problems of coordination among economic agents occupying different links in the tourism supply chain; (ii) limited representation of business groups, since there are too

many small organizations unable to grow stronger for lack of market recognition and operating resources; (iii) limited access to production factors in terms of financial, technological, and human resources, market information, and effective marketing formulas; and (iv) a high level of informality, which hinders objective tracking of tourism industry earnings and the integration of business people into group management structures.

(c) Weakness of the institutional framework for tourism

- 1.9 The National Tourism Service (SERNATUR) is the government agency responsible for tourism dissemination, promotion, and direction in Chile, operating under the Ministry of the Economy, Development and Reconstruction. Its core mission is to recommend national tourism policy to the government, and enforce it, once approved. SERNATUR has a National Directorate in Santiago, 15 Regional Directorates, and eight local offices. At the National Directorate, the staff are divided among the technical support areas (the Office of the Deputy Director for Development and the Office of the Deputy Director for Regions) and the administrative and legal support areas (Office of the Deputy Director for Operations and the Regulatory Office).
- 1.10 SERNATUR faces obstacles to effectively fulfilling its mandate, related to: (i) its lack of authority to issue binding resolutions related to land planning in those areas declared zones or centers of interest for tourism, and the technical development of tourism projects concessioned in protected areas; (ii) a lack of administrative, technological, and human resources, particularly at the regional and local levels, to fulfill its role as a tourism coordination agency; (iii) mismatches between the authority of positions and the skills of the personnel assigned to them; (iv) insufficient formalization of the procedures used for the drafting, approval, modification, and evaluation of tourism projects; and (v) the lack of temporal continuity in the collection of data in the national tourism information system, which limits its decision-making ability and interlocutorship with other public and private entities.
- 1.11 At the municipal level, many local organizations see tourism as an opportunity for development and socioeconomic progress: of the country's 343 municipios, 145 have a tourism unit. This means that at least 50% of Chile's municipios have formally incorporated tourism into their institutional structure. Nevertheless, incorporating tourism as an effective area in municipal management continues to pose a challenge, since most of these municipios limit themselves to providing tourist information and fail to address other necessary functions like local tourism management and planning, coordination with tourism policy at the regional level, or promoting destination quality. The main limitations facing municipios are: (i) the lack of local tourism development plans; (ii) limited technical skills of the staff assigned to tourism; (iii) budget constraints; and (iv) the lack of established intermunicipal cooperation mechanisms enabling them to use the same criteria to address common tourism issues that transcend municipal boundaries.

(d) Lack of interinstitutional coordination

- 1.12 There are many public institutions with functional or territorial connections to tourism. Despite isolated coordination efforts, the limitations facing SERNATUR, in terms of capacity and resources, and the lack of systematic channels for interlocutorship have kept it from laying a common strategic foundation for sector action. The fragmented nature of the work being done is having an impact on the effectiveness of outcomes. Examples include certain actions of the Chilean Economic Development Corporation (CORFO), the National Forestry Corporation (CONAF), and the Ministry of Public Works (MOP). CORFO, a public corporation with autonomous management, separate legal status, its own assets, and a mandate to promote national productive development, has a broad range of business development tools aimed at all productive sectors, including tourism. Apart from very recent efforts to address the sector through tools that consider tourism as a specific area for investment, the crosscutting approach of CORFO's instruments has not helped guide private investors to the niches of opportunity relevant to the positioning of tourism in the country. CONAF, a private corporation operating under the Ministry of Agriculture, is responsible for the system of tourism concessions in protected areas and faces the problem of adapting the concession projects to the standards required by the international market in order to create a truly competitive offering. Through its Infrastructure Plan for Competitiveness, the MOP is addressing investment in a set of routes and points of access to tourist areas that, unfortunately, lack the resources to properly manage tourist flows (directional and interpretive signage, thematic roadmaps based on travel interests, or highway assistance points based on means of transportation).

B. The country's sector strategy

- 1.13 Until very recently, the public sector's action in the tourism sector has been subsidiary to and, in general, has lagged behind that of the private sector. Nevertheless, since 2000, SERNATUR has been making substantial efforts to promote tourism and position it among the country's top economic options. One reflection of these efforts was the 2002-2005 Tourism Agenda, prepared by a public-private working group that agreed on a series of measures for tourism development. This agenda was the basis for the drafting and approval of the National Tourism Policy in 2005, which identifies development of the tourism sector as a task of the government.
- 1.14 The 2006-2010 Tourism Action Plan represents the continuation of the work started with the Tourism Agenda to position tourism as a significant economic activity for national development. The plan focuses on areas initially addressed in the Tourism Agenda, but that require additional efforts over time to consolidate their outcomes, such as: (i) international promotion with particular emphasis on positioning in

special interest tourism;³ (ii) promotion of domestic social tourism (seniors, young people); (iii) developing business competitiveness; and (iv) creating a very strong institutional framework for tourism. A noteworthy development in relation to this last point was the submission of a bill in late 2007, still pending approval, to move forward with the creation of an Office of the Deputy Secretary for Tourism under the Ministry of the Economy, Development and Reconstruction.

C. The Bank's country and sector strategy

- 1.15 The objective of the Bank's 2006-2010 country strategy with Chile is "to help the country pursue growth and, in particular, improve equality of opportunity and ensure the social inclusion of vulnerable population groups." It has three lines of action: (i) reduce opportunity gaps among Chileans; (ii) reduce competitiveness and revenue gaps with the developed economies; and (iii) make government more efficient and bring it closer to the citizenry. This program fits into the second line of this strategy, as it will make the tourism sector more competitive.
- 1.16 The Bank's first program in Chile to undertake specific actions in the tourism sector was Sustainable Community-Based Tourism Development in Chiloé and Palena (loan 1507/OC-CH), approved in December 2003, for a total amount of US\$15 million. The program seeks to improve the quality of tourist attractions and services in Chiloé and Palena provinces through the restoration of Chiloé churches declared World Heritage Sites, and through investments to further sustainable tourism development in both provinces. To date, 32% of the resources have been disbursed. To streamline execution, the Bank has been supporting the program's executing agency, the Office of the Deputy Secretary for Regional and Administrative Development (SUBDERE), to focus investment efforts on key attractions to promote and organize tourism, as well as strengthening coordination mechanisms among the various local stakeholders.
- 1.17 The Bank's experience in Chile and other countries of the region has corroborated several important lessons in tourism development:
- a. **Careful investment planning is necessary to meet strategic objectives.** The application of this lesson requires tourism investments to be based on methodologies that prioritize actions in pilot destinations, selected on the basis of strategic objectives. Thus, the proposed program's actions are aimed at destinations selected based on criteria of diversification and attraction of new target segments.
 - b. **Tourism projects require joint planning by governments, private interests, and civil society.** An open participatory process contributes to the benefits of tourism filtering into the local population and enhancing the

³ Special interest tourism refers to travel based on very specific motivations within broader modes of tourism. For example, within ecotourism, birdwatching would be a special interest; or within adventure tourism, orienteering (the use of compasses, maps, and other instruments to enhance one's sense of direction) would be another special interest.

sustainability of investments. Under the proposed program, workshops and working meetings were held with various groups of local stakeholders, and public consultations are planned throughout execution of the investments.

- c. **Tourism projects must balance investments in infrastructure with the strengthening of local institutions in order to improve tourism management.** In this regard, the program combines actions aimed at driving improvements in the institutional framework in the public sector at the national, regional, and local levels, and in business organizations.
- d. **Executed tourism development projects require an execution mechanism in keeping with their multisector nature and potential subnational involvement.** In the program, SERNATUR will assume the central role of coordinating investment activities requiring the involvement of other national, regional, and municipal agencies with direct responsibility over financing, operation, and maintenance of specific works under their jurisdiction.

D. Program design

- 1.18 The program has been designed to make tourism more competitive in Chile through the attraction of new special interest segments, preferably for long-haul tourism.⁴ Special interest tourism is a response to high market segmentation to satisfy consumers who seek personalized, differentiated experiences, and provides the opportunity to work in different market niches at the same time, accelerating the diversification of destinations and the broadening, deepening, and greating sophistication of the range of tourism products. In general, consumers associated with special interest tourism are willing to travel long distances in search of a certain type of activity in very specific geographical environments. They tend to show a greater propensity for tourism spending and are more flexible regarding the time of their travel than travelers with more general motivations. In order to address the concentration of tourism in terms of space and time, the program is supporting investments in the preparation and development of public attractions in areas selected for their potential to geographically diversify offerings and reduce the seasonality of tourist flows: (i) **The Great North Area**, located between Arica, Parinacota, and Alto Iquique; (ii) **The Southern Area**, between Futaleufú and General Carrera Lake; and (iii) **The Patagonia and Tierra del Fuego Area**, between Puerto Natales, Punta Arenas, Puerto Williams, and the Cape Horn National Park (see maps in the Electronic References). All three areas are characterized by a high concentration of unique, world-class tourist attractions, and by being used as corridors to destinations already established nationally (San Pedro de Atacama, Torres del Paine) and regionally (Cuzco-Machu Picchu in Peru, Lake Titicaca in Bolivia, or Calafate in Argentina), which therefore are already somewhat well known in tourism channels in outbound markets important to the

⁴ According to 2007 data, European and North American visitors generate almost 60% of foreign currency, even though their arrivals represent just 29% of the total. In addition, the largest pockets of special interest segments are located in mature markets in terms of outbound tourism, i.e. Europe and North America.

