

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**BARBADOS**

**NATIONAL TOURISM PROGRAM**

**(BA-L1033)**

**PROJECT PROFILE**

This document was prepared by the project team consisting of: Sergio Ardila (INE/RND); Guilherme Piereck (INT/TIU), Co-Team Leaders; Cassandra Rogers (RND/CBA); Adela Moreda (INE/RND); María Elisa Arango (LEG/SGO); Denise Salabie (FMP/CBA); Roy Parahoo (FMP/CBA); Natasha Boyce (CCB/CBA); and Yolanda Valle (INE/RND).

Under the Access to Information Policy, this document is subject to Public Disclosure.

## PROJECT PROFILE (PP)

### I. BASIC DATA

<b>Project Name:</b>	National Tourism Program		
<b>Project Number:</b>	BA-L1033		
<b>Project Team:</b>	Sergio Ardila (INE/RND); Guilherme Piereck (INT/TIU), Co-Team Leaders; Cassandra Rogers (RND/CBA); Adela Moreda (INE/RND); María Elisa Arango (LEG/SGO); Denise Salabie (FMP/CBA); Roy Parahoo (FMP/CBA); Natasha Boyce, (CCB/CBA); and Yolanda Valle (INE/RND).		
<b>Borrower:</b>	Government of Barbados		
<b>Executing Agency:</b>	Ministry of Tourism		
<b>Safeguards:</b>	Policies triggered:	OP-703; OP-704; OP-102	
	Category:	B	
<b>Financing Plan:</b>	IDB (OC):	US\$	20 million
	Total:	US\$	20 million

### II. GENERAL JUSTIFICATION AND OBJECTIVES

#### A. Background

- 2.1 **The tourism industry. Advances and challenges.** Barbados is a Caribbean mature touristic destination mostly known for beach-resort tourism and cruises. Tourism has been, since the late 1970's, the pillar of the island's economy, contributing in 2013 approximately 36.2%<sup>1</sup> of GDP. Barbados positioned itself in 2012 as the 6<sup>th</sup> Caribbean destination in terms of stay over arrivals and 7<sup>th</sup> in terms of stay over receipts<sup>2</sup>, and in 2013 was rated #27 among 140 economies in terms of the overall competitiveness of its travel and tourism industry (World Economic Forum-WEF 2013). In addition, Barbados was ranked #8 among 140 countries in terms of the importance given to the tourism and travel sector by the Government (WEF 2013), and public spending in support of tourism activity rose 20% from 2007 to 2012<sup>3</sup>. Barbados is appealing to tourists because of natural attributes, such as its climate and coastal environment, its stable political environment, and unique culture and natural heritage. In 2011, Barbados entered the UNESCO World Heritage List with the designation of Historic Bridgetown and its Garrison, a fine example of the transition from a medieval town to a major port town and garrison, as a World Heritage Site.
- 2.2 Barbados was seriously affected by the global crisis and the resulting decline of arrivals and receipts from key source markets. Over the period 2007 to 2012, both cruisers and stay over arrivals declined 16% and 6.3%, respectively, while

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<sup>1</sup> Including indirect effects.

<sup>2</sup> UNWTO and Ministry of tourism: 536, 000 arrivals and US\$872 million.

<sup>3</sup> WTTC 2013.

tourism receipts dropped 24%, and its market share in the American region was reduced (21,4% for expenditure and 17,4% for international stay over visitors<sup>4</sup>). Soon after the first signs of the economic crisis, the authorities implemented a number of measures to preserve employment and minimize other negative impacts. The *Tourism Industry Relief Fund* was set up in 2009 to assist tourism businesses and operators to remain in business and maintain employment levels. More recently, the Government has proposed additional tourism support measures, such as intensified destination marketing, reduction of taxes in the sector, the utilization of the *Hotel Refurbishment Fund*<sup>5</sup>, and in partnership with or through funding from numerous international organizations has created a number of funds targeting the tourism sector.

