

TECHNICAL-COOPERATION LOAN

PROGRAM OF COOPERATION FOR TOURISM DEVELOPMENT IN BOLIVIA

(BO-0127)

EXECUTIVE SUMMARY

**BORROWER AND
GUARANTOR:** Republic of Bolivia

EXECUTING AGENCY: Secretaría Nacional de Turismo [National Tourism Board] (SENATUR)

AMOUNT AND SOURCE: IDB (FSO in foreign exchange): US\$4.8 million
Local counterpart funding: US\$1.2 million
Total: US\$6.0 million

**FINANCIAL
TERMS AND
CONDITIONS:** Amortization period: 40 years
Grace period: 10 years
Disbursement period: 2.5 years
Interest rate: 1% during the grace period and 2% thereafter
Inspection and supervision: 1%
Credit fee 0.5% on undisbursed balances

OBJECTIVES: To lay the foundations for diversifying and planning the country's tourism supply in the medium and long term, by incorporating the development of ethno- and ecotourism and supporting activities aimed at consolidating traditional tourism, private sector investment, and community participation.

DESCRIPTION: To achieve its objectives, the program would comprise four subprograms:

1. Subprogram of prefeasibility studies for land-use planning, project identification at the pre-feasibility level, and investment promotion to benefit four new integrally planned tourism hubs. The four hubs are: the Cachuela/Esperanza-Guayamerin-Riberalta Triangle, the Uyuni Salt Lakes-Lagoons, the Jesuit Missions, and the Cordillera Real. These hubs have already grown to some extent and will need to be developed with a view to achieving self-sustaining tourism. This will pave the way for orderly diversification of the national tourism supply by promoting

ethno- and ecotourism. The planning studies for tourism areas would include environmental impact, ethnic and cultural components and provide for active community participation in the development of the new hubs.

2. Pilot subprogram for the enhancement of five main archaeological sites within easy reach of the four new hubs to be developed or of traditional tourism centers. To this end, basic services and amenities for tourists will be designed, rehabilitated and developed at five archaeological sites: Tiwanaku, Inkallajta, Samaipata, Llica and Trinidad. The subprogram is aimed at modifying the traditional way of operating and maintaining archaeological sites in order to make them financially self-supporting.
3. Subprogram for marketing and publicizing ethno- and ecotourism in Bolivia in the main markets of the region (Argentina, Brazil, Chile, and the United States). The subprogram includes market surveys; activities to publicize Bolivia's image in each market, with particular emphasis on the country's ethnographic, ecological and cultural aspects; design, preparation and publishing of materials promoting the new tourism product; preparation of agreements for promoting tourism; and commissioning and execution of targeted marketing programs.
4. Subprogram for tourism-related training targeted mainly at the new hubs and also including strengthening of municipal and private-sector activities planned for the four new tourism hubs, and of the organizations supporting community participation.

**ENVIRONMENTAL
CLASSIFICATION:**

The Environment Committee, at its meeting of July 11, 1995, classified this as a Category III operation. It also reviewed the plan of operations at its September 26 meeting.

BENEFITS:

The program will lay sound foundations for the dynamic, diversified, orderly, and sustainable development of ethno- and ecotourism in Bolivia, which will be reflected in greater income and employment opportunities for the country.

RISKS:

The greatest risks to achieving the objectives of the program and carrying out the subprograms are: (1) the program calls for an executing unit that can

coordinate the actions which need to be taken by the various participating sectors. SENATUR is to establish the executing unit at the level of the National Director of Tourism, and has given the Bank a firm undertaking to ensure that agreements are in place to carry out the actions needed from the different participating sectors. (2) The selection, monitoring and evaluation of the consulting firms may prove quite a complex task, given the many different facets which need to be included in the studies, especially those dealing with ethnic aspects and the environment. Funds are therefore being included to hire specialized consulting experts as required to work with the executing unit to address these prospective issues.

**THE BANK'S
COUNTRY STRATEGY:**

This program forms an integral part of the Bank's strategy to support the Bolivian government's efforts to create the right conditions for sustainable economic growth in the country as a whole and the tourism sector in particular, as part of its overall effort to gain entry into world markets, overhaul the productive structure, and conserve natural resources and the environment. The program also supports two key elements of Bolivia's development strategy to which the Bank is actively contributing, namely: to expand private sector participation and get communities involved in economic activities (Law on Civic Participation), and to pursue regional decentralization.

**SPECIAL
CONTRACTUAL
CONDITIONS:**

1. As a condition precedent to disbursements under the loan, conditions will be agreed to ensure (a) the formation of the program's executing unit (paragraph 3.11); (b) the conclusion of the interagency agreements required to execute the program (paragraphs 3.12 and 3.13); and (c) the submission of the initial plan of execution and the timetable of program activities (paragraph 3.23).
2. In addition, the eventual financing agreement will include the necessary clauses to ensure that execution of the program is monitored and evaluated (paragraph 3.24), and will provide for the possibility of reimbursing expenditures up to the equivalent of US\$40,000 against the loan and of recognizing expenditures incurred against the counterpart funds up to the equivalent of US\$40,000 (paragraph 3.27).

I. BACKGROUND

A. Structural adjustment and reforms in Bolivia, 1985-1995

- 1.1 The economic policy which Bolivia introduced in August 1985 led to a major shift in economic development strategy, a significant reduction in the State's role in the economy, and abandonment of a development model built around State control, with its heavy reliance on public investment, which had been the norm up to then. The measures taken to stabilize the economy and open it up internationally were accompanied by liberalization of the goods, credit, capital and labor markets. These proved to be crucial structural reforms, as they created the basic conditions needed to achieve more rapid economic growth. The average growth of real GDP in 1988-1990 was 2.8%; it rose to 4% in 1991-1994.
- 1.2 To raise living standards, especially among lower-income groups, the government set out to speed up the pace of economic growth by stimulating private investment in key sectors. The second wave of deeper structural reforms was ushered in by the approval of several laws in 1994. In this context, the government gave priority to strengthening the legal and institutional framework of economic and social activities and pushed for approval of a constitutional reform and the formulation of new laws to extend the changes begun a decade earlier.
- 1.3 The changes made significantly alter the participation of civil society and its relations with the State, as well as the way in which the government itself is administered. Basically, the change process is being driven by five reforms, four of which are embodied in provisions already in effect: reform of the State and administrative decentralization, civic participation, a "capitalization" program of divestiture with benefits shared by the Bolivian people, and educational reform. Reform of the pension system is awaiting approval. The measures adopted that have the greatest impact on the program proposed herein are the Law on Civic Participation and the Law on Administrative Decentralization.
- 1.4 The Law on Civic Participation is aimed at integrating indigenous, campesino and urban communities into the legal, political and economic life of the country. The goal in implementing the law is to improve the quality of life of Bolivian men and women, through more equitable distribution and better administration of public resources. To this end, the law confers juridical personality on community-based organizations at the level of *provincias* (multiple municipalities), the jurisdictional units demarcated in the law. It transfers the physical infrastructure for education, health, sports, secondary roads and small-scale irrigation to the municipal governments, together with responsibility for their administration, maintenance and renewal, and 20% of the public investment budget. For its part, the Law on Administrative Decentralization is aimed

at shifting responsibility for investments in productive infrastructure to the departmental authorities.