- program. Moreover, to address the problems of business competitiveness and institutional weakness and coordination, the program includes actions to better enable tourism entrepreneurs to compete and supports actions to strengthen SERNATUR, both at the central level and regionally, as well as the establishment of management mechanisms at the destinations for the systematic coordination of public and private investments under a single development strategy.
- 1.19 The program's design included four steps in the preparation phase. As a first step, considering the tourism potential of each selected area, SERNATUR, with the support of the MOP, CONAF, CORFO, and the relevant municipios, identified the works to be part of the program: the Great North Area (US\$11.6 million), Southern Area (US\$9.1 million), and Patagonia and Tierra del Fuego Area (US\$17.8 million). The investments in the Great North will seek to develop attractions related to the living culture of the Highlands and the area's historic saltpeter industry. In the Southern Area, the program will promote investments related to light and extreme nature adventure tourism, while in the Patagonia and Tierra del Fuego Area, the program will support exploration and sailing tourism. For each of the works, the objective, expected output, costs, operating and maintenance expenses, execution timetable, and environmental compliance requirements have been identified. Moreover, with Bank support, SERNATUR prepared feasibility studies and final designs for a set of sample projects, the investment for which comes to US\$4.6 million, or 14% of the total investment planned for the "development of new tourism offerings" component. The projects included in the sample are highly visible and representative of the various types of investments planned in the three selected areas, since they will develop unique attractions that will make the destinations stand out in relation to areas of comparable tourism potential.
- 1.20 As a second step, SERNATUR identified technical assistance, training, and process reengineering activities to be included in the program to strengthen public tourism management in Chile, at both the national and subnational levels. Nationally, these activities will build SERNATUR's capacity for coordination, strategic planning, promotion, regulation, and monitoring and evaluation of tourism development. Subnationally, the program includes capacity-building activities for coordination, planning, and management of regional and municipal agencies. For each of these activities, terms of reference have been prepared for the first 18 months of execution.
- 1.21 As a third step, SERNATUR identified jointly with CORFO business development and training activities aimed at promoting higher levels of competitiveness among tourism entrepreneurs and aligning private investment efforts with the investments planned in the three selected geographic areas. These activities include support for new undertakings and better sector organization and service quality. For each of these activities, terms of reference have been prepared for the first 18 months of execution.

- 1.22 As the fourth and final step, together with Bank support, SERNATUR undertook a consultation process that included working meetings, as well as information and awareness workshops in each of the program's intervention areas. These meetings and workshops included representatives of the national, regional, and municipal governments of each selected area, as well as the private sector and civil society. Both the meetings and the workshops discussed challenges, identified needs, and reviewed and validated, among other things, the components of the proposed operation and the investments in each of the priority destinations.
- 1.23 The program's preparation process also addressed institutional considerations relevant to program execution, such as the level of coordination between SERNATUR and other national, regional, and municipal entities. The findings of that analysis were used to determine the roles and responsibilities of the participating entities under the program's execution mechanism. Moreover, the experience gained during program preparation was consolidated into plans for the preparation and supervision of studies and final designs for works, and in the program Operating Regulations (OR), to be used as a reference during program execution.

II. THE PROGRAM

A. Objective

- 2.1 The program's **goal** is to enhance the competitiveness of tourism in Chile. Its **purpose** is to attract new market segments capable of accelerating tourism growth, reducing seasonality, and geographically deconcentrating tourism offerings. The program's impacts, as well as its expected outcomes and outputs, are presented in further detail in the Logical Framework (see Annex I). The **specific objectives** of the program are: (i) to support the development of new destinations and products capable of attracting special interest segments, preferably for long-haul tourism; (ii) to strengthen institutional management of tourism at the national, regional, and municipal levels; and (iii) to improve the organization and competitiveness of tourism entrepreneurs. These three specific objectives will be achieved, respectively, through the execution of three components, described below. Their specific outputs are presented in the logical framework.

B. Components

1. Development of new tourism offerings in Chile (US\$32.9 million)

- 2.2 This component will include feasibility studies, environmental studies, final designs, and investments in works and facilities for the effective development of special interest tourism offerings, based on the suitability for tourism of the three

selected areas. Such suitability was the basis for selection of six tourism destinations⁵ in each area, where the program will focus its efforts.

- a. **The Great North (US\$8.7 million).** The tourism potential of this area, in terms of special interests, derives from both the Andean highlands culture and the historic saltpeter industry there. Therefore, program investments will be focused on two destinations where the attractions related to both themes are grouped:

- (i) **Andean highlands destination.** This destination is located around Putre, Parinacota, and protected areas (Lauca National Park, Las Vicuñas National Reserve, Salar de Surire Natural Monument, and Isluga Volcano National Park). The highlands offer many cultural and scenic elements that make it unique. However, the currently small flows of tourists fail to experience added value in the sites visited because, since the attractions are undeveloped, they only offer brief, superficial viewing activities, squandering opportunities for visitors to immerse themselves and understand the traditional life in the highlands. For these reasons, the program will develop the natural and cultural resources associated with the culture and way of life of the indigenous peoples of the Chilean highlands, through investments related to the restoration/development of cultural and archeological routes for trekking, bicycle tourism, and four-wheel drive vehicles, improved tourist use of the four protected natural areas (public use and management plans, visitors centers, shelters, trails, campground facilities), the implementation of a network of thematic interpretation centers related to the way of life in the highlands, improvements for tourist visits to the destination's urban centers (Putre, Parinacota), as well as the development of various natural attractions (hot springs, geysers, geothermal fields).
- (ii) **Humberstone destination.** The development of this destination will be based around the Humberstone, Santa Laura, Pica, and Mamiña area. The program will support the development of an international benchmark tourism product within the framework of archeological-industrial tourism, based on the restoration and development of the Santa Laura and Humberstone saltpeter works and production systems that have been declared World Heritage Sites: the investments will address the structural restoration and reinforcement of buildings, as well as the development of several sites using facilities and new technologies to make visits interactive, the installation of interpretive

⁵ Within the program framework, the tourism area is a homogenous unit of space in terms of geography and connection nodes. The destination has a smaller geographic scope and is characterized by the specialization of its product: it is where tourism production and consumption activities take place, and the majority of impacts occur.

features and panels, tourist signage, stages for theatrical performances, and improved internal connectivity with trails.

- b. **The Southern Area (US\$8.6 million).** This area has extensive, remote natural areas of striking beauty. The attractions include glaciers and permanent ice fields, which, in terms of special interest tourism, have enormous potential for the development of products related to both light and more extreme adventure tourism. The program will focus on the Southern Highway destination, which runs from Coyhaique, in the north, to Cochrane, in the south, bounded on the east by the Argentine border, and on the west by the Laguna de San Rafael National Park. The program will support development of the Northern Ice Field for tourism purposes through: (i) a management plan and a public use plan; (ii) improved access to the surrounding area; (iii) construction of a network of shelters and campgrounds with sailing gear, radio equipment, and first aid supplies; (iv) facilities and small-scale infrastructure to allow safer, more comfortable, and faster ascents (Tibetan footbridges, walkways, “via ferrata” mountain climbing routes, ziplines, etc.); (v) interpretive/scenic trails; (vi) signage and maps of the main routes; and (vii) an interpretive center on the continental ice fields and climate change. The program also includes: (i) the development of General Carrera Lake, with the creation of small nautical stations facilitating boating on the lake, (ii) support for a ramp to facilitate ferry operations on Exploradores Bay; and (iii) consolidation of the Southern Highway as the hub for tourist flows, with directional, informational, and interpretive signage, scenic view points, small tourist assistance posts, and small basic tourist service and multiactivity bases (bicycles, kayaks, horses, boats, etc.) that could be concessioned.
- c. **Patagonia and Tierra del Fuego (US\$15.6 million).** This area is characterized by being one of the world’s southernmost regions, and includes the Chilean Antarctic Territory that extends all the way to the South Pole. The area contains abrupt, extreme geography, including a natural passage between the Atlantic and Pacific Oceans: the Straits of Magellan and Beagle Channel. For all these reasons, its main attraction as a tourist destination is focused primarily on expeditions or exploration tourism (a variant of adventure tourism) and nautical tourism. The program’s investments will focus on three destinations that include the most unique attractions related to these types of tourism:
 - (i) **O’Higgins-Paine destination.** Current tourism activity centers around the Torres del Paine National Park, which is facing environmental degradation problems caused by the concentration of visitors during certain times of the year. Therefore, the program will support investments to improve the tourist flow management model and tourism infrastructure and facilities, both inside the Torres del Paine park and in its area of influence. The program will also support the enhancement of the Patagonian channels and fjords in the Bernardo

O'Higgins National Park, through management and public use plans, the design of routes, and the necessary infrastructure to promote sailing routes and complementary activities.

- (ii) **Straits of Magellan destination.** The program will support the construction and implementation of an interpretive center on Antarctica in Punta Arenas, as well as works and activities for the implementation of multithematic and sea-land trips through the Straits of Magellan (restoration of lighthouses, onsite museums, trekking routes, and outdoor interpretive routes, interpretive and visitors centers, scenic view points, signage, construction and implementation of a southern sea life aquarium, construction and outfitting of small nautical stations to facilitate stops and the trip through the Straits, as well as management and public use plans for protected areas located along the routes).
- (iii) **Cape Horn destination.** The program will support tourism planning for the Cape Horn National Park and the development for tourism purposes of the Tierra del Fuego Channels near Fin del Mundo.