- 2.3 Existing studies indicate that, in order to re-start tourism growth in a competitive and sustainable way, in addition to these measures Barbados needs to address the following structural challenges that have exacerbated the impacts of the crisis:
- 2.4 (i) Need to diversify both travelers' segments and geographical source markets: 33% of stop-over visitors in 2012 came from the UK, 24% from the USA and 13% from Canada. Thus, Barbados is heavily dependent on the British and North American markets (70% of total stay-over arrivals). The concentration of tourism inflows in a small number of countries is considered a particular cause of vulnerability. In 2012, cruise passengers represented 49.1% of total arrivals to the country, with average passenger expenditure at \$60.9, far below the average passenger expenditure (US\$95.9) for a group of 20 countries in the Caribbean and Central American Region<sup>6</sup>. Due to the importance of cruisers in the current portfolio demand, it is urgent to implement strategies aiming at increasing the average passenger expenditure. In order to reduce Barbados exposure to external shocks in its main current primary markets and to recover tourism expenditure levels it is important to diversify both geographical markets and travelers' segments.
- 2.5 (ii) Improve competitiveness of tourism products. As a mature destination, Barbadian tourism product and branding is in need of rejuvenation and upgrading in order to meet the changing expectations of travelers. Notwithstanding its marketing efforts in sports tourism, faith-based tourism, heritage tourism and epicurean tourism, Barbados' tourism marketing still places heavy emphasis on attributes related to sun, sea and sand, an attraction offered by other Caribbean and world destinations. Tourism authorities have also initiated some additional diversification efforts, such as festivals that have attracted more than 15 % of visitors from USA and Canada in 2011 and 2012. In fact, tourism planners have yet to capitalize on the benefits to be leveraged from the designation in 2011 of Historic Bridgetown and its Garrison as a UNESCO World Heritage site, including its use in the promotion of the country overseas. At the same time,

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<sup>4</sup> World Tourism Organization.

<sup>5</sup> EY (2013).

<sup>6</sup> Florida Caribbean Cruise Association, (2012)

Barbados is perceived as a high-priced destination when compared to competitors. In 2012 Barbados was among the top five Caribbean destinations in terms of Average Daily Rate<sup>7</sup>. Also, a research published yearly by the UK Post Office (Long Haul Holiday Costs Barometer) is systematically positioning Barbados far behind the best value long-haul destinations for British holidaymakers. In 2013, the World Economic Forum ranked Barbados #113 out of 140 countries in the specific dimension of price competitiveness and #116 in its hotel price index. It is therefore important to work on differentiation and improving value for money offered by the country, in order to reduce any negative perception related to higher price and lower value than competitors. It is also important to consider that, in addition to fluctuating expectations, customers are checking the reviews of their peers before making decisions through on-line channels.

- 2.6 (iii) Air connectivity remains a concern, due to high fares, limited number of operating airlines and inefficient routes and connections. In 2013, the WEF ranked Barbados #97 out of 140 countries in the specific dimension of number of operating lines and #81 in terms of airline seat km/week. Airlift capacity has fluctuated over the years determined by incentives granted by Government in a deliberate effort to improve airlift capacity to the island and to increase access. As stated by the White Tourism Paper (p.160)<sup>8</sup>, “large portions of marketing budgets are spent subsidizing airlift without an assessment as to whether they are coupled with effective strategies to fill existing seat capacity” and what are the economic benefits derived from such expenditures”. Therefore, while the country supports an open skies policy to facilitate competition, it is important to critically examine the technical assessments that are currently used by Barbados to inform design airlift support mechanisms and policies to improve their economic benefits.

## **B. Objective, Executing Agency and Components**

- 2.7 The overall objective of the project is the reinvigoration of the Barbados tourism industry, with a focus on increasing tourism receipts to revert the current descending trend. The Executing Agency will be the Ministry of Tourism (MOT), which is the public agency responsible for sector policy, planning and management. Its core functions include administration, research, planning, project implementation and management and oversight of industry regulations.
- 2.8 The project will have three components: i) Diversification/improvement of tourism products to consolidate current visitors and attract new segments in key geographical markets, based on sound understanding of demand determinants and preferences; ii) Updating and improvement of marketing strategies, with a special emphasis on the use of on-line channels in a coordinated way with the private sector, in order to rejuvenate Barbados’ tourism branding and to promote the new tourism products proposed in the previous component; and iii) Optimization of the use of public funding for airlift support following recommendations derived

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<sup>7</sup> Caribbean Market Update, January 2013.