B. Tourism in Bolivia. History, potential and challenges. New institutional framework

- 1.5 Bolivia has always boasted tremendous tourist attractions thanks to its great cultural heritage, with important archaeological centers like Tiwanaku; cities of considerable historical significance, especially during the Viceregency period, notably Potosí and Sucre; and a wide variety of natural attractions unmatched anywhere else in the world, including snow-capped mountains, the Altiplano region, the great saltflats of Uyuni and Copaisa, the forest fringe area and Amazon rain forest with major tributaries of the Amazon River, and many diverse ethno-linguistic groups.
- 1.6 The slow pace of tourism development in Bolivia in the past can be traced to the country's economic and political situation, to the absence of suitable incentives, and to the lack of aggressiveness in private sector investment, due to the absence of marketing plans or any close working relationship between the public and private sectors. This led Bolivia to base its tourism operations on the conservative traditional supply centered in the La Paz-Cochabamba-Santa Cruz core, with very few changes in its tourist offerings despite the new demand being generated in the international market, which the country is in an excellent position to meet.
- 1.7 With the country's economic revival, there is more interest in tourist activities and a recognition of their possible benefits in terms of diversifying the economy, creating jobs, and earning foreign exchange. In 1994 and the first half of 1995, the number of incoming or foreign tourists to Bolivia jumped by 18.8% over the previous year, easily outstripping the average rate of increase of 7% over the last 10 years, which was below the average of 10% for the region. It can be expected that tourism demand in Bolivia will continue to increase, and the tourism industry could take off at any time. In 1994, revenues from tourism represented an estimated 1.3% of GDP and totaled US\$135 million, or 14.5% of total exports, bringing in more than US\$20 million in taxes. Viewed against foreign trade as a whole, revenues from inbound tourism are the second largest export item after zinc (1993) and ahead of natural gas and tin among traditional exports. Among nontraditional exports, tourism ranks first, followed by soybeans, wood, and sugar.
- 1.8 Average stays by foreigners in Bolivia, based on those of up to 60 days, work out at 11.5 days; the longest (17 days) are those of Europeans and the shortest (8.8 days) those of South Americans. According to a survey carried out in September and October 1994, it was estimated that recreational tourism accounted for about 44% of total tourist arrivals. Ten percent of tourists went on excursions

to the rain forest, 11% took boat trips on the rivers, 19% went hiking in the mountains, and 24% visited archaeological ruins.

- 1.9 These figures leave no doubt that in the present state of the world economy the tourism sector could make a much greater contribution to Bolivia's economy. The new pattern of tourist demand, with its emphasis on ethnotourism, especially learning about indigenous cultures, and nature and adventure tourism, combined with the country's safety for tourists and the improving situation in this regard in other countries of the area, holds out the promise of a powerful increase in tourism. This is therefore a very good time to support Bolivia's prospects for expanding its tourism products, and improving its current offerings at traditional destinations, with a more varied menu, a more refined product and higher quality levels; this could be done on the basis of established plans based on higher quality standards, greater benefits to local residents, and the buoyant demand that exists for such services.
- 1.10 The present government's economic policy decision to strengthen tourism has been reflected in the creation of the National Tourism Board (SENATUR) and formulation of the Supreme Decree containing National Tourism Regulations, as key institutional underpinnings for promoting tourism at the national level. SENATUR is trying to keep one step ahead of the spontaneous new wave of tourism, by analyzing trends and by establishing programs and projects for its orderly development, taking as its starting point objectives and policies which have been clearly defined as part of the tourism strategy that has been formulated.
- 1.11 The formation of the National Tourism Council as an advisory arm of SENATUR, composed of executives representing the main trade groups in the private tourism industry, provides further evidence of the interest, consensus and degree of coordination that exist among the different production agents at the national level and in the government. The Bolivian Hotel Association, the Bolivian Association of Travel and Tourism Agencies, the National Association of Tour Operators and the Airline Association are all represented on the Council.

C. Bolivia's tourism strategy

- 1.12 Bolivia's excellent endowment of tourism resources, which are in tune with the new requirements of the market, has led to the spontaneous emergence of new tourism areas in the country, especially in terms of ethnological, nature and adventure tourism. This spontaneous development needs to be looked at from two angles - the tourist product being marketed and the areas to be developed. As far as the product is concerned, key elements of the strategy approved are the participation of communities in the process of tourism development, the inclusion and importance of cultural aspects, such as traditions, way of life, etc., and the fact that the communities are being treated as stakeholders in the decisions

taken and the resulting benefits. As regards the new areas, these require planning, an orderly framework, and regulation to ensure that any tourism activities built up are consistent with the concept of self-sustaining development and extensive local input, so as to avoid environmental degradation and adverse social impacts on groups that are completely dependent for their survival on the preservation of their cultural and natural environment.

- 1.13 SENATUR's formulation, for the first time, of a medium- and long-term development strategy constitutes an important program foundation and a serious and thorough attempt to steer and encourage private investment in tourism, within a framework of decentralization and participation in the provision of services. The main guiding principles of the new approach to tourism development lie in the linkages between attractions, existing infrastructure and that under development, and available services, and in the institutional and community capacity to bring them together and harness them in a sustainable manner in a context of absolute respect for culture and the environment.
- 1.14 Taking this situation, guidelines and characteristics as a starting point, a number of studies were carried out on each aspect listed in the preceding paragraph. They were summarized in a report by the National Tourism Board entitled "Bolivia's Tourism Development Strategy; Ethno- and ecotourism; from Amazonia to the Andes." The report also includes the principles of: (1) consolidating and diversifying the country's tourism offerings to take account of the diversity of ethnic groups and nature tourism; (2) securing the inclusion of Bolivia's tourism products in the international and national tourism markets, on a competitive basis; and (3) gradually transferring the functions of promoting and regulating tourism to the regional authorities, under the umbrella of appropriate land-use planning and sustainable growth. SENATUR is promoting expanded offerings of products based on ethno- and ecotourism and is aware that the success of this approach depends on appropriate conservation of protected areas, the provision of services to visitors, control of environmental pollution, and active community participation.
- 1.15 Recognizing the importance of tourism business to communities, the strategy set out to promote tourism by more direct means under the responsibility of municipalities, by drawing on mechanisms for citizen participation and the various funds for financing the sector. This policy decision has been backed up by the decentralization of government functions, so that decision-making that will affect the future of municipalities, and hence of their residents, has been delegated to them, together with the financial capacity to help give effect to such decisions.
- 1.16 Selection of the new areas proposed in the subprogram of studies for land-use planning and promotion of investments in new tourism hubs was based on a stratified analysis of variables in different