2. Strengthening of the institutional framework for tourism (US\$7.4 million)

2.3 Actions under this component will be aimed at strengthening tourism administration at the national, regional, and local levels:

- a. **Strengthening of tourism administration at the national level.** This component will include technical assistance and training to modernize the organization and management of SERNATUR through: (i) improvement of the National Tourism Information System to collect, process, analyze, and disseminate relevant information for both decision-making and the monitoring and evaluation of national tourism development, including strengthening of the Tourism Satellite Account, and the introduction of tourism monitoring centers and systems for tracking and evaluating investment in tourism; (ii) optimization of the organizational structure and reengineering of internal processes, including human resources management (identification of gaps between competencies and performance, redefinition of job descriptions based on competencies), communications and customer service actions; (iii) expansion and improvement of coverage, office automation, and management tools (software) for tourism information offices; (iv) implementation of mechanisms and instruments for technical coordination with other entities involved in tourism management; and (v) review, update, and/or development of tourism management and planning instruments (tourism business plans in protected areas, tourism concession plans, siting and management plans for centers or zones of interest for tourism).
- b. **Strengthening of the institutional framework for tourism at the regional and local levels.** This component will include technical assistance and training to modernize the organizational structure and management of tourism

at the regional and municipal levels through the reengineering of tourism management processes; technical assistance to manage and maintain tourism-related works; training courses on tourism development planning and management; support for the development and/or updating of local tourism development plans; and raising awareness in local communities. This component will pay particular attention to actions aimed at strengthening coordination between the various territorial levels and local stakeholders involved in local tourism development. Therefore, financing will be provided for *destination management teams*, based on the *destination plans*, bringing together regional and local tourism authorities as well as private sector representatives.

3. Support for tourism business competitiveness (US\$5.1 million)

- 2.4 The planned activities include: (i) promotion of the development of new special interest tourism products, aligned with the public investment efforts to be made in the three areas selected for Component 1 through the dissemination of investment opportunities and preparation of business plans for each destination management team formed, reflecting good practices at competing destinations;⁶ (ii) entrepreneurship development and strengthening of business partnerships in areas where synergies are found, through destination management teams (joint trademark creation and use, developing and/or joining marketing platforms); and (iii) improvement of the quality of the products and services offered, through support for membership in the tourism services quality system and job skills development at tourism businesses.

C. Cost and financing

- 2.5 The estimated cost of the program is US\$50,622,000, based on the following breakdown by investment category and source of financing.

⁶ A destination management team is a private unit that manages and administers a tourism destination, bringing firms together to maximize their business.

Table II-1. Cost and Financing

Categories	Bank	Local ¹	Total	%
I. Administration and supervision	-	1,614,320	1,614,320	3.2%
II. Direct costs	31,572,000	13,898,965	45,470,965	89.8%
2.1. Component I. Development of new tourism offerings	19,708,404	13,251,965	32,960,369	65.1%
2.2. Component II. Strengthening of the institutional framework for tourism	6,780,000	632,000	7,412,000	14.6%
2.3. Component III. Support for tourism business competitiveness	5,083,596	15,000	5,098,596	10.1%
III. Associated costs	0	460,185	460,185	0.9%
3.1 Evaluations	0	460,185	460,185	0.9%
IV. Finance charges	0	3,076,530	3,076,530	6.1%
4.1 Interest	0	2,935,870	2,935,870	5.8%
4.2 Credit fee	0	140,660	140,660	0.3%
V. Inspection and supervision	0	0	0	0.0%
Total	31,572,000	19,050,000	50,622,000	100.0%

¹ Includes the following contributions: (i) from the Ministry of Public Works: US\$6,440,000, based on letter of 10-11-08; (ii) from the National Forestry Corporation (CONAF): US\$1,725,000, based on letter of 22-12-08; (iii) from the National Environmental Commission (CONAMA) through the Senderos de Chile Program, US\$460,000, based on official letter 083953 of 31-12-08; (iv) from SERNATUR for (a) program activities, US\$2,721,505, and (b) finance charges, US\$3,076,530; and (v) from regional governments, US\$4,626,965: Arica-Parinacota, Tarapacá, Aysén y Magallanes, and the Chilean Antarctic Territory, based on official letters 1063 of 22-10-08, 429 of 21-10-08, 1531 of 3-10-08 and 1598 of 30-12-08, respectively.

III. PROGRAM EXECUTION

A. Borrower and executing agency

- 3.1 The borrower will be the Republic of Chile, and the executing agency will be the National Tourism Service (SERNATUR), acting through its Office of the Deputy Director for Development. The Deputy Director for Development will be responsible for program execution, administration, and supervision. Assistance in day-to-day operations and in oversight of logical framework targets met, will be provided in accordance with the institution's own distribution of functions by the offices of deputy directors and the legal department. A program execution unit (PEU) will be established, reporting to the Office of the Deputy Director for Development. **The program execution unit will be established, as a condition precedent to the first disbursement under the program.**
- 3.2 The responsibilities of the executing agency and PEU, as well as the makeup of the PEU, will be established in the program Operating Regulations (OR). Without detriment to the foregoing, the executing agency will be responsible for

coordination, management, and control of the program financial resources, acting as liaison between the Republic of Chile and the Bank in such matters.

- 3.3 The Ministry of Public Works (MOP) and the National Forestry Corporation (CONAF) will act as subexecuting agencies, under the coordination of SERNATUR. The responsibilities of each subexecuting agency and the mechanism for the transfer and administration of loan proceeds for the activities under their direction will be established in a subsidiary agreement with SERNATUR.

B. Program execution and management

1. National Tourism Service (SERNATUR)

- 3.4 The responsibilities of SERNATUR include: (i) ensuring that the subexecuting agencies have the necessary counterpart resources, according to the execution timetable; (ii) maintaining consolidated accounting records allowing for identification of the sources and uses of program resources by component and subexecuting agency; (iii) preparing and submitting disbursement requests to the Bank with the relevant supporting documentation for eligible expenditures submitted by the subexecuting agencies, and preparing the program's audited consolidated financial statements; (iv) transferring resources to subexecuting agencies according to disbursement documentation; (v) preparing public bidding processes and solicitations, contracting, making contract payments, and providing technical supervision of contracts for the activities under its responsibility; (vi) verifying that supporting technical documentation for investments is consistent with the program objective, and reviewing the quality of the bidding processes, prior to submission the Bank for its no objection; (vii) performing periodic inspections on works during execution and subsequently monitoring their operation and maintenance; (viii) preparing, delivering to the Bank, and releasing to the public the required consolidated monitoring and evaluation reports; and (ix) ensuring compliance with the contractual clauses of the loan contract and of the agreements entered into with the subexecuting agencies, the beneficiary regions and municipios, and other entities participating in the program for specific interventions. **As a condition precedent to the first disbursement, SERNATUR will have a consolidated integrated accounting system for the program that enables effective financial management and timely reporting.** This system must provide mechanisms for the contributions of government agencies, regional governments and municipios, as applicable, to recognized as local counterpart contributions for incorporation into the program financial statements, with delivery of supporting documentation and accounting records on expenditures to help cofinance the program.

2. Subexecuting agencies

- 3.5 The responsibilities of the subexecuting agencies vary according to their respective areas of activity, but generally each subexecuting agency will: (i) commission the studies, final designs, execution, and supervision required for works, ensuring compliance with environmental laws throughout the project cycle; (ii) prepare

budget forecasts for the local counterpart resources required for the execution of the scheduled activities; (iii) open separate bank accounts; (iv) maintain accounting and financial resources and an internal control system for the management of program resources; and (v) prepare and deliver to SERNATUR supporting documentation for expenditures incurred, supporting documentation for bidding processes, and semiannual performance reports. In the specific case of CONAF, in addition to the foregoing responsibilities, it will: (i) monitor the environmental impacts of tourism in the protected areas benefiting from the program; and (ii) facilitate effective consultations with the affected parties during program execution and monitoring. The responsibilities of each subexecuting agency and the mechanism for the transfer and administration of loan proceeds for executing the activities under their responsibility will be formalized in a subsidiary agreement with SERNATUR. Such agreement will include the mechanisms necessary to ensure that the consolidated integrated accounting system is instituted and in operation. **As a condition precedent to the first disbursement, subsidiary execution agreements will have been signed and entered into effect between the executing agency and each subexecuting agency, under terms agreed upon with the Bank.** Since CONAF's scope of work will focus on the development of protected areas for tourism purposes, this agency will conduct its financial/administrative work and the activities under its responsibility through its Protected Area and Environmental Management Team. The MOP's Directorate General of Public Works, for its part, will carry out the work related to establishing the infrastructure for tourism connectivity, public construction, and land management plans.

3. Regional and municipal governments and other participating entities

- 3.6 The program anticipates participation by various national, regional, and municipal entities in the implementation and monitoring of investments, depending on their various expertise. The relationship between the program and these entities will be governed by participation agreements that specify, inter alia, the scope and timeline of activities, as well as the responsibilities of each party involved. The participation agreements will include the mechanisms necessary to ensure that the consolidated integrated accounting system for the program is properly instituted and in operation. In the case of national entities, the participation agreements will ensure coordination of activities in the areas of program intervention, to supplement the planned investments. In order to ensure proper maintenance of the works planned in their jurisdiction, the participation agreements will establish the following responsibilities for regional and municipal governments: (i) demonstrated financial capacity to assume the cofinancing commitments and cover the annual operating and maintenance costs for the works; (ii) documented property rights to the land where the works are to be executed, which must be unoccupied; (iii) cooperation in the processing of authorizations, permits, endorsements, easements, and internal procedures required for the projects; (iv) approval of the studies and final designs for the works in their jurisdiction; (v) permission for free, unrestricted access to works construction areas by to SERNATUR, subexecuting agencies, contractors, external auditors, and the Bank during program execution; (vi) proper operation and

maintenance of the projects, according to generally accepted technical standards; and (vii) provision to SERNATUR of the information necessary to conduct the program midterm and final evaluations. **The entry into effect of a participation agreement between the executing agency and the national, regional, or municipal entity in question, under terms agreed upon with the Bank, will be a condition precedent to the solicitation for the first competitive bidding process for activities related to that participating entity.**