<sup>8</sup> <http://barbadosparliament.com/htmlarea/uploaded/File/Info/White%20Paper%20revised%2013%20Feb%202012.pdf>

from studies in terms of allocations by country and assigning mechanisms. The expected results of the operation will be an increase of the average daily expenditure per visitor (both cruisers and stay over tourists), as well as total tourism receipts, as an evidence of the reinvigoration of the Barbadian tourism industry. The project team will look for cofinancing alternatives once the specific investments are defined at a prefeasibility level.

### **C. Coordination with GCI-9 and Country Strategy**

- 2.9 The project reflects the priority to support competitive and sustainable tourism in Barbados through tourism growth and reinvigoration, as identified by the Government in the Tourism Master Plan, and being integrated in the new IDB Country Strategy for Barbados (2014-2018) under development. The program will contribute to the following IDB (GCI-9) lending program priority targets: (i) development of small and vulnerable countries; and (ii) support for regional cooperation and integration through institutional strengthening and capacity development by improving air connectivity.

### **III. TECHNICAL ISSUES AND SECTOR KNOWLEDGE**

- 3.1 The Bank has been supporting the tourism sector in Barbados through different instruments and projects, among which is worth mentioning the following: (i) Enhanced Access to Credit for Productivity Project (BA-L1034): currently under preparation, aims at increasing productivity of SMEs (including those in the tourism sector) by facilitating access to medium and long-term credit; (ii) Support for the revitalization of Bridgetown (BA-M1011): a Multilateral Investment Fund (MIF) program approved May 8<sup>th</sup> 2013, to enhance international competitiveness of the City of Bridgetown, recently nominated as a UNESCO World Heritage site; (iii) Coastal Risk Assessment and Management Program (BA-L1014): a US\$30 million loan approved December 8<sup>th</sup> 2010 to reinforce coastal management in Barbados, benefiting tourism investments since a majority of tourism-related infrastructure is located along the coastlines; (iv) Development of Tourism Micro-Projects in Barbados (BA-M1004): a US\$150,000 grant approved November 2<sup>nd</sup> 2009 to encourage and support the development of tourism innovative products and services provided by small and micro business owners and operators; (v) The Caribbean Hotel Energy Efficiency Action (CHENACT)<sup>9</sup> program funded by the Bank and other donors, to encourage and coordinate at a regional level the implementation of energy efficiency and renewable energy practices; (vi) Studies done under ATN/AT-13431 which identified the potential for development of Latin American tourism markets for Caribbean countries; and (vii) A CT-Intra operation is under development to finance a study tour by Government authorities.<sup>10</sup>

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<sup>9</sup> Centre for the Development of Enterprise (CDE), Improving the competitiveness of Hotels Through Energy Efficiency.

<sup>10</sup> Since the tour will include stops in both Chile and Brazil, a second CT-Intra may be required to finance the full costs of the trip.