categories, which included aspects directly related to: ethno- and ecotourism and its present growth in the country, efforts being made to steer it toward and group it around the hubs selected; the location map of tourist attractions; existing tourism supply for the type of tourism selected and the extent of investment by the private sector; collaboration on the part of the municipalities and communities affected; actual and potential tourism units; and, among other things, forecasts of infrastructure investments driven by other sectors of the economy (highways, airports, and other works existing or under construction, etc.). This process led to the selection of the four areas included in this technical cooperation (Annex I-1 presents a brief description of each area), three of which would lie along export corridors that Bolivia is developing under agreements with bordering countries, so that their development would benefit from the corresponding investments.

- 1.17 The strategy also calls for a revamping of the "tourist product," aimed at building in more information and enhanced tourist participation in environmental aspects through improved publicity material and specialized guides and the incorporation of historical and cultural aspects, combined with input from local residents; in this way, tourists would not simply visit the monuments in the area but would have the opportunity to learn about the time in history when they were created, the cultural process to which the period gave rise, and even such topical aspects as its music or handicrafts. The Jesuit Missions are a good illustration of the possibilities afforded by this new approach.
- 1.18 It was as part of this strategy, and because of the need to assemble resources to fund full-scale implementation of a program that involves areas new to Bolivia, that SENATUR and the national government applied to the Bank for financial assistance to speed up the activities that make up the program of cooperation for tourism development described herein.
- 1.19 It is relevant to point out that other aspects not covered in this operation, such as tourist identification and promotion efforts in Europe, consolidation of other traditional tourism areas (Cochabamba and Potosí), and rehabilitation and upgrading of other tourism centers (Lake Titicaca), are planned as complementary SENATUR programs under cooperation arrangements already approved by other governments and organizations, such as the European Union, the Spanish Agency for International Cooperation and USAID through PL-480. The analysis mission was able to establish that support efforts by other international institutions and bilateral donors are complementary and consistent with the existing strategy. In this connection, the analysis mission was agreed that the different aspects of SENATUR's activities are covered and that there is a consistent overall framework and approach, as well as the institutional capacity to carry out these activities with ad hoc support where needed.

D. The Bank's strategy

- 1.20 The proposed program addresses the priorities established by the government and is in keeping with the Bank's operational guidelines. With respect to the proposed program, the Bank's strategy in Bolivia includes among its priorities support for efforts to create the right conditions for sustainable economic growth in the country as a whole and the tourism sector in particular, as part of its overall effort to gain entry into world markets, overhaul the productive structure, and conserve natural resources and the environment. The program also aims at strengthening relations between the State and civil society by supporting citizen participation, administrative decentralization, and national land-use planning.

E. Other related projects

- 1.21 The Bank approved reimbursable technical-cooperation funding in 1994 for the institutional strengthening of the Ministry of Sustainable Development and the Environment (AT-1026). This operation includes an ecological mapping and environmental quality control component that provides the groundwork and overall framework for conducting the basic environmental studies associated with this operation.

II. OBJECTIVES

- 2.1 The objective of the program of cooperation for tourism development in Bolivia is to lay the foundations for diversifying and planning the country's tourism supply in the medium and long term by incorporating the development of ethno- and ecotourism and supporting activities aimed at consolidating traditional tourism, private sector investment, and community participation.
- 2.2 The subprograms which are proposed afford opportunities to enhance the orderly development of more varied offerings by adding four new tourism hubs, in addition to improving tourist services at five major archaeological sites, marketing activities, promotion, and training, which will primarily benefit the concept of ethno- and ecotourism.
- 2.3 Annex II-1 presents an overview of the Logical Framework of the program, together with detailed objectives, proposed activities, performance indicators, and arrangements for monitoring and verifying the subprograms described below.

III. DESCRIPTION OF THE PROGRAM

A. Subprograms and activities

- 3.1 To achieve the proposed objectives, the program includes the following four subprograms:
 1. Subprogram of studies of land-use planning and investment promotion in four new integrally planned tourism hubs (direct costs totaling US\$1,750,000)
- 3.2 This subprogram consists in the preparation of four studies related to: land-use planning for areas that may be affected by tourism development; identification and formulation, at the prefeasibility level, of the public sector projects required; and identification of the public and private sector investment projects which need to be promoted. These would all be consistent with the characteristics of the new areas and with their current and future development, as well as with the concept of self-sustaining tourism development. Special attention will need to be paid to ethnographic aspects, community participation, and protection of the environment at each hub. The hubs are: the Cachuela/Esperanza-Guayamerín-Riberalta Triangle; the Uyuni Salt Lakes-Lagoons; the Jesuit Missions, and the Cordillera Real. The criteria used in selecting the hubs are listed in paragraph 1.16.
- 3.3 The studies would identify public infrastructure investments needed in the areas selected (potable water, sewerage, solid waste disposal, energy, urban codes, minor investments in transportation, etc.) in order to improve existing services, raise the quality of life of local residents, and expand the tourist services available. The type and location of the eventual investments will depend on land-use plans, the suitability and basic features of the areas bearing in mind the international tourism market and the environmental studies, ethnic and cultural considerations, and the extent of the community participation sought in each hub. Investments to be undertaken by the private sector will also be identified on an indicative basis. Pursuant to the Law on Civic Participation, the land-use plans and associated regulations would be discussed with civil-society representatives before they were implemented.
- 3.4 Where considered necessary, regulations on the sector (hotelkeeping, tourism companies, transport operators, guides, restaurants, etc.) will be introduced or amended with a view to stimulating its expansion and growth and bringing it into line with international trends and national legislation, scaling back the protective and controlling role of the State to promote greater freedom of activity, but maintaining the distinguishing features of the area and the resource to be developed, for example by refurbishing old buildings for use as hotels.