C. Development and supervision of works

- 3.7 The subexecuting agencies will contract and supervise the work of consulting firms to prepare the final designs for the works under their responsibility, following the guidelines established in the program's Plan for the Preparation of Final Designs and Works Supervision, prepared by SERNATUR, which the parties may adjust in keeping with program needs.
- 3.8 The works under the jurisdiction of regions and municipios must meet relevant legal, environmental, building, planning, safety, and other standards. To verify compliance, the subexecuting agency responsible for the project will deliver the technical documentation to the applicable national and subnational agencies for their approval, as required by applicable law. Environmental studies will be sent to the relevant agency for approval based on the jurisdiction for each project. For works in areas declared historical/cultural heritage sites, the supporting technical documentation for execution will be sent for approval to the National Council of Monuments, within the Ministry of National Assets, or the MOP's Department of Architecture, as applicable. Once the applicable endorsement or approval is obtained, each subexecuting agency will deliver the supporting technical documentation to SERNATUR, which will verify both its consistency with the program objective and the quality of the associated bidding processes. SERNATUR will send the applicable documentation to the Bank for its no objection.
- 3.9 Each subexecuting agency will be responsible for technical supervision and verification of compliance with environmental regulations by contractors. Program works contracts will include the environmental measures deriving from those regulations. For works under regional or municipal jurisdiction, supervision will be performed jointly with the regional or municipal agency responsible for operation and maintenance of the project. Each subexecuting agency will be assisted in the supervision work by consulting firms, which will bear in mind the guidelines established in the program's Plan for the Preparation of Final Designs and Works Supervision. As part of their performance reports, each subexecuting agency will submit the results of its supervision work, indicating progress in compliance with environmental regulations, general problems encountered, and the measures taken to address them.

D. Operation and maintenance

- 3.10 CONAF will be responsible for operation and maintenance of the works in protected areas. For works under regional or municipal jurisdiction, operation and

maintenance will be the responsibility of the applicable regional or municipal government. SERNATUR will be responsible to the Bank for the operation and maintenance of the program works during the entire term of the loan contract. Supporting technical documentation for works execution, to be submitted to the Bank by SERNATUR for its no objection, will include a study on cost recovery, as well as the depreciation associated with the work. Available cost recovery mechanisms include the introduction or adjustment of visitor entry fees and concession fees for the services to be hosted at the works financed by the program.

E. Operating Regulations

- 3.11 Administration of the program will be governed by the Operating Regulations (OR) drafted during program preparation. The OR establish rules and procedures for SERNATUR and the subexecuting agencies for programming of activities and preparation of annual work plans, procurement and contracting, management and filing of supporting documentation for bidding processes, financial/accounting management of the program, and audits. The OR also describe the program's monitoring and evaluation system.

F. Procurement

- 3.12 The procurement of works, goods and related services, and consulting services with program resources will be conducted in accordance with Chile's Public Procurement System and the "Policies for the procurement of works and goods financed by the IDB" of July 2006 (document GN-2349-7). The selection and contracting of consulting services with program resources will be conducted in accordance with the "Policies for selection and contracting of consultants financed by the IDB" of July 2006 (document GN-2350-7). International competitive bidding will be used to procure works whose estimated cost is US\$5 million or more, and to procure related goods and services whose estimated cost is US\$350,000 or more. International publicity will be used for the selection and contracting of consulting services whose estimated cost is US\$200,000 or more.
- 3.13 The procurement of works, goods, and services below the thresholds for international competitive bidding, as well as the contracting of consulting services under US\$200,000 for firms, and US\$50,000 for individual consultants, will not be subject to ex ante review by the Bank. Procurements for amounts below these thresholds will be conducted according to the procedures of Chile's electronic public procurement system (ChileCompras), and reviewed on an ex post basis by Chile's Office of the Comptroller General of the Republic (CGR) to determine the applicability of the procedures employed. On the basis of that review, the Bank will determine whether the expenditures are eligible for financing under the program. The authorization to conduct procurements subject to ex post review, in whole or in part, may be revoked at any time as a result of the findings of the ex post reviews.

G. Revolving fund and disbursement timetable

- 3.14 A revolving fund of up to 10% of the Bank loan amount will be established to provide resources in advance for activities financed with loan proceeds.
- 3.15 In the context of the simplification of Bank supervision planned in Chile, and to avoid duplication of controls with respect to the CGR, disbursement requests will be processed only upon submission of the corresponding request, Form IE, and reconciliation of the revolving fund, each time the Bank disburses loan proceeds to replenish the revolving fund, taking into consideration project progress on the tasks and activities contained in the annual work plan (AWP). Expenditures will be declared eligible once the CGR issues its reports containing the findings of its review of the procurement processes and supporting documentation for the expenditures corresponding to the disbursement requests submitted to the Bank. The relevance of the expenditure will be reviewed at the time of approval of the AWP and the related procurement plan.
- 3.16 The program's disbursement period will be five years. The following table presents the disbursement timetable:

Table III-1. Disbursement Timetable

Source	Year 1	Year 2	Year 3	Year 4	Year 5	Total
IDB	5,625,632	6,536,732	5,585,636	5,936,000	7,888,000	31,572,000
Local	5,088,786	5,195,971	4,367,286	2,516,286	1,881,671	19,050,000
Total	10,714,418	11,732,703	9,952,922	8,452,286	9,769,671	50,622,000

H. Monitoring and evaluation

- 3.17 SERNATUR will monitor and evaluate compliance with the quantitative periodic targets associated with the outcome and impact indicators established in the logical framework. To do so, SERNATUR will have an information monitoring system that will integrate financial/accounting management of the operation with the periodic attainment of outcomes. This system will also allow monitoring of potential socioenvironmental impacts, as well as compliance with the destination plans once the investments are under way. Activities to get the system up and running will be included in the first annual work plan for the program. For the periodic measurement of outcomes and impacts, the Office of the Deputy Director for Development will receive support from the Office of the Deputy Director for Operations and Control, which will collect and process statistical information associated with the corresponding indicators described in the logical framework on an annual basis. This Office will be strengthened by the improvement of the National Tourism Information System and the consolidation of the Tourism Satellite Account, which will standardize the information currently coming from surveys of inbound tourism conducted periodically by SERNATUR.

- 3.18 SERNATUR will prepare and deliver a semiannual progress report on activities to the Bank, within 60 days after the end of each calendar six-month period during program execution. These reports will include: (i) reference of cumulative progress toward meeting the program indicators for outputs and outcomes; (ii) financial execution of the program; (iii) a breakdown of projects completed and in execution; (iv) results of works supervision; (v) results of the monitoring of the environmental impacts of tourism in protected areas and in historical/cultural heritage areas; (vi) results of the maintenance of works completed and goods purchased, contained in the program audit reports; and (vii) an analysis of problems encountered and measures taken to address them. Adjustments to the program arising from the discussion of these reports will be agreed upon with the Bank. Once accepted by the Bank, the progress reports will be released to the public on the page devoted to the program in the SERNATUR website.
- 3.19 The program execution plan (PEP) will be the initial report specified in the General Conditions of the loan contract, and will include: (i) general planning of activities based on the critical path method; and (ii) financial planning and its correlation with the development objectives and performance indicators and their associated level of risk. The annual work plans (AWP) and the procurement plan for each year will be submitted by 31 December of the prior year. The AWP will include the targets and indicators from the logical framework, the activities leading to these targets, and the necessary responsibilities and budgets for their achievement. The procurement plan will describe the procurements required, based on the respective AWP, along with their schedule, procurement method, and review procedure by the Bank.
- 3.20 As part of program evaluation, SERNATUR will prepare and deliver a midterm and a final evaluation report to the Bank. These reports will include: (i) the results of the financial execution by component; (ii) targets met for outputs and outcomes, and progress toward expected impacts, based on the indicators established in the program's logical framework; (iii) the effectiveness and efficiency of the project preparation process, emphasizing quality, time, and cost; (iv) the level of compliance with environmental requirements and specifications for works, as established in the Plan for the Preparation of Final Designs and Works Supervision and regulations in force; (v) the level of completed implementation of cost recovery mechanisms ensuring the sustainability of the investments transferred to the regional governments and municipios; (vi) a summary of the socioenvironmental impacts of tourism in protected areas and areas declared historical/cultural heritage areas; (vii) the level of compliance with contractual commitments and applicable agreements, including proper operation and maintenance of the relevant investments; and (viii) a summary of the findings of all audits conducted during program execution. Once accepted by the Bank, these two evaluation reports will be released to the public on the page devoted to the program in the SERNATUR website. These evaluations will be conducted through consulting engagements commissioned by SERNATUR, using terms of reference and selection processes agreed upon with the Bank. These reports, including supporting statistical data and documentation, will remain available for an ex post evaluation, if the government

or the Bank decides to conduct one after program completion. Within 90 days after 50% of the loan proceeds have been committed, the executing agency will deliver the midterm evaluation of the program to the Bank. Likewise, the executing agency will deliver the final evaluation of the program to the Bank within 90 days after 90% of the loan proceeds have been disbursed.

I. Audits

- 3.21 As part of program execution, Chile's Office of the Comptroller General of the Republic (CGR) will prepare annual audit reports by 30 April of each year. To enable the CGR to perform its work efficiently and within the established time limits, SERNATUR will keep both electronic and physical records of expenditures incurred by the program in accordance with the AWP approved by the Bank for the audited year. It will also provide the auditors with evidence of having instituted, to the Bank's satisfaction, effective accounting, administrative, and financial control systems. The CGR will deliver the audited financial statements to the Bank and the executing agency, as well as financial and accounting information demonstrating compliance with the contractual clauses of the program. These financial statements must be in accordance with the Guidelines for the Preparation of Financial Statements and Independent Audit Requirements, which the Bank recognizes as valid for this type of loan operation.