- 3.2 In order to develop the proposals that will be financed with the loan, the following four main studies are required: (a) Economic analysis of airlift support policies. This study will have three main outputs: i) estimation of demand functions for the markets benefiting from airlift support (Brazil, Canada, USA), to develop a tool to estimate the marginal effect of airlift support on the number of visitor arrivals; ii) cost-benefit analysis of Government expenditure on airlift support; iii) proposals to improve the efficiency and effectiveness of Government support for airlift and mechanisms for monitoring and evaluation of these expenditures; (b) Analysis of main drivers of long haul tourism demand in consolidated and emerging markets. It will assess the perceived value for money of Barbados in comparison with other long haul competitors.; (c) Diagnosis of the tourism on-line strategy. It will assess the digital footprint of visitors to Barbados; (d) Design of new/enhanced tourism products. This will be a comprehensive study to assess the technical, economic and environmental feasibility of investments required to diversify and improve tourism products. In order to complete project preparation it will be necessary to: perform a SECI analysis of the Ministry of Tourism to define the strengthening required for an efficient project implementation; to develop an Operation Manual as well as a Procurement Plan; and to undertake an *ex ante* economic evaluation of the whole program under the framework provided by the technical guidelines jointly prepared by RND and SPD (ID-TN-229) for the evaluation of the impacts of tourism using simulation models.
- 3.3 The design of the operation will be substantiated by [empirical evidence](#) from outside and within the Latin American and Caribbean Region showing that investments aimed at restoring and preserving natural and cultural heritage for tourism purposes, especially places designated as World Heritage Sites by UNESCO<sup>11</sup>, increase revenue from tourism. In addition, lessons learned from Bank's tourism operations in LAC<sup>12</sup> will be integrated in the design of the project, among which: i) Tourism planning and phasing of investments are needed to prevent and mitigate negative impacts associated with rapid tourism growth; ii) Projects must incorporate mechanisms to attract private sector participation and local entrepreneurs to avoid scattered investments and low impact, based on a shared public-private development strategy; iii) Tourism development should incorporate a tangible environmental commitment both in the planning and investment phases; iv) Tourism development programs should encourage strengthening of local governance to ensure maintenance of investments.

#### IV. SAFEGUARDS AND FIDUCIARY SCREENING

- 4.1 It is not expected that the activities to be financed under the program will have negative direct and/or indirect social or environmental effects. According to the Bank's Safeguards Screening Toolkit, the operation was classified as "B". A simplified environmental assessment will be conducted to guarantee that any possible impact from the small works is minimized or avoided, and that possible

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<sup>11</sup> See Sector Framework Document for Tourism-Draft under preparation- (paragraph 2.5).

<sup>12</sup> See Sector Framework Document for Tourism-Draft under preparation (Table IV.3).

risks from climate change impacts are considered. Similarly, the project team will look for synergies with current work under The Sustainable Cities initiative.

## **V. RESOURCES AND TIMETABLE**

- 5.1 Project preparation will be done with resources from a Technical Cooperation for US\$450,000 that is being processed concurrently with this PP, as well as administrative resources to finance three missions, the SECI analysis of the Ministry, the preparation of procurement and operation plan, and the risk analysis. It is expected that the POD due date is March 11, 2015 and Board presentation on May 20, 2015.

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<sup>1</sup> The information contained in this Annex is confidential and will not be disclosed. This is in accordance with the "Deliberative Information" exception referred to in paragraph 4.1 (g) of the Access to Information Policy (GN-1831-28) at the Inter-American Development Bank.



## SAFEGUARD POLICY FILTER REPORT

PROJECT DETAILS	
IDB Sector	SUSTAINABLE TOURISM-DEVELOPMENT TOURISM DESTINATION & PRODUCT MANAGEMENT
Type of Operation	Investment Loan
Additional Operation Details	
Investment Checklist	Generic Checklist
Team Leader	Ardila, Sergio (SERGIOAR@iadb.org)
Project Title	National Tourism Program
Project Number	BA-L1033
Safeguard Screening Assessor(s)	Rogers, Cassandra T. (CASSANDRAR@iadb.org)
Assessment Date	2014-07-23

SAFEGUARD POLICY FILTER RESULTS		
Type of Operation	Loan Operation	
Safeguard Policy Items Identified (Yes)	Activities to be financed by the project are in a geographical area and sector exposed to natural hazards* (Type 1 Disaster Risk Scenario).	(B.01) Disaster Risk Management Policy– OP-704
	Type of operation for which disaster risk is most likely to be low .	(B.01) Disaster Risk Management Policy– OP-704
	The Bank will make available to the public the relevant Project documents.	(B.01) Access to Information Policy– OP-102
	The operation is in compliance with environmental, specific women's rights, gender, and indigenous laws and regulations of the country where the operation is being implemented (including national obligations established under ratified Multilateral Environmental Agreements).	(B.02)
	The operation (including associated facilities) is screened and classified according to their potential environmental impacts.	(B.03)
	Consultations with affected parties will be performed equitably and inclusively with the views of all stakeholders taken into account, including in particular: (a) equal	(B.06)