- 3.5 The subprogram also includes a study to design a work plan and take the specific steps needed to promote private sector investments, both domestic and foreign, so as to build up tourism destinations both domestically and internationally and at the same time achieve a quality level that will support high-spending tourist demand. One component of the study will be to produce promotional materials.

2. Pilot subprogram for enhancing five archaeological centers
(direct costs totaling US\$1 million)

- 3.6 This second subprogram will entail designing, developing and rehabilitating basic tourist services and amenities (upgrading of signage and information for visitor tours, exhibit centers for archaeological specimens, tourist assistance services at these centers, informational material, etc.) in order to make more rational use of five archaeological sites of great value to Bolivia's cultural and tourist heritage (Tiwanaku, Inkallajta, Samaipata, Llica and Trinidad), which are close to the new areas to be developed or to traditional tourism centers. This subprogram is designed as a pilot project aimed at modifying the traditional way of operating archaeological sites, including a new system of earmarking the monies collected in order to make the sites financially self-supporting through decentralization. These features are included in the agreement signed between SENATUR and the National Archaeological Institute.

- 3.7 Three of the centers chosen for this pilot experiment - Tiwanaku, Inkallajta and Samaipata, which despite their longstanding tourist tradition are beset by serious operating deficiencies - are located along the main axis that marks the center of the country's tourist activity; each center lies within the area of influence of one of the three cities that have the most to offer the tourist: La Paz, Cochabamba and Santa Cruz. The Llica site is in the Uyuni Salt Lake area near the border with Chile; a sizable influx of tourists has begun to come in from Chile, which makes it essential to preserve, rehabilitate and upgrade this archaeological center. Trinidad marks the take-off point for trips to the Cachuela/Esperanza-Guayamerín-Riberalta Triangle, in addition to forming the hub connecting these towns with La Paz, Cochabamba and Santa Cruz. The Trinidad museum will primarily be a site museum. It will serve mainly as a repository for objects and as an information center focusing on the peoples who developed the water management culture in parts of the Department of Beni, which made farming possible in areas now prone to flooding.

3. Subprogram for regional marketing and promotion of ethno- and ecotourism (direct costs totaling US\$1.75 million)

- 3.8 The object of this subprogram is to prepare a comprehensive study to assemble and make available new tourist offerings with features that make them more attractive, rounded, and beneficial to the

residents affected, and to market them in the principal regional markets. This calls for a high standard of professional work and accurate information from travel organizers and intermediaries in the generating markets. This component includes research on markets for this kind of tourism in Argentina, Brazil, Chile and the United States, and a campaign to publicize Bolivia's image in them, with emphasis on ethnographic, ecological and cultural aspects; analysis of Bolivia's current and future ability to compete with other tourist destinations; the design, preparation, publishing and distribution of publicity material; agreements for promoting tourism; the organization and staging of business briefings and roundtables; and follow-up and advisory support for companies in the tourism industry that sell Bolivia's "product". This subprogram will combine well with similar activities that SENATUR is undertaking in the European market and have a positive impact on boosting demand.

4. Subprogram for tourism-related training (direct costs totaling US\$0.5 million)

- 3.9 This subprogram consists in the hiring of one or more consulting firms to train personnel responsible for key aspects of this program, especially in municipalities and community associations. Training will be given to persons who are to be employed directly or indirectly in running tourism activities at the main centers now in operation, and fundamentally in the four new hubs encompassed by the program. A further primary goal will be to involve the people who live in those hubs in the delivery of tourist services and activities. The subprogram may also achieve specific objectives of improving the quality of tourist services in traditional tourism areas. The firm(s) will establish training content, curricula, structure and mechanisms to meet both operational and managerial needs in each of the specialties directly related to the goals of this program. The courses will include policies and strategies for regional tourism development, municipal management of tourism, community participation in the sector, identification and promotion of small-scale tourism businesses, marketing of tourist products, specialized courses for tourist guides, and oversight and supervision of tourist services.

B. Environmental classification

- 3.10 At its meeting on July 11, 1995, the Bank's Environment Committee (CMA) classified this operation in Category III. The project team had originally recommended that it be classified in Category II. In addition, the CMA asked that the plan of operations be reviewed before it was submitted to the CRG, which was done at the CMA meeting of September 26, 1995. At this meeting, the CMA requested that at a later date it be provided with the detailed terms of reference in regard to the environment and impacts on ethnic groups in the four new tourism areas.

C. Organization and execution

- 3.11 Implementation of the program will be entrusted to SENATUR through an executing unit, which will report directly to the National Tourism Board; its structure was designed using criteria of simplicity, high technical quality and minimum cost. As a condition precedent to the use of the prospective funds, and to ensure that the program is carried out properly and on schedule, SENATUR will hire the following personnel for the executing unit: a director, who will be responsible for planning, supervising and coordinating the program; an administrator; a tourism specialist; and two administrative support staff, and will in addition provide the unit with the facilities and equipment needed for it to operate.
- 3.12 The following specific agreements are vital to achieving this program's targets:
- a. An agreement with the Ministry of Ethnic Affairs, whereby the ministry undertakes to participate as advisory supervisor of ethnic and cultural aspects. The object of this agreement is to assure appropriate handling of the relationship between the ethnic groups affected and any changes that the growth of tourism is likely to induce in the regions selected, and to ensure that these groups are duly considered and share in the benefits that accrue. The agreement will spell out the arrangements for coordination between the two institutions, with the advisor for indigenous affairs in the executing unit playing a lead role.
 - b. An agreement with the Ministry of Natural Resources will assure its active participation in the special measures that will need to be taken in the areas selected, as provided for in the Law on the Environment; the review of the terms of reference for and findings of the studies as they relate to the environment; and a specific evaluation system geared to the conditions peculiar to each of the projects for the new tourism hubs.
 - c. An agreement with the National Archaeological Institute that picks up the individual aspects of the pilot project described in paragraph 3.06.
 - d. Agreements with the municipalities, as well as those with the communities regarding their participation in the program, are vital to ensure that land-use plans are established and that urban codes and the necessary institutional strengthening actions are approved.
- 3.13 The program provides for the executing unit to obtain occasional advisory services on ethnic and environmental issues, among others, which will be financed from the program's short-term consultancy budget. These services will help to ensure due compliance in the

monitoring of the relevant specific agreements with other specialized public agencies (the Ministry of Ethnic Affairs, the Ministry of Natural Resources and the Environment, the National Archaeological Institute, and the municipalities where the new tourism hubs are to be developed) for coordination and consultation regarding the execution of the program and in keeping with any other framework agreements that may exist. The specific agreements referred to shall be a condition precedent to the first disbursement under the program.