IV. VIABILITY AND RISKS

A. Institutional viability

- 4.1 The viability of the program's proposed execution structure was evaluated during program preparation on the basis of four considerations: (i) ongoing functions of the National Tourism Service (SERNATUR) and each subexecuting agency; (ii) level of effort and coordination between these entities during preparation; (iii) quality of the set of supporting technical studies submitted to the Bank for review; and (iv) findings of the institutional capacity analysis of each entity using the Institutional Capacity Assessment System (ICAS) tool.
- 4.2 In keeping with its ongoing functions, SERNATUR was assigned the duties of coordination, execution of activities to strengthen public management of tourism, and monitoring and evaluation. To these were added general administration and financial/accounting management responsibilities for the program. Similarly, the subexecuting agencies were given responsibility for contracting, payments, and technical supervision of designs and works, as well as consulting engagements related to the development of the new tourism offerings. Based on this allocation of responsibilities, the institutional capacity of the organizational units within the participating entities was assessed using the ICAS tool, addressing the areas of activity programming, administrative organization, financial management, administration of goods and services, human resource management, and internal and external control.

- 4.3 The analysis of SERNATUR showed that it presents a substantial level of risk in its programming and organizational capacity, and a moderate level of risk in its capacity for execution and control. The weaknesses found are associated with the lack of formalized procedures related to the areas of programming, administrative organization, procurement, and control, no job descriptions or profiles for staff, an ineffective system for filing supporting documentation, no integrated financial and accounting system, and outdated auditing practices that hamper effective monitoring of deviations detected. The analysis also found that the National Forestry Corporation (CONAF) needs to better formalize its procedures in the areas of programming and administrative organization, but has good control and procedures related to the administration of goods and services. The Ministry of Public Works (MOP) has a satisfactory level of development in the various areas analyzed, which gives them a low level of risk in their capacity for programming, organization, execution, and control. The following measures were taken to strengthen program management and administration as a result of the ICAS analysis:
- a. **Programming of activities.** Formal procedures for SERNATUR's drafting of annual work plans will be governed by the program Operating Regulations (OR).
 - b. **Personnel administration.** The program's OR establish the job descriptions and profiles necessary for proper program execution. These positions will be filled through a competitive, transparent process.
 - c. **Administration of goods and services.** The executing agency will be strengthened with the hiring of procurement specialists, so that it can handle the increased work load during program execution. The OR establish guidelines for program procurement and contracting and identify uniform criteria for the management and filing of supporting documentation for bidding processes. An exclusive procurement unit will also be created for the program in Chile's electronic public procurement system (ChileCompras), providing subexecuting agencies with corresponding access. This will allow procurement information to be obtained in consolidated form for specific periods of time. This information will be provided to the auditors at Chile's Office of the Comptroller General of the Republic (CGR) in a timely manner.
 - d. **Financial management.** SERNATUR will have a comprehensive consolidated accounting system that allows effective financial management of the program and timely reporting, as well as access by subexecuting agencies. The program's OR contain the rules governing the financial/accounting management of the program.
 - e. **Internal and external control.** The formal procedures for the drafting of monitoring and control reports will be governed by the program's OR. The CGR will conduct program audits using individual and consolidated financial statements.

- 4.4 At the technical level, analysis of the documentation associated with the studies submitted to the Bank by SERNATUR led to the allocation of resources for capacity-building in programming, execution, and control at the Office of the Deputy Director for Development, which will be the program execution unit.

B. Economic viability

- 4.5 The economic analysis of the program was conducted on two levels. The first looked at the viability of the program as a whole. The second level of analysis was based on the four sample projects, in order to determine the individual viability of these investments.

1. Economic viability of the program

- 4.6 The flows determining the economic benefits of a tourism project are the change in the number of tourists and average spending with and without the project. The first step is to estimate the change in the number and type of tourists attributable to the proposed program. Given the lack of official data, the current demand for special interest, long-haul tourism was estimated based on interviews with hotel managers and inbound tour operators and information collected during the participatory workshops held. The estimate of the increase in demand driven by the program was based principally on: (i) responses to 2,500 surveys on potential demand and interviews with 104 operators in major outbound markets for Chile (Spain, Germany, the United Kingdom, Scandinavian countries, and the United States); (ii) questionnaires given to inbound operators in Santiago and the program's target tourism areas; and (iii) an analysis of the development of special interest demand in other international destinations with analogous attractions (Vancouver, Galápagos Islands, Costa Rica, Australia, and others). The estimated special interest, long-haul demand generated by the new offerings financed by the program were projected over 10 years, running from the implementation of the new destinations, as shown in the following table.

Table IV-1. New Destinations

Destination	Initial demand	Demand after 10 years of operation
Andean highlands	2,000	38,000
Humberstone-Iquique highlands	10,000	60,000
Southern highway	16,000	69,000
O'Higgins-Paine	40,000	30,000
Straits of Magellan – Tierra del Fuego	2,500	62,500
Cape Horn	3,000	37,000

- 4.7 The estimated volume 10 years after program execution is approximately 300,000 entries,⁷ just 1.7% of the potential demand detected using the surveys of inbound

⁷ This data relates only to special interest, long-haul tourists, and thus excludes Chileans, regional tourists (Argentina, Bolivia, Peru, etc.), cruise passengers, and other generalist tourists (touring).

and outbound consumers and operators, representing 17 million trips. This scenario is also considered conservative, even though it assumes a fourfold increase in demand over 10 years, since in absolute terms it is based on such low figures that the estimate becomes feasible, especially if compared with the initial development of established international destinations targeting special interest tourism (whose annual growth rates are around 30% to 50%). Then it was considered that the program would generate standard products with a number of overnight stays and average daily spending as summarized in the following table:

Table IV-2. Standard Products

Destination	Demand after 10 years	Nights	Overnight stays	Average spending	Sales after 10 years (US\$)
Andean highlands	38,000	3	114,000	160	18,240,000
Humberstone-Iquique highlands	60,000	3	180,000	150	27,000,000
Southern highway	69,000	4	276,000	160	44,160,000
O'Higgins-Paine	30,000	3.5	105,000	223	23,415,000
Straits of Magellan – Tierra del Fuego	62,500	4.5	281,250	226	63,562,500
Cape Horn	37,000	3.5	129,500	232	30,044,000
TOTALS	296,500	21.5	1,085,750	1,151	206,421,500
Weighted average overnight stays: 3.66 days			Weighted average spending: US\$190.12		

- 4.8 The average daily spending considered fluctuates, depending on the tourist destination, between US\$150 and US\$230 per person, including local transportation, lodging and meals, access to museums, interpretive centers, protected areas, activity costs, and specialized guides. The program's economic evaluation study (see Electronic References) breaks down tourism spending in each destination and includes numerous examples of special interest products in destinations similar to the program's target areas, whose daily prices range from US\$150 to US\$575 per person. Therefore, the estimated average daily spending for the products developed and promoted by this program is perfectly in keeping with the special interest, long-haul market, even offering prices at the low end of the international benchmark spectrum for these segments. The weighted average daily spending for all six destinations included in the program is US\$190.12, compared to current weighted average spending of US\$52.70.
- 4.9 Lastly, the value added by the revenues generated by tourism activity was considered, using a conservative value-added rate for the tourism sector of 0.25%, whereas the Tourism Satellite Account estimates a value of 55.7% for 2005 and 56% for 2004 in terms of gross value of the sector's output, and whereas the National Accounts of the Central Bank of Chile estimate value-added of 42.1% for the business, restaurant, and hotel sector.

- 4.10 The cost flow is based on the investment costs, according to the program's disbursement schedule, and the operating and maintenance costs, which have been taken as 5% of the investment costs for Component 1, "Development of new tourism offerings." Using these parameters, a discount rate of 12%, and a 13-year horizon, the internal rate of return for the program is 21%.
- 4.11 As noted above, benefits were calculated using conservative assumptions: (i) average daily spending in the low range of the international benchmark for the target segments; (ii) the application of a value-added rate of 0.25% for the tourism sector, well below indicator values; and (iii) economic spillover effects resulting from tourist spending (multiplier effect) were not considered, nor were the direct benefits to local residents from infrastructure and tourism projects taken into account.

2. Economic viability of the sample projects

- 4.12 The analysis in this section focuses on the representative sample of the different types of investments planned in the three areas selected for the program, and includes high-visibility projects, since they enhance unique, differentiating attractions for the tourism potential of the reference areas: (i) interpretive center on the continental ice fields and climate change (Southern Area); (ii) high mountain shelter (Southern Area); (iii) interpretive center on the Saltpeter Era (Great North-Humberstone destination); and (iv) nautical station (Patagonia and Tierra del Fuego – Straits of Magellan).
- 4.13 For the analysis, only net revenues in the operation of each project were considered (whether from entry fees, cafeteria consumption, stores, use of various equipment rental services for recreational activities, etc.). In addition, only the potential demand from long-haul tourists was included. The access fees considered for future interpretive centers, museums, stays and meals in shelters, as well as average expenses for cafeteria services and spending in stores at the centers and the nautical station by visitors are common fees in Chile and other countries in the region, and have been compared both with Chilean inbound tour operators and outbound operators in the target markets. The breakdown of the specific analytical assumptions for each sample project (such as initial demand and its increase or access fees) are given in the Electronic References.
- 4.14 The costs taken into account include investment, operation, and maintenance. For all projects, operating expenses are projected to remain constant for the first three years of operation. Successive annual increases of 5% are envisioned from year four onward. For all projects, between 2% and 4% of the construction and facilities budget was factored in, to account for maintenance, repair, and other expenses. A contingencies provision was also considered, equivalent to 2% of annual operating expenses.
- 4.15 For the economic viability analysis, a 10-year horizon from the start of operations was used for all sample projects, with the exception of the interpretive center on the

Saltpeter Era, which used a 17-year horizon, given the nature of the site (a World Heritage site), and a discount rate of 12% was used.