	participation of women and men, (b) socio-culturally appropriate participation of indigenous peoples and (c) mechanisms for equitable participation by vulnerable groups.	
	The Bank will monitor the executing agency/borrower's compliance with all safeguard requirements stipulated in the loan agreement and project operating or credit regulations.	(B.07)
	Environmental or culturally sensitive areas, defined in the Policy as critical natural habitats or critical cultural sites in project area of influence (please refer to the <a href="#">Decision Support System</a> for more information).	(B.09)
	The operation has the potential to pollute the environment (e.g. air, soil, water, greenhouse gases...).	(B.11)
	Suitable safeguard provisions for procurement of goods and services in Bank financed projects may be incorporated into project-specific loan agreements, operating regulations and bidding documents, as appropriate, to ensure environmentally responsible procurement.	(B.17)
<b>Potential Safeguard Policy Items(?)</b>	No potential issues identified	
<b>Recommended Action:</b>	<p>Operation has triggered 1 or more Policy Directives; please refer to appropriate Directive(s). Complete Project Classification Tool. Submit Safeguard Policy Filter Report, PP (or equivalent) and Safeguard Screening Form to ESR.</p> <p>The project triggered the Disaster Risk Management policy (OP-704). A Disaster Risk Assessment (DRA) may be required (see Directive A-2 of the DRM Policy OP-704) in case of high risk, a limited DRA in case of moderate risk. Next, please complete a Disaster Risk Classification along with Impact Classification.</p>	

<b>Additional Comments:</b>	
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<b>ASSESSOR DETAILS</b>	
<b>Name of person who completed screening:</b>	Rogers, Cassandra T. (CASSANDRAR@iadb.org)
<b>Title:</b>	
<b>Date:</b>	2014-07-23

## SAFEGUARD SCREENING FORM

PROJECT DETAILS	
IDB Sector	SUSTAINABLE TOURISM-DEVELOPMENT TOURISM DESTINATION & PRODUCT MANAGEMENT
Type of Operation	Investment Loan
Additional Operation Details	
Country	BARBADOS
Project Status	
Investment Checklist	Generic Checklist
Team Leader	Ardila, Sergio (SERGIOAR@iadb.org)
Project Title	National Tourism Program
Project Number	BA-L1033
Safeguard Screening Assessor(s)	Rogers, Cassandra T. (CASSANDRAR@iadb.org)
Assessment Date	2014-07-23

PROJECT CLASSIFICATION SUMMARY		
Project Category: B	Override Rating:	Override Justification:
		Comments:
Conditions/ Recommendations	<ul style="list-style-type: none"> <li>Category "B" operations require an environmental analysis (see Environment Policy Guideline: Directive B.5 for Environmental Analysis requirements).</li> <li>The Project Team must send to ESR the PP (or equivalent) containing the Environmental and Social Strategy (the requirements for an ESS are described in the Environment Policy Guideline: Directive B.3) as well as the Safeguard Policy Filter and Safeguard Screening Form Reports.</li> <li>These operations will normally require an environmental and/or social impact analysis, according to, and focusing on, the specific issues identified in the screening process, and an environmental and social management plan (ESMP). However, these operations should also establish safeguard, or monitoring requirements to address environmental and other risks (social, disaster, cultural, health and safety etc.) where necessary.</li> </ul>	

SUMMARY OF IMPACTS/RISKS AND POTENTIAL SOLUTIONS	
Identified Impacts/Risks	Potential Solutions
Moderate Greenhouse Gas Emissions are predicted.	<b>Greenhouse Gas (GHG) Assessment:</b> The borrower should promote the reduction of project-related greenhouse gas emissions in a manner appropriate to the nature and scale of project operations and impacts. The borrower should quantify direct emissions from the facilities owned or controlled within the physical project boundary and indirect emissions associated with the off-site production of power used by the project.