- 3.14 The personnel of SENATUR, comprising 31 professionals and technicians (see the organization chart in Annex III-1) will be directly responsible for preparing the bidding documents for the procurement of goods and contracting out the studies and minor works, and will support the executing unit in carrying out the program. SENATUR had a budget of 2.7 million bolivianos for current expenditures in 1995.
- 3.15 The staff of the executing unit will be in charge of coordinating, executing and administering the program. Their main duties will be: (i) to propose an Annual Operating Program to the National Director of SENATUR; (ii) to conduct calls for tenders, qualify and select the consulting firms for studies and works, with support from SENATUR personnel; (iii) to supervise and check on the timely execution of works and studies; (iv) to accept the works and studies that have been put up for tender and performed under contract; (v) to coordinate activities with SENATUR's technical and administrative units through the National Director; (vi) to coordinate proposals and actions of the various public and private organizations, and of municipal committees as applicable, to maximize participation by the community in the prioritization of works, studies and other subprogram activities; and (vii) to perform continuous monitoring, prepare the required reports, and maintain liaison with the Bank on the execution of the program.
- 3.16 The subprograms will be carried out by engaging specialized consulting firms; the selection process will favor those firms that propose to work with and train SENATUR's staff, to strengthen their monitoring capacity and sustain the program's activities. Approximately six months will be needed to complete procedures for prequalifying contractors and award and sign the contracts for the studies and works proposed in the subprograms.
- 3.17 The five studies included in the subprogram of studies of land-use planning and investment promotion in new integrally planned tourism hubs will be carried out by one or more consulting firms to be hired on the basis of detailed terms of reference, which will pay special attention to impacts on the environment and on ethnic groups and to community participation (terms of reference are in the technical files of the project). The study on investment promotion will be conducted in the second year of operation, on completion of the studies of the new hubs, by a specialized

consulting firm. SENATUR will draw up detailed terms of reference for each study and select the consulting firms. It may engage specialized consultants to assist it in this process.

- 3.18 In connection with the pilot subprogram for the enhancement of archaeological sites, SENATUR signed an agreement with the National Archaeological Institute on May 2, 1995, which covers coordination in carrying out the improvements needed to handle the tourist traffic anticipated under the subprogram, as well as terms for administering the planned infrastructure; these include earmarking receipts from visitor admissions to ensure that the centers and any improvements are properly maintained. Construction of minor works and procurement of equipment at the centers will be contracted out to private companies in accordance with Bolivian legislation and the policies of the Bank.
- 3.19 The subprogram for marketing and publicizing ethno- and ecotourism would be executed by one or more specialized firms for each market or group of markets; the firm(s) would carry out the different stages of market research, product definition, spreading of Bolivia's image, production of publicity material, sales promotion, and execution of plans in each market, which would assure full implementation of this subprogram. The detailed terms of reference for selection of the specialized firms will be prepared by SENATUR, which may engage a specialized consultant to assist it in this task.
- 3.20 Courses under the training subprogram will be given by one or more specialized companies, which will also be responsible for preparing and producing teaching materials. The methodology for selecting participants and the organization of the courses in terms of location and timing will be the responsibility of SENATUR's technical units.
- 3.21 The selection and hiring of the consulting firms to carry out the studies under consideration for the various subprograms must conform to the rules set by the Bank. The studies may be contracted out individually or in packages, taking account of their geographical proximity and similar technical characteristics.
- 3.22 Execution of the technical cooperation will take 24 months, with a disbursement period of up to 30 months.

D. Monitoring

- 3.23 Given the desirability of having a detailed work plan from the outset of the operation, it is recommended that, as a condition precedent to the first disbursement, SENATUR submit to the Bank an initial work plan and a detailed timetable of activities under the program, providing detailed terms of reference for each activity to be contracted out. The plan will be the reference point for monitoring of program execution by the Bank, SENATUR and the borrower.

This plan will include the activities to be carried out from the expected date of approval of the loan by the Bank to completion of the studies and works, in addition to presentation of the final report to the Bank.

3.24 The program involves four different subprograms, but these are closely linked and need to be carried out in an integrated and coordinated manner if their synergistic potential is to be realized. The program will therefore require continuous monitoring through the Country Office in Bolivia. To this end, SENATUR, through the executing unit, will submit the following reports to the Bank:

- a. Semiannual progress reports, throughout the period of execution of the program. These reports will contain details of the degree of completion of the planned activities, with special emphasis on those listed in Annex II-1 and the targets shown in Annex II-2; recommendations for the adoption of corrective measures, and any adjustments needed to ensure successful execution of the program.
- b. Final report: within three months of completion of the operation, the Bank is to be given a final report on the program, containing an evaluation of the results achieved against the original objectives.
- c. Audited annual reports: during execution of the program, within the first three months of each calendar year, SENATUR will submit to the Bank an annual financial report on the program, certified by independent auditors meeting the Bank's requirements, indicating the use made of the proceeds of the Bank's loan and of the local contributions.

E. Cost

3.25 The total estimated cost is equivalent to US\$6 million, of which the Bank would finance up to the equivalent of US\$4.8 million using reimbursable resources in foreign exchange from the Fund for Special Operations, and the Government of Bolivia would cover the balance of US\$1.2 million through transfers from the National Treasury, both in accordance with the breakdown presented in Table III-1.

TABLE III-1
TOTAL COST OF THE PROGRAM
(in U.S. dollars)

	IDB	GOVERNMENT	TOTAL
Subprogram of studies and promotion of investments in new tourism hubs	1,390,000	360,000	1,750,000
Pilot subprogram for enhancement of archaeological sites	800,000	200,000	1,000,000
Marketing and publicity subprogram	1,390,000	360,000	1,750,000
Training and development subprogram	400,000	100,000	500,000
Executing unit	200,000	60,000	260,000
Short-term consultancies	130,000	10,000	140,000
Contingencies	346,000	86,000	432,000
Interest	96,000		96,000
Credit fee		24,000	24,000
Inspection and supervision	48,000		48,000
TOTAL COST	4,800,000	1,200,000	6,000,000

- 3.26 Disbursements from the Bank's contribution will be made upon application by the government, through the executing unit, for payments to consulting firms or as advances for expenses to be incurred, which have been set at 10% of the loan funds. The contributions of the government would be made through transfers from the National Treasury from the corresponding budgetary allocations. In the interest of proper execution of the program, SENATUR must assure the Bank, before awarding each study, that it has funds available from the corresponding local contribution.
- 3.27 SENATUR has requested that expenses of US\$40,000 incurred for the hiring of individual consultants from September 1, 1995 up to approval of the program be recognized against the loan from the Bank and US\$40,000 for the start-up expenses of the executing unit be recognized against the local counterpart funds. These expenses are eligible for financing from program funds and have been provisionally agreed to by the analysis mission.