Table IV-3. Sample Projects

Sample project	NPV (US\$)	IRR%
Interpretive center on the continental ice fields and climate change	549,949	21
High mountain shelter	385,324	26
Interpretive center on the Saltpeter Era	53,083	13
Nautical station	701,562	18

- 4.16 All of the sample projects are economically viable, even without including the following in their assessment: (i) potential demand from other segments with enough purchasing power to pay for their services (domestic or regional tourists); and (ii) the local multiplier effect to be generated in local projects and businesses that will develop around them and be promoted through Component 3 of the program. The revenue estimates for the sample projects are included as indicators in the logical framework.

C. Socioenvironmental sustainability

- 4.17 During project preparation, a strategic environmental assessment was conducted on the areas selected by the program, in order to identify in advance any potential environmental or social impacts of the expansion and diversification of the tourism offerings. Detailed environmental records were also prepared for the four sample projects in order to determine the environmental impacts and risks of the investments during the construction and operation stages, as well as to make recommendations aimed at avoiding, minimizing, and mitigating these impacts and risks.
- 4.18 The program will have a positive effect on the natural and historical/cultural heritage of the three selected areas for tourism, through the enhancement of tourist attractions and the diversification of the tourism offerings, which, together with strengthened management at the government level, will put this heritage to sustainable use, and, therefore, generate a sustainable flow of benefits over the long term to the local and regional economies in the areas served by the program.
- 4.19 Moreover, in the Straits of Magellan area, the program will reduce the pressure that the growing flow of tourists is placing on the Torres del Paine protected area, which is projected to grow in the medium term with the opening of the Kirke Narrows, a project whose main objective is to allow larger vessels to enter the Gulf of Almirante Montt and Puerto Natales, representing the arrival of 52,000 additional passengers annually per season to this area. The program will finance the environmental management plan and a tourist flow management system in the Torres del Paine protected area, in addition to generating new tourism offerings in

its area of influence that can be used to regulate the flow of tourism into the national park.

- 4.20 The program will involve an increase in tourist flows to the destinations selected for the program. This increase is expected to be gradual, taking 14 years to go from the current 73,500 special interest visitors to 370,000. During this period of time, the program will support the development/update of regional planning instruments (land management plans, management and public use plans, and flow management systems), which should provide a basis for effectively addressing this increase in tourist flows. In order to ensure a comprehensive vision of the potential impacts caused by the tourist flows in the selected areas, even when these flows are not a direct result of the program's investments, all planning and monitoring work undertaken within the framework of the program will make allowance for an increase in domestic and regional visitors to the proposed target areas, adding them to the projected flows of special interest, long-haul tourists. Accordingly, the terms of reference for this work will include a requirement to factor in domestic and regional flows, in addition to the long-haul flows.
- 4.21 In general, the growth of tourist flows tends to put additional pressure on public services in the visited areas. The strategic environmental assessment recommended the inclusion of specific activities to effectively address the management of drinking water, sewer systems, solid waste, and energy. The program will finance destination plans that serve as mechanisms for coordination among the various levels of government. These destination plans will focalize the country's planned public investments under the Comprehensive Solid Waste Management Program (loan 1958/OC-CH), the Rural Sanitation Program (loan 1881/OC-CH), and the Rural Electrification Program (loan 1475/OC-CH). Therefore, the proposed program does not include direct investments in this type of basic infrastructure.
- 4.22 The program's components include the activities recommended by the socioenvironmental management plan prepared on the basis of the strategic environmental assessment: (i) development of land management plans for urban centers with tourism potential (Putre, Parinacota), including plans to improve sanitation and solid waste management services; (ii) development/update of management and public use plans, tourist flow management systems, and environmental monitoring in protected areas; (iii) creation of development opportunities for indigenous peoples and local communities as part of the planned destination plans; (iv) creation of highlands interpretive centers to encourage the integration of native communities in tourism activities; (v) implementation of consultation processes with stakeholders affected by the program; and (vi) destination plans drafted, and participation agreements signed to facilitate participation by various national (e.g. CORFO, SUBDERE, and CONAMA), regional, and local entities in the monitoring and implementation of the program and the socioenvironmental management plan. The participation agreements will ensure the necessary level of coordination for the provision of basic services in the areas selected for the investments.

- 4.23 With respect to the potential impacts related to the construction and operating phases of the works, it should be noted that the projects will range from simple works (improvement of trails, signage, enhancement of current facilities) to projects of medium complexity (interpretive centers, shelters, and small nautical stations). The environmental impacts during the construction phase are expected to be moderate, local, short-term, and manageable using traditional measures. During the operation phase, the anticipated impacts center around the projected increased in demand for public services and the pressure on natural resources. All projects executed in formally protected areas will be subject to the Environmental Impact Assessment System (EIAS), under Chilean environmental legislation. The program also includes: (i) the establishment of environmental guidelines for the preparation of feasibility studies and designs of specific works contained in the program's Plan for the Preparation of Final Designs and Works Supervision; (ii) compliance with national and subnational environmental law for final designs, including the submission of environmental studies, as applicable; (iii) inclusion of environmental mitigation measures and obligations in construction contracts; and (iv) environmental supervision as part of the general technical supervision of works, the findings of which will be included in the program's semiannual performance reports. The midterm and final evaluation reports for the program will analyze the extent of compliance with environmental legislation in works execution, the environmental supervisory capacity of the subexecuting agencies, and the socioenvironmental impacts of tourism.
- 4.24 Considering the high density of the indigenous population in the areas of program intervention in the Great North, the program will undertake public participation activities through the consultation forums already established under the "Programa Orígenes" Integral Development Program for Indigenous Peoples, Phase II (loan 1784/OC-CH).
- 4.25 Lastly, the program calls for the program execution unit (PEU) to have an environmental and social-sector specialist, who will report directly to the PEU's executive director and will coordinate the environmental and social activities described in the program's environmental and social management report (ESMR), including the development of environmental management plans, the drafting of public use load and intensity capacity studies as part of the management plans, support in the development of the destination plans, and conducting public consultations, especially with indigenous groups affected by the program. This specialist will also be responsible for the coordination necessary to implement monitoring of environmental and social aspects of the program.

D. Benefits and beneficiaries

- 4.26 The principal beneficiary will be the private tourism sector, with destinations better able to attract, retain, and satisfy tourists. The program will directly benefit the local population by offering new business and employment opportunities, as well as improved recreation and leisure options. The program will also generate social benefits by contributing to the enhancement and conservation of Chile's cultural

and natural heritage. The principal expected outcome will be the increase in foreign currency generated by tourism activity in the selected destinations. Specifically, the following outcomes are expected from the project: (i) changes in origin and motivations of visitors through increased special interest tourism; (ii) more overnight stays in the selected destinations; and (iii) longer average stays.

E. Risks

- 4.27 **Interinstitutional coordination.** Program execution will require close collaboration between SERNATUR, the subexecuting agencies, and the participating national and subnational entities. These links of collaboration have been developed since program preparation and extended to the preparation of the program Operating Regulations, which establish the responsibilities of each entity in the execution structure, the mechanisms for transferring resources and reporting, supporting documentation submission procedures for bidding processes and monitoring reports, as well as the legal instruments necessary to ensure flexible participation by each entity (subsidiary and participation agreements). Application of the OR will facilitate coordination among the participating entities during program execution. Nevertheless, in order to minimize the potential risk of poor coordination, the program calls for the direct participation of the beneficiary entities in the review and approval of the supporting technical documentation for the program works and activities. It is also essential for the management capacity of all entities to be sufficient to ensure a similar level of coordination during execution: for this reason, program Component 2 includes activities to strengthen public tourism management at both the national and subnational levels. The technical coordinators introduced in the executing units are also expected to ensure stable channels of communication and pursue coordination with operations under the “Programa Orígenes” Integral Development Program for Indigenous Peoples, Phase II (loan 1784/OC-CH), the Regional Productive Development Agency Program (loan 1820/OC-CH), the Heritage Preservation Program (loan 1952/OC-CH), the Comprehensive Solid Waste Management Program (loan 1958/OC-CH), the Rural Sanitation Program (loan 1881/OC-CH), the Rural Electrification Program (loan 1475/OC-CH), and the CONAF Management Capacity-building Program (loan CH-L1021), using the mechanisms established in their respective execution structures to maximize their benefits in the tourism sector.

**Development Effectiveness Matrix
Summary**

Indicator	Score	Maximum Score
I. Strategic Relevance	Low-High	
1. IDB Strategic Development Objectives	1.8	10
Country Diversification	0.7	2
Corporate Initiatives	0.0	2.5
Harmonization and Alignment	1.1	3.5
Beneficiary Target Population	0.0	2
2. Country Strategy Development Objectives	9.6	10
Country Strategy Sector Diagnosis	6	6
Country Strategy sector objective & indicator	3.6	4
II. Development Outcomes - Evaluability	Satisfactory	
3. Evidence-based Assessment & Solution	5.6	10
4. Evaluation & Monitoring Plan	4.3	10
5. Cost-Benefit or Cost-Effectiveness	10.0	10
6. Risks & Mitigation Monitoring Matrix	2.5	10
III. IDB's Role - Additionality		
7. Additionality	3	10
Technical Assistance provided prior the project	3	3
Improvements in management of financial, procurement, monitoring or statistics internal controls	0	4
Improvements in environmental, health and labor performance	0	3

I. Strategic Relevance: This operation is being executed in Chile considered a Group B country, through the "specific investment loan" instrument. Its objective is not linked to the Bank's initiatives (water and sanitation, infrastructure, sustainable energy and climate change, education and innovation, and opportunities for the majority). The country procurement and environmental management systems will be used. The objective of the operation is aligned with the strategic objectives set between the country and the IDB.