	Quantification and monitoring of GHG emissions should be conducted annually in accordance with internationally recognized methodologies (i.e. IPCC - <a href="http://www.ipcc.ch/">http://www.ipcc.ch/</a> ). In addition, the borrower should evaluate technically and financially feasible and cost-effective options for the reduction/offset of emissions that may be achieved during the design and operation of the project. The Sustainable Energy and Climate Change Initiative (SECCI) can help with this task ( <a href="http://www.iadb.org/secci/">http://www.iadb.org/secci/</a> ).
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DISASTER RISK SUMMARY	
Disaster Risk Category: Low	
Disaster/ Recommendations	<ul style="list-style-type: none"> <li>No specific disaster risk management measures are required.</li> </ul>

ASSESSOR DETAILS	
Name of person who completed screening:	Rogers, Cassandra T. (CASSANDRAR@iadb.org)
Title:	
Date:	2014-07-23

## **Environmental and Social Strategy (ESS)**

**The Program:** The overall objective of the Program is to reinvigorate the tourism industry of Barbados, with a focus on increasing tourism receipts to revert the current descending trend.

The Program will comprise the following components: (1) Diversification/improvement of tourism products to consolidate current visitors and attract new segments in key geographical markets, based on sound understanding of demand determinants and preferences; (2) Updating and improvement of marketing strategies, with a special emphasis on the use of on-line channels in a coordinated way with the private sector, in order to rejuvenate Barbados' tourism branding and to promote the new tourism products proposed in the previous component; and (3) Optimization of the use of public funding for airlift support. This will be done with a view to increase the average daily expenditure per visitor (both cruisers and stay over tourists), as well as total tourism receipts, as an evidence of the reinvigoration of the Barbadian tourism industry.

Under Component 1 the accessibility and aesthetic value of existing tourism attractions and associated plant along the south coast of the island (port, south coast road corridor, cultural fish market, and heritage site) will be enhanced through improved signage and lighting, tree planting, the installation of park benches, the placement or widening of sidewalks, the construction of sanitation facilities; and minor drainage works. The geographic area of the proposed works includes Historic Bridgetown and its Garrison, which was designated a UNESCO World Heritage Site in 2011.

The diversification/improvement of tourism products is expected to cause temporary and minor localized impacts, possibly associated with the construction of sanitation facilities and drainage works. In addition, the projected increased air travel to be generated from additional and new demand segments has the potential to contribute to an increase in greenhouse gas emissions (GHG). The operation does not encompass any large-scale investments in infrastructure, the conversion or degradation of critical habitat, or any resettlement and, as such, does not present significant potential negative environmental or social impacts. Overall, given the nature of the activities and investments foreseen, the environmental and social impacts, including disaster risk and climate change impacts are expected to be low. Therefore, a "B" classification is proposed for the Program in accordance with the Environmental and Social Safeguards Compliance Policy (OP-703).

**Environmental and Social Strategy:** Due to the minor nature of the proposed infrastructure works, environmental studies will concentrate on making sure that possible environmental impacts are avoided or mitigated, and that any risks posed by climate change are taken into consideration, following National environmental laws and regulations and UNESCO guidelines as necessary. Additionally, potential impacts in terms of increased GHG stemming from increased air traffic flow will be estimated and possible mitigation measures will be proposed.

### INDEX OF COMPLETED AND PROPOSED SECTOR WORK

Issues	Description	Expected dates	References & hyper links to technical files
Economic analysis of airlift policy alternatives	This study will produce a cost-benefit analysis of existing policies and will proposed alternatives to improve efficacy and cost-effectiveness current policies. This is a group of four interrelated consultancies.	December/2014	See Technical Cooperation Profile
Analysis of main drivers of long haul tourism demand	It will assess the perceived value for money of Barbados in comparison with other long haul competitors. The analysis will be undertaken based on information from long haul tour operators in key source markets.	September/2014	See Technical Cooperation Profile
Diagnosis of tourism on-line strategy	It will assess the digital footprint of visitors to Barbados.	September/2014	See Technical Cooperation Profile
Design of new/enhanced tourism products	This will be a comprehensive study to assess the technical, economic and environmental feasibility of investments required to diversify and improve tourism products.	January/2015	See Technical Cooperation Profile
Financial management/fiduciary issues, Risks assessments and control environment	This will be the standard financial/fiduciary, Risk analysis required for all IDB projects.	January/2015	
Environmental safeguards	An environmental analysis of the small works program as well as the potential impacts of the airlift support on carbon emissions.	January/2015	

Use the Index matrix to provide a brief explanation of the status of the analysis and resolution of issues for project viability, executability and risk management. If no issues, or adequately handled, the “description” column would indicate that is so and the expected dates and references/ hyperlinks would be blank – and be expected to remain so as the Index is refined through the POD and PAL.