IV. BENEFITS AND RISKS

A. Benefits

- 4.1 The program will lay sound foundations for the dynamic, diversified and sustainable development of ethno- and ecotourism in Bolivia, which will in turn pave the way for the design and marketing of a high-quality tourism product through land-use and urban development plans for the four new tourism areas, provision of new services for

existing residents, protection of the environment, and community participation in the development process, with particular emphasis on safeguarding their culture and traditions and involving them in the development process. SENATUR, working jointly with the missions from the Bank, has taken steps to prioritize and scale the various subprograms suitably and to address ethnic and environmental issues, as well as to analyze the specific plans for implementing, appropriately and without delay, the actions that flow from the subprograms. The program will provide experience and guidance, through its pilot projects and as a demonstration model, for any future developments that the country and SENATUR may undertake in order to diversify, plan, and consolidate Bolivia's tourism resources.

B. Risks

- 4.2 The greatest risks to achieving the objectives of the program and carrying out the subprograms are: (1) the program calls for an executing unit that can coordinate the actions which need to be taken by the various participating sectors; and (2) the selection, monitoring and evaluation of the consulting firms may prove quite a complex task, given the many different facets which need to be included in the studies, especially those dealing with impacts on ethnic groups and the environment.
- 4.3 To minimize the first risk, the analysis mission from the Bank made a careful review of the executing unit, which is to report directly to the National Secretary of Tourism, in studying the different subprograms, with emphasis on their appropriate prioritization, clarity in the terms of reference for the studies and components to be carried out, their sizing, and the institutional agreements to be signed with other public entities (see paragraphs 3.12 and 3.13). For its part, SENATUR made a firm undertaking to the Bank to ensure that the subprograms are governed strictly by the terms of reference and the agreements which are to be carried out with the other institutions involved. Accordingly, to ensure the viability and sustainability of the operation, it will support the executing unit and strengthen team work with other public entities and with the private sector.
- 4.4 To lessen the second risk, SENATUR will pay particular attention to the selection and hiring of specialized consulting firms that not only possess broad experience of the issues but also have proven experience in similar studies. To this end, it will use the consultancy budget to hire consultants on specific aspects who will enable it to optimize the selection and engagement of consulting firms to carry out the studies.

V. EVALUATION

- 5.1 SENATUR requested of the mission that there be no ex post evaluation of the program. However, it undertook to pay special attention in executing the operation and to evaluate, on its completion: (a) the objectives, instruments used, and anticipated and actual outcomes for each subprogram, in addition to setting specific interim benchmarks to help quantify achievement of expected outcomes and proper overall coordination; (b) continuous monitoring, supervision and follow-up by SENATUR's executing unit, including an appropriate division of responsibilities between its staff and the consulting firms, to ensure achievement of the expected outcomes and their subsequent implementation; and (c) the final report on the program will contain a detailed evaluation of its principal achievements, as well as of the difficulties encountered, in both successful and any uncompleted components.
- 5.2 During execution, the progress and overall results of the program and its four subprograms will be verified on the basis of semi-annual reviews, which will examine compliance with the targets using such progress indicators as: status of prefeasibility studies and investments promoted and made; basic services and equipment installed and operational at the archaeological sites, and number of visitors; courses developed and held and personnel trained; promotional material prepared; fairs and exhibitions organized, and other promotional work carried out (see also Annex II-1).

BRIEF DESCRIPTION OF THE FOUR NEW TOURISM HUBS

A. Cordillera Real

This proposed tourism development area, over a length of some 200 kilometers, encompasses three interrelated sites: (a) the slopes of the Illampu (Sorata valley); (ii) the vicinity of the Illimani (Palca valley); and (iii) Chacaltaya. All locations are situated within three hours of La Paz, which would be the intake point for this tourist traffic.

The main attractions are the variety of climates and highly scenic landscapes within a relatively short distance; opportunities for rock climbing; numerous trekking routes, some of them following pre-Columbian roads; very interesting geological formations; mountain lakes, some suitable for sport fishing; scope for tying in with other tourist routes and circuits, such as Tiwanaku, Lake Titicaca, and the Yungas area; its archaeological heritage; and the cultural richness of the indigenous Aymara people.

B. Cachuela/Esperanza-Guayamerín-Riberalta Triangle

Situated close to the border with Brazil in a rain-forest area with sizable navigable rivers, this area's main attractions are the Amazon ecosystem itself, especially its flora and fauna, the many different ways of enjoying its rivers, major architectural heritage, the variety of indigenous groups with differing social and economic structures, and connections to other tourist routes and circuits, especially to the area where the ancient water management cultures flourished.

C. Jesuit Missions

Declared part of the World Cultural Heritage, the Jesuit Missions of the Chiquitos region in the Department of Santa Cruz are of incomparable human, historical and architectural value by virtue of the historical context in which the people of Chiquitos developed and the way their social and economic structure has been preserved into modern times.

Apart from its architectural interest, the area is valuable for its urban complexes, elaborate festivals, and popular – notably musical – traditions, its flourishing wooden handicraft industry, the natural, scenic beauties of the Amazon rain forest, and its proximity to Noel Kempff Park, a spectacularly beautiful protected area.

D. Uyuni Salt Lakes-Lagoons

This area, situated close to the border with Chile, affords unique views of a salt-lake landscape measuring more than nine thousand square kilometers, whose salt surface is renewed each year, abundant flora and fauna associated with these environments, the volcano of Tunupa, the lagoon area, and thermal springs.