II. Evaluability: The project is clear in its objectives and there is consistency in its logic of intervention. It presents empirical evidence on the magnitude of the problem and partial empirical evidence on the factors that contribute to the development of the problem. Metrics need to be established to monitor and evaluate the expected outcomes, and baselines and targets need to be set.

The project has defined mechanisms for monitoring and budget for this activity. A reflexive (before and after) evaluation will be conducted, but there is no specific evaluation plan. The project has a cost-benefit analysis that covers all components. The project is classified as category "B." Mitigation measurement have been identified but there are not indicators, baselines and targets to follow up the implementation of these mitigation measures.

III. Additionality: Technical cooperation operation CH-T1034 is under way with the executing agency to support the design and execution of the project.

TOURISM DEVELOPMENT PROGRAM

(CH-L1023)

LOGICAL FRAMEWORK MATRIX

Narrative summary	Indicators			Means of verification	Assumptions
GOAL					
To make tourism more competitive in Chile.	Impacts			Tourism statistics generated by the National Tourism Service (SERNATUR), Central Bank of Chile, and the National Statistics Institute (INE).	
	<ul style="list-style-type: none">Maximize level of penetration of the Chile Tourism brand in target special interest segments (positioning)Change the behavior of tourists				
		Baseline 2008	2021		
	Level of awareness of the Chile tourism brand among potential target consumers	11% of potential target consumers	50% of potential target consumers		
	Average stay	0.56 days	3.66 days		
	Average daily spending	US\$52.70	US\$190.12		

Narrative summary	Indicators	Means of verification	Assumptions	
PURPOSE				
To attract special-interest segments capable of accelerating tourism growth.	Outcomes		Tourism statistics generated by SERNATUR, Central Bank of Chile, and INE. No conditions arise in the principal outbound markets that adversely affect the Chilean tourism industry.	
	• Increase in special interest, long-haul demand in the targeted geographic areas:			
		<u>Baseline 2008</u>		<u>2013</u>
	Number of visitors	73,500		109,080
	• Increase in overnight stays by tourists in the targeted geographic areas:			
		<u>Baseline 2008</u>		<u>2013</u>
	Number of overnight stays	42,630		119,433
	• Longer average stay by visitors in the targeted geographic areas:			
		<u>Baseline 2008</u>		<u>2013</u>
	Average stay	0.58 days		1.09 days

Narrative summary	Indicators	Means of verification	Assumptions
COMPONENTS			
<p>Development of new tourism offerings in Chile.</p>	<p style="text-align: center;">Outputs</p> <ul style="list-style-type: none"> • Total revenues of the interpretive center on the continental ice fields and climate change reach US\$214,000 in the first year of operation, and US\$400,000 by the fourth year of operation. Baseline: The center does not yet exist. • Total revenues of the high mountain shelter (Southern Area) reach US\$98,000 in the first year of operation, and US\$226,000 by the fourth year of operation. Baseline: The shelter does not yet exist. • Total revenues of the interpretive center on the Saltpeter Era (the Great North Area, Humberstone destination) reach US\$84,500 in the first year of operation, and US\$182,000 by the fourth year of operation. Baseline: The center does not yet exist. • Total revenues of the nautical station (Patagonia and Tierra de Fuego Area, Straits of Magellan destination) reach US\$128,000 in the first year of operation, and US\$518,000 by the fourth year of operation. Baseline: The station does not yet exist. • Urban development plans in Putre and Parinacota in year 2 of the program. • Network of trekking trails around Putre, and development of the foothills circuit in year 3 of the program. • Tourism development of Parinacota and Pica in year 3 of the program • Investments to improve public use in the protected areas: Lauca National Park, Las Vicuñas National Reserve, Salar de Surire Natural Monument, and Isluga Volcano National Park (management and public use plans, scenic view points, trails, visitors centers) in year 4 of the program. • Investments for bicycle tourism activities in the highlands (Chungará-Surire-Salar del Huasco) and in the Humberstone-Pica area (restoration/improvement of roads, 7 shelters, 5 stops, 20 interpretive sites, signage) in year 5 of the program. • Network of highlands centers (camelids, highlands crops, bird fauna, and flamingos) in year 4 of the program. • Development of the Humberstone and Santa Laura saltpeter works (structural restoration and reinforcement of buildings, installation of facilities and new technology to make visits interactive, and improved internal connectivity with trails. • Management plan and public use plan for the Laguna de San Rafael National Park in year 2 of the program. • Tourism development of the northern ice fields in year 4 of the program (improved access to the surrounding area, construction of 3 shelters and 6 platforms for overnight stays in tents: installation of radio equipment and first aid supplies; 12 Tibetan footbridges, 15 walkways, “via ferrata” mountain climbing routes, support 	<ul style="list-style-type: none"> • Progress reports by the executing agency. 	<p>There is close collaboration between SERNATUR, the subexecuting agencies, regional and local administrative levels, and the private sector during program execution.</p>

Narrative summary	Indicators	Means of verification	Assumptions
	<p>ropes, 8 ziplines, interpretive/scenic trails; signage and maps of main ascents and routes).</p> <ul style="list-style-type: none"> • Interpretive center on continental ice fields and climate change implemented in year 4 of the program. • Ramp for ferry operations on the road to Exploradores Bay in year 4 of the program. • Nautical station in Exploradores Bay with related facilities and services in year 4 of the program. • Improvement of the Southern Highway in year 4 of the program (directional, informational, and interpretive signage, outfitting of 2 rest stop areas, 3 scenic view points with interpretation and parking, 2 repeater antennas for telephone coverage, landscaping and impact mitigation, improvement of side roads with connections to attractions and services). • Trekking and horseback riding trails in the southern sector of Coyhaique in year 4 of the program (improvement of trail, 2 footbridges, 2 shelters, 4 scenic view points, and interpretive sites). • Investments in tourism management improvement in the Torres del Paine National Park and its area of influence in year 4 of the program (public use and environmental management plan, better demarcation and layout of the network of existing trails, improvement and expansion of signage and interpretation, fence repair, interactive museum of prehistoric animals, new network of multiple theme trails, management plan for the Milodón Cave natural monument). • Investments to improve public use of the Bernardo O'Higgins National Park in year 4 of the program (management and public use plan, study to identify tourist routes and products, tourism buildings and facilities). • Interpretive center on the continent of Antarctica in Punta Arenas in year 3 of the program. • Improvement and expansion of Magellan penguin observation facilities on the Magdalena, Marta, and Contramaestre islands in year 5 of the program. • Tourism improvements to the port of Porvenir (lighthouse restoration and exhibits) in year 5 of the program. • Straits of Magellan interpretive center in Porvenir in year 4 of the program. • Restoration of the Cameron-Puerto Arturo road in year 4 of the program. • Interpretive signage and scenic view points on the Porvenir-Cameron-Puerto Arturo road in year 4 of the program. • Nautical station in Puerto Arturo, with facilities and related services in year 4 of the program. • Marine mammal interpretive center in Puerto Arturo in year 4 of the program. 		

Narrative summary	Indicators	Means of verification	Assumptions
	<ul style="list-style-type: none"> • Infrastructure for sighting marine mammals and boating in fjords in the Cordillera Darwin sector of the De Angostini National Park in year 5 of the program. • Development and improvement of the Fuerte Bulnes historic site in year 3 of the program. • Improvement and preparation for tourists of the trekking trail from Fuerte Bulnes to Cape Froward in year 3 of the program. • Nautical station on Brunswick Peninsula in year 3 of the program. • Alacalufes National Reserve-Santa Inés Island sector management plan in year 2 of the program. • Design STUDY for routes, products, and facilities on Santa Inés Island in year 4 of the program (dock, visitors and interpretive center on whales and dolphins, 3 small ports for ocean kayaking, 1 coastal trail and interpretive view points with towers for sighting marine fauna, 1 inland trail and scenic view point overlooking Grandes Ventisqueros). • Trail on Navarino Island in the Cape Horn National Park in year 4 of the program (better demarcation and layout of the trail, construction of 3 footbridges, construction of 2 station-shelters, construction of 2 rest stops, construction of 10 scenic view points and interpretive sites, signage, design and publishing of a topographical guide and promotional material). • Tourism development of Cape Horn National Park in year 4 of the program (management and public use plan, improvement of landing dock, preparation of visitors and interpretive center, improvement of existing trail and scenic view point overlooking lighthouse, preparation of new coastal trail). • Development of the Tierra del Fuego Channels near Fin del Mundo in year 4 of the program (management and public use plan for the Hoste Island sector, study to identify and design tourism routes and products for Hoste Island, Murray Channel, and Beagle Channel). 		