**PROGRAM OF COOPERATION FOR TOURISM DEVELOPMENT IN BOLIVIA
(BO-0127)**

Summary of the Logical Framework

	Verifiable indicators	Means of verification	Assumptions
Boost Bolivia's tourism revenues by making the most of and conserving its natural attractions, and drawing on the interest in and preserving the integrity of its ethnic groups and culture	<ul style="list-style-type: none"> • Increase in tourist numbers • Increase in length of tourist stays 	<ul style="list-style-type: none"> • Tourism statistics • Tourism surveys 	
<p>Diversify the country's tourist offerings in the medium and long term with four new tourism hubs: Uyuni Salt Lakes-Lagoons; Jesuit Missions; Cachuela/Esperanza-Guayamerín-Riberalta Triangle; and Cordillera Real</p> <p>Devise a plan for development and management of ethno- and ecotourism</p> <p>Consolidate traditional tourism by improvements at five archaeological sites (Tiwanaku, Inkallajta, Samaipata, Llica and Chuchini) which are close to traditional tourist centers and the new hubs to be developed</p> <p>Offer incentives to encourage private enterprise and communities to take a role in tourism development</p>	<ul style="list-style-type: none"> • Private and public investments, with community involvement, to expand tourism offerings at the four new tourism hubs, starting VII 1997 for public investments and I 1998 for private investments • Rules for development and conservation of natural attractions, and for tourism activity focusing on cultural and ethnic patrimony, and safeguarding thereof, in the four new tourism hubs, VII 1997 • Self-financing of the five archaeological centers, VII 1997 	<ul style="list-style-type: none"> • Amount of private and public investment in the four new tourism hubs • Financial situation of the five archaeological centers • SENATUR studies and analyses 	<ul style="list-style-type: none"> • Continuing stability of the country's economic growth; country position firmly in the international marketplace • Solid undertaking of municipal authorities in program activities and participatory and to cultural, environmental values

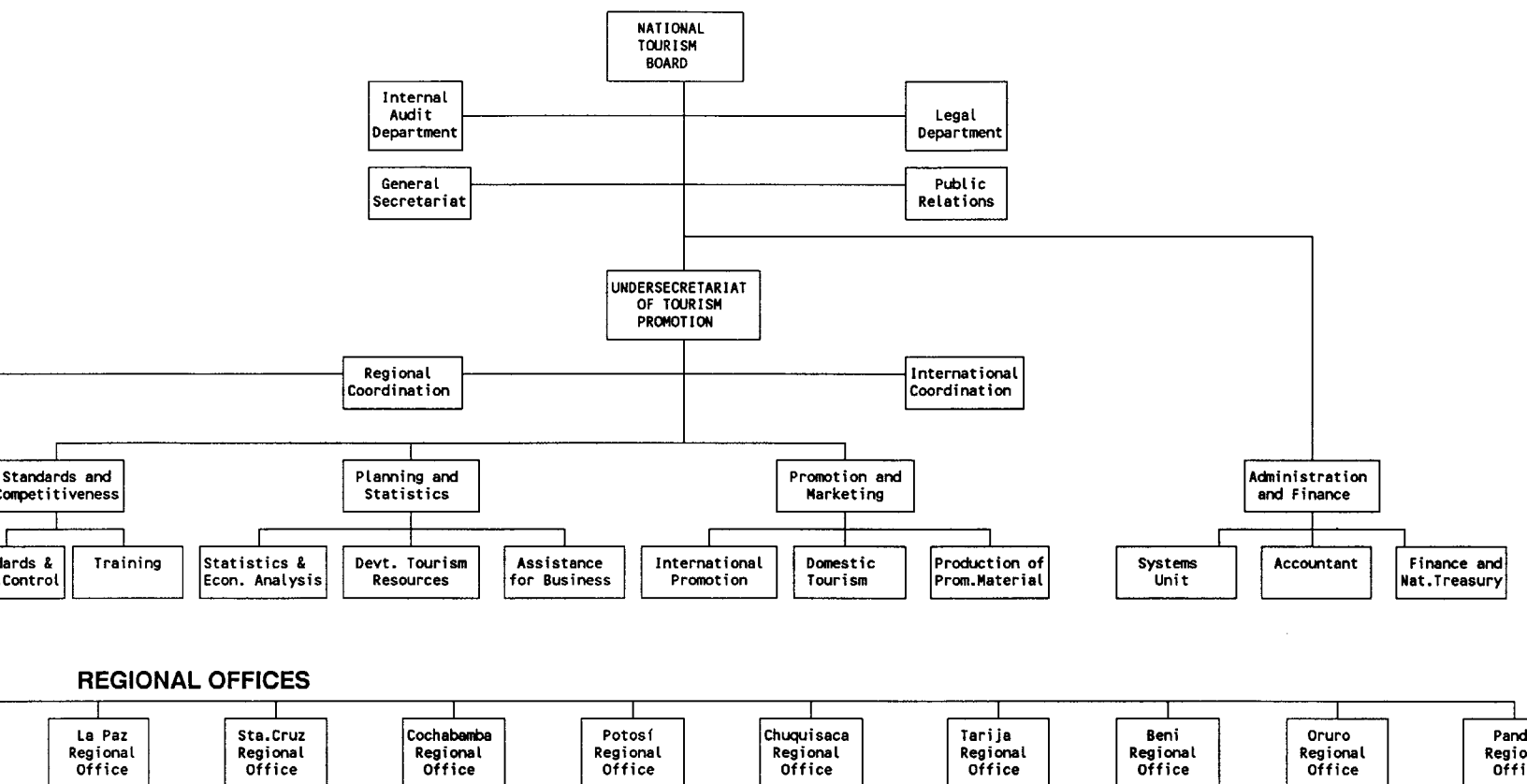
	Verifiable indicators	Means of verification	Assumptions
<p>1.1.a Land-use studies for tourism areas completed; impact on the local population and the environment in the four tourism hubs studied</p> <p>1.1.b Projects identified at a prefeasibility level and formulated for the four tourism hubs</p> <p>1.2.a Prospective investors identified and selected</p> <p>1.2.b Projects that promise to be feasible in the four hubs in the short, medium, and long term promoted</p>	<ul style="list-style-type: none"> • Tourism land-use plans adopted by municipalities, starting VII 1997 • Projects and areas for private and public investment identified and quantified for the four new hubs, VII 1997 • Tourism sector regulations drafted (hotel industry, tourism companies, transport operators, guides, restaurants, etc.), VII 1997 	<ul style="list-style-type: none"> • Surveys to gauge visitor satisfaction with services available to tourists • Surveys of personnel trained • Final evaluation report on the program by SENATUR and the Bank • Program completion report 	<ul style="list-style-type: none"> • Municipalities take plans and investments completed studies • Government continues tourism development • Continuing coordination government agencies areas encompassed
<p>2. Facilities and signage constructed or erected, rehabilitated, and in operation; equipment installed and operating; information and promotional material and handicrafts available at the five archaeological sites</p> <p>Studies on tourism hubs and rehabilitation work at archaeological sites have taken due account of environmental, ethnic, and cultural considerations, and adequate controls have been built in</p>	<ul style="list-style-type: none"> • Investment promotion manual drafted (investment opportunities; project directory), XI 1997 • Promotional material produced, working meetings held, promotional and public relations campaigns conducted, meetings held with private investors, I 1998 • Increase in number of visitors to archaeological sites starting VII 1997 • Promotional materials available for archaeological centers, VII 1997 • Enhanced visitor services at archaeological centers, VII 1997 		
<p>3. Personnel trained in communities in the new hubs to manage and operate tourism facilities</p>	<ul style="list-style-type: none"> • Archaeological centers financially self-sustaining, starting VII 1997 • Individualized environmental dossiers produced for new tourism hubs and archaeological sites, VII 1997 • Rules in place for preservation of the environment and of integrity of ethnic groups and cultures, VII 1997 • Training/development materials produced, IX 1996 • 32 training courses delivered, IX 1997 • 960 municipal employees and others trained, IX 1997 • 4 market surveys completed, II 1997 • Materials distributed, I 1998 • Promotional measures launched, I 1998 		
<p>4. Market surveys completed, Bolivia's image determined on a country-by-country basis, materials designed, and promotional campaigns conducted in Argentina, Brazil, Chile, and the U.S.A.</p>			