Narrative summary	Indicators	Means of verification	Assumptions
<p>Strengthening of the institutional framework for tourism.</p>	<p style="text-align: center;">Outputs</p> <ul style="list-style-type: none"> • Improvements in the National Tourism Information System, including updating of the Tourism Satellite Account, implemented in year 2 of the program. • 6 local tourism monitoring centers introduced in year 2 of the program. • Mechanisms to evaluate the outcomes of policies and plans instituted in the sector, up and running in year 2 of the program. • Improvement of tourism planning and interagency coordination processes in year 2 of the program (development of business plans in protected areas, review and updating of tourism concession and pricing system, and strengthened planning and management mechanisms for tourism areas and centers). • Special interest tourism promotion activities in year 3 of the program (tourism portal, promotional materials, thematic roadmaps). • New internal processes, equipment, software development introduced at SERNATUR nationally, locally, and in tourism information offices, in year 2 of the program. • At least 6 courses aimed at local public entities on tourism development planning and management, designed and taught in year 1 of the program. • 6 destination plans drafted in year 1 of the program. • At least 6 municipalities are made aware of benefits and risks of tourism development in year 1 of the program. • Technical manuals aimed at the Ministry of Public Works in year 1, and at the Ministry of Planning in year 2 of the program. 	<ul style="list-style-type: none"> • Progress reports by the executing agency. 	<p>There is close collaboration among SERNATUR, the subexecuting agencies, regional and local administrative levels, and the private sector during program execution.</p>
<p>Support for private sector competitiveness.</p>	<p style="text-align: center;">Outputs</p> <ul style="list-style-type: none"> • Tourism entrepreneurship development tools implemented in year 1 of the program. • Destination management model designed, and at least 5 management teams up and running in year 1 of the program. • Tourism business management support tools in year 1 of the program (support for business networks, exchanges of experience and know-how, benchmarking, partnerships, quality system support mechanisms, promotion and marketing support tools). 	<ul style="list-style-type: none"> • Progress reports by the executing agency. 	<p>There is close collaboration among SERNATUR, the subexecuting agencies, regional and local administrative levels, and the private sector during program execution.</p>

Country: Chile
Executing agency: SERNATUR (Nacional Tourism Service)
Program name: Tourism Development Program
Project number: CH-L1023
Period covered by procurement plan: First and second half of 2009 to first half of 2010

CONSULTING FIRMS			Source of financing			Procurement method	Review (ex ante, ex post, or CGR)	Estimated date of solicitation
	OUTPUTS	Description	IDB	GOC	TOTAL			
I. COMPONENT 1: DEVELOPMENT OF NEW TOURISM OFFERINGS			200,000	1,485,000	1,685,000			
1.1 ANDEAN HIGHLANDS AREA			200,000	625,000	825,000			
Improvement of Putre and surrounding area as a tourism destination			140,000	100,000	240,000			
	1.1 Urban development plan for Putre and actions on basic public services and beautification							
	Land management plan	Drafting of land management plan. Development of municipal ordinances for homogenization of architecture and urban development	80,000	100,000	180,000	CHC	Ex post/CGR	Q1 2009
	Diagnostic study on urban facilities for tourism development.	Study includes signage, landscaping, traffic circulation, parking, connectivity, and other factors.	60,000	0	60,000	CHC	Ex post/CGR	Q1 2009
Tourism improvements in Parinacota			60,000	100,000	160,000			
	Section plan and work plan for Parinacota	Section plan also containing municipal ordinances for the homogenization of architecture and urban development.	0	100,000	100,000	CHC	Ex post/CGR	Q2 2009
	Diagnostic study of condition of urban infrastructure	Diagnostic study of condition of urban infrastructure in terms of basic service delivery, sustainability, tourism and landscaping infrastructure, connectivity, traffic circulation, and emergency evacuation in Parinacota.	60,000	0	60,000	CHC	Ex post/CGR	Q2 2009
Tourism improvements in the Lauca Biosphere Reserve and Isluga Volcano National Park			0	425,000	425,000			
a. Lauca National Park								
	Management and public use plan	Creation of management and public use plan	0	150,000	150,000	CHC	Ex post/CGR	Q1 2009
b. Las Vicuñas National Reserve								
	Management plan	Creation of management plan	0	100,000	100,000	CHC	Ex post/CGR	Q1 2009
c. Salar de Surire Natural Monument								
	Management plan	Creation of management plan	0	75,000	75,000	CHC	Ex post/CGR	Q1 2009
d. Isluga Volcano National Park								
	Management plan for Isluga Volcano National Park	Creation of management plan		100,000	100,000	CHC	Ex post/CGR	Q1 2009
1.3 SOUTHERN HIGHWAY AREA			0	210,000	210,000			
Glaciers and ice fields - Laguna San Rafael National Park			0	210,000	210,000			
	Management and public use plan for Laguna San Rafael National Park	Creation of management and public use plan	0	150,000	150,000	CHC	Ex post/CGR	Q1 2009
	Design study for access facilities to glaciers and northern ice fields	Study on tourism use and location of facilities and access points to northern ice fields	0	60,000	60,000	CHC	Ex post/CGR	Q2 2009
1.4 STRAITS OF MAGELLAN AREA			0	650,000	650,000			

1.4.1 BERNARDO O'HIGGINS - TORRES DEL PAINE NATIONAL PARK SUBZONE								
Torres del Paine and its area of influence			0	150,000	150,000			
a. Torres del Paine National Park			0					
	Public use plan for Torres del Paine National Park	Creation of public use plan for Torres del Paine National Park	0	100,000	100,000	CHC	Ex post/CGR	Q1 2009
b. Milodón Cave Natural Monument								
	Management plan	Creation of management plan	0	50,000	50,000	CHC	Ex post/CGR	Q4 2008
Patagonian Channels			0	100,000	100,000			
	Management and public use plan for Bernardo O'Higgins National Park, sector near Torres del Paine	Creation of the management and public use plan for Bernardo O'Higgins National Park, sector near Torres del Paine	0	100,000	100,000	CHC	Ex post/CGR	Q1 2009
1.4.2 STRAITS OF MAGELLAN - TIERRA DEL FUEGO SUBZONE								
Nautical route through Straits of Magellan:			-	400,000	400,000			
a. Punta Arenas-Tierra de Fuego tourist site								
	Management and public use plan for the Los Pingüinos National Monument	Creation of the management and public use plan for the Los Pingüinos National Monument	0	100,000	100,000	CHC	Ex post/CGR	Q1 2009
b. Tierra de Fuego-De Agostini National Park tourist site								
	Management plan for the De Agostini National Park, Cordillera Darwin sector	Creation of the management plan for the De Agostini National Park, Cordillera Darwin sector	0	150,000	150,000	CHC	Ex post/CGR	Q1 2009
c. Punta Arenas-Fuerte Bulnes-Froward-Alcalufes National Reserve tourist site								
	Management plan for Alcalufes National Reserve, Santa Inés Island sector	Creation of management plan for Alcalufes National Reserve, Santa Inés Island sector	0	150,000	150,000	CHC	Ex post/CGR	Q1 2009
II. COMPONENTE 2: INSTITUTION-STRENGTHENING			1,210,000	300,000	1,510,000			
Modernization of the structure of SERNATUR and reengineering of its processes			160,000	0	160,000			
Optimization of organizational structure			160,000	0	160,000			
	Study of competency and performance gaps in Senator	Study to identify competency and performance gaps in SERNATUR	80,000	0	80,000	CHC	Ex post/CGR	Q2 2009
	Study to design structure and define job profiles by competency in SERNATUR	Study to design structure and define job profiles by competency	80,000	0	80,000	CHC	Ex post/CGR	Q3 2009
National Tourism Information System			760,000	300,000	1,060,000			
Tourism information offices			180,000	0	180,000			
	Software development for network integration of tourism offices	Software development	180,000		180,000	CHC	Ex post/CGR	Q3 2009
Consolidation of the Satellite Account			500,000	300,000	800,000			
	Redesigned spending survey	Study on spending survey redesign and software	200,000		200,000	QCBS	Ex ante	Q2 2009
	Application of redesigned spending survey	Application of new spending survey		150,000	150,000	CHC	Ex post/CGR	Q1 2010
	Registry of national tourism offerings	Registry study and survey of national tourism offerings	300,000		300,000	QCBS	Ex ante	Q2 2009
	Updated registry	Maintenance of registry of tourism offerings		150,000	150,000	CHC	Ex post/CGR	Q2 2010
Tourism monitoring centers			80,000	0	80,000			
	System for collecting relevant information for domestic and international promotion	Study for design of instruments and survey of information from primary outbound markets	40,000	0	40,000	CHC	Ex post/CGR	Q2 2009
	Tourism monitoring center model designed	Study for the design of the tourism monitoring center model	40,000	0	40,000	CHC	Ex post/CGR	Q2 2009
Coordination			140,000	0	140,000			
Interagency coordination			140,000	0	140,000			
	Manuals on tourism variables in infrastructure investments for MOP connectivity	Development of a manual on tourism variables to incorporate in the evaluation of investments in accessibility for the MOP	140,000	0	140,000	CHC	Ex post/CGR	Q2 2009
Regional and local institutional framework			150,000	0	150,000			
Destination boards			150,000	0	150,000			
	Delivery of training and technical assistance to municipios	10 workshops and technical assistance	75,000	0	75,000	QCBS	Ex ante	Q2 2009
	Delivery of training, assistance, and advisory support to regions	Workshops, advisory support, and assistance to 7 regions	75,000	0	75,000	QCBS	Ex ante	Q2 2009
III. COMPONENT 3: SUPPORT FOR TOURISM BUSINESS COMPETITIVENESS			530,000	15,000	545,000			
Tourism investment monitoring and evaluation system			100,000	-	100,000			
	Tourism investment monitoring and evaluation system	Study on monitoring tourism investments	100,000	0	100,000	CHC	Ex post/CGR	Q2 2009
Destination management			0	15,000	15,000			
	Model defined for destination management in Chile	Diagnostic comparative study and development of a destination management model	0	15,000	15,000	CHC	Ex post/CGR	Q3 2009
Support for business management			180,000	0	180,000			

	12 quality standards available and royalties paid	Development of 12 quality standards and royalties paid	180,000	0	180,000	CHC	Ex post/CGR	Q3 2009
Business development instruments			250,000	0	250,000			
	Business development instruments		250,000	0	250,000	CHC	Ex post/CGR	Q4 2009
TOTAL CONSULTING FIRMS			1,940,000	1,800,000	3,740,000			

Contracting of consulting firms:

QCBS: Quality- and cost-based selection

QBS: Quality-based selection

FBS: Selection under a fixed budget

LCS: Least-cost selection

SSS: Single-source selection

CHC: Chile Compra electronic system

Ex ante: Review of each step of the procurement process
with prior approval by the BankEx post/CGR: Ex post review by the Bank based on CGR
review of the procurement process