	Verifiable Indicators	Means of verification	Assumptions
<p>Prefeasibility studies for land-use planning and project identification at prefeasibility level in four new tourism hubs</p> <p>Drafting of detailed terms of reference, II-1996 Call for proposals for studies, III-1996 Offers received and examined, VI-1996 Contracts awarded, VII-1996 Studies begun, VIII-1996 Studies completed, VII-1997</p> <p>Promotion of investments in four new hubs</p> <p>Drafting of detailed terms of reference, II-1997 Call for proposals for studies, III-1997 Offers received and examined, VI-1997 Contracts awarded, VII-1997 Activities begun, VIII-1997 Activities completed, I-1998</p> <p>Enhancement of five main archaeological centers</p> <p>Preparation of final bid documents, II-1996 Call for proposals, III-1996 Offers received and examined, VI-1996 Contracts awarded, VII-1996 Construction/installation work begun, VIII-1996 Construction/installation work completed, VII-1997</p> <p>Training and development of personnel specializing in management and operation of tourist facilities and services, particularly at the new hubs to be developed</p> <p>Drafting of detailed terms of reference, II-1996 Call for proposals for training activities, III-1996 Offers received and examined, VI-1996 Contracts awarded, VIII-1996 Training work begun, IX-1996 Training work completed, IX-1997</p> <p>Regional marketing and promotion of ethno- and ecotourism in countries with a demonstrated demand for Bolivian tourism products</p> <p>Drafting of detailed terms of reference, II-1996 Call for proposals for studies, III-1996 Offers received and examined, VI-1997 Contracts awarded, VII-1997 Activities begun, VIII-1997 Activities completed, I-1998</p>	<p>Budget</p> <p>1.1 Prefeasibility studies for land-use planning and project identification at prefeasibility level in new tourism hubs US\$1,300,000</p> <p>1.2 Promotion of investments in four new tourism hubs US\$ 450,000</p> <p>2. Enhancement of five archaeological centers US\$1,000,000</p> <p>3. Marketing surveys and publicity US\$1,750,000</p> <p>4. Training and development US\$ 500,000</p> <p>5. Executing unit US\$ 260,000</p> <p>6. Short-term consulting support US\$ 140,000</p> <p>7. Contingencies US\$ 432,000</p>	<ul style="list-style-type: none"> • Minutes of interagency coordination meetings and meetings with the private sector delivered to the Bank • Disbursement requests • Semiannual progress reports on the program delivered to the Bank • Annual budget performance reports delivered to the Bank • Audited annual financial reports delivered to the Bank • Country Office supervision of implementation • Evaluation of implementation to determine corrective action as needed 	<ul style="list-style-type: none"> • Interagency agreement on coordination arrangements between SENATUR and National Geological Institute, Ministry of Foreign Affairs, and Ministry of Natural Resources and the Environment • Coordination mechanism between the private sector and the government • Timely availability of counterpart funds • Timely hiring of qualified consultants

SEMIANNUAL TARGETS OF THE PROGRAM

			Cumulative progress in % from the start of the prog			
			Six-month periods			
Subprograms	Main indicators	Number	1st	2nd	3rd	
ity studies for land- ning, project cation at the bility stage, and n of investment in tourism hubs	Studies on land-use planning and project identification at the prefeasibility level	4		50	100	
	Studies on investment promotion	1				
ent of major logical centers	Minor works and equipment at the centers	5		50	100	
marketing and n	Marketing surveys and publicizing of ethno- and ecotourism in four countries	4		25	75	
	Training courses to be offered	8		25	75	
	Number of courses to be offered (four for each main locality)	32		25	75	
	Personnel trained	960		25	75	

NATIONAL TOURISM BOARD FUNCTIONAL STRUCTURE



TOTAL COST OF THE PROGRAM
(in U.S. dollars)

	IDB	GOVERNMENT	TOTAL
Professional service firms	3,180,000	820,000	4,000,000
Individual consultants for execution of the project (7 months of top-level international experts at US\$10,000 per month and 14 months of local experts at US\$5,000 per month). These monthly amounts per consultant include fees, travel and subsistence.	130,000	10,000	140,000
Contracting out of minor works and procurement of equipment for enhancement of archaeological centers	800,000	200,000	1,000,000
Personnel for the executing unit	150,000		150,000
Equipment for the executing unit	48,150		48,150
Materials, supplies, office space and personal services	1,850	60,000	61,850
Contingencies	346,000	86,000	432,000
Interest	96,000		96,000
Fee		24,000	24,000
Inspection and supervision	48,000		48,000
TOTAL COST	4,800,000	1,200,000	6,000,000

PROPOSED RESOLUTION

BOLIVIA. TECHNICAL COOPERATION LOAN /SF-BO FOR THE PROGRAM TO
COOPERATE WITH TOURISM DEVELOPMENT IN BOLIVIA

The Board of Executive Directors

RESOLVES:

1. That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such agreements as may be necessary with the Republic of Bolivia and to adopt such other measures as may be pertinent for the execution of the program of technical cooperation described in Document _____, the objective of which is tourism development in Bolivia.

2. That up to the sum of US\$4,800,000, or its equivalent, is authorized for the purposes of this resolution, chargeable to the resources of the Bank's Fund for Special Operations.

3. That the above-mentioned sum shall be provided on a reimbursable basis, in accordance with the respective conditions which shall be set forth in the agreement to be signed for this operation.