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## TECHNICAL COOPERATION DOCUMENT

### I. Basic project data

▪ Country/Region:	Barbados
▪ TC Name:	Support to the Preparation of National Tourism Program BA-L1033
▪ TC Number:	BA-T1033
▪ Team Leader/Members:	Sergio Ardila(INE/RND), Adela Moreda (INE/RND), Cassandra Rogers (RND/CBA), Guilherme Piereck (INT/TIU) , Yolanda Valle Porrua (INE/RND)
▪ Indicate if: Operational Support, Client Support, or Research & Dissemination.	Operational Support
▪ If Operational Support TC, give number and name of Operation Supported by the TC:	National Tourism Program (BA-L1033)
▪ Date of TC Abstract:	August 2014
▪ Beneficiary:	Ministry of Tourism in Barbados
▪ Executing Agency and contact name	IDB, through INE/RND Division
▪ Donors Providing Funding	Infrastructure Fund (INFRAFUND)
▪ IDB Funding Requested:	US\$450,000
▪ Local counterpart funding, if any:	N/A
▪ Disbursement period (which includes execution period):	8 months
▪ Required start date:	9/30/2014
▪ Types of consultants (firm or individuals):	Firms and individuals
▪ Prepared by Unit:	INE/RND
▪ Unit of Disbursement Responsibility:	INE/RND
▪ Included in Country Strategy (y/n);	N
▪ TC included in CPD (y/n):	N
▪ GCI-9 Sector Priority:	(i) Development to small and vulnerable countries; and (ii) support for regional cooperation and integration through institutional strengthening and capacity development.

### II. Description of the supported loan

- 2.1 Barbados is a Caribbean mature destination mostly known for beach-resort tourism and cruises. Tourism has been, since the late 1970's, the pillar of the island's economy, contributing approximately 36.2% of total <sup>1</sup>GDP in 2013<sup>2</sup>, since tourism supports a wide range of livelihoods, both directly and indirectly. However, Barbados has been seriously affected by the global crisis and the resulting decline of arrivals and receipts from key source markets. Over the period 2007 to 2012, both cruisers and stay over arrivals have declined -16% and -6.3%, respectively, while tourism receipts have declined -24%<sup>3</sup>.

<sup>1</sup> Including indirect and induced effects

<sup>2</sup> World Travel and Tourism Council (WTTC)

<sup>3</sup> On the basis of data provided by the Ministry of Tourism

Barbados' tourism market share in the American region has also declined in the same period (-21,4% for tourism expenditure and -17,4% for international stay over visitors)<sup>4</sup>. The average unemployment rate in tourism, construction and wholesale and retail trade increased from 9.8% in June 2007 to 16% by the corresponding period in 2011. In order to re-start tourism growth in a competitive and sustainable way, in addition to this cyclical situation, Barbados needs to address some structural challenges that have exacerbated the impacts of the crisis, among which two are at the forefront:

- (i) Need to diversify both travelers' segments and geographical source markets: Barbados is heavily dependent on the British and North American markets (70% of total stay-over arrivals). The concentration of tourism inflows in a small number of countries is considered a particular cause of vulnerability. In 2012, cruise passengers represented 49.1% of total arrivals to the country, with average passenger expenditure at \$60.9, far below the average daily passenger expenditure (US\$ 95.9) for a group of 20 comparator countries in the Caribbean and Central American Region<sup>5</sup>. Due to the importance of cruisers in the current portfolio demand, it is urgent to implement strategies aiming at increasing the average passenger expenditure
- (ii) Improve competitiveness of tourism products. As a mature destination, Barbadian tourism product and branding is in need of rejuvenation and upgrading in order to meet the changing expectations of travelers. Barbados tourism marketing still places heavy emphasis on attributes related to sun, sea and sand, an attraction offered by other Caribbean and world destinations. Tourism authorities have already initiated some diversification efforts, such as festivals that have attracted more than 15 % of visitors from USA and Canada in 2011 and 2012. In fact, tourism planners have yet to capitalize on the benefits to be leveraged from the designation in 2011 of Bridgetown and its Garrison as a UNESCO World Heritage site, including its use in the promotion of the country overseas. At the same time, Barbados is perceived in the marketplace as a high-priced destination when compared to competitors. In 2012 Barbados was among the top five Caribbean destinations in terms of Average Daily Rate<sup>6</sup>. It is therefore important to work on differentiation and improving value for money offered by the country, in order to reduce any negative perception related to higher price and lower value than competitors.
- (iii) Air connectivity remains a concern, due to high fares, limited number of operating airlines and inefficient routes and connections. In 2013, the WEF ranked Barbados #97 out of 140 countries in the specific dimension of number of operating lines and # 81 in terms of airline seat km/week. Airlift capacity has fluctuated over the years determined by incentives granted by Government in a deliberate effort to improve airlift capacity to the island and to increase access.

2.2 In this context, the Ministry of Tourism (MOT) is preparing a National Tourism Program (NTP), with the Bank's support. The overall objective of the Program is the

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<sup>4</sup> World Tourism Organization

<sup>5</sup> Florida Caribbean Cruise Association, (2012)

<sup>6</sup> Caribbean Market Update, January 2013

reinvigoration of the Barbados tourism industry, with a focus on increasing tourism receipts to revert the current descending trend. The Executing Agency will be the MOT, which is the public agency responsible for sector policy, planning and management. Its core functions include administration, research, planning, project implementation and management and oversight of industry regulations.

- 2.3 The program will have three components: i) diversification/improvement of tourism products to consolidate current visitors and attract new segments in key geographical markets, based on sound understanding of demand determinants and preferences; ii) updating and improvement of marketing strategies, with a special emphasis on the use of on-line channels in a coordinated way with the private sector, in order to rejuvenate Barbados' tourism branding and to promote the new tourism products proposed in the previous component; and iii) optimization of the use of public funding for airlift support following recommendations derived from studies in terms of allocations by country and assigning mechanisms. The expected results of the operation will be an increase of the average daily expenditure per visitor (both cruisers and stay over tourists), as well as total tourism receipts, as an evidence of the reinvigoration of the Barbadian tourism industry.
- 2.4 **Consistency with country strategy and GCI-9.** The project reflects the priority to support competitive and sustainable tourism in Barbados through tourism growth and reinvigoration, as identified by the Government in the Tourism Master Plan, and being integrated in the new IDB Country Strategy for Barbados (2014-2018) under development. The program will contribute to the following IDB (GCI-9) lending program priority targets: (i) development of small and vulnerable countries; and (ii) support for regional cooperation and integration through institutional strengthening and capacity development by improving air connectivity.

### **III. Objective and Justification of the Technical Cooperation (TC)**

- 3.1 The objective of this TC is to support the preparation of the National Tourism Program in Barbados (BA-L1033), providing the technical studies needed to reinforce the tourism product diversification efforts initiated by the Ministry of Tourism, while ensuring that the investments included in the operation will make a measureable contribution to tourism sector's reinvigoration.
- 3.2 The TC will benefit from the existing tourism statistics in Barbados and a demand research undertaken with administrative funds by INE/RND, in order to further explore UK demand's determinants and preferences through tour operators' surveys. The TC is composed of three components:
- 3.3 Component 1: Feasibility studies for a sample of heritage tourism product investments. The component will provide all the technical information needed to immediately begin the execution of the program, once approved, through the achievement of feasibility studies related to a sample of new heritage projects prioritized in the previous component. The expected output is the technical, financial, economic and environmental feasibility studies of a sample of new heritage and cultural tourism projects (that represent at least 30% of the total foreseen investment in physical works under the Bank's program).

- 3.4 Component 2: Economic analysis of airlift support policies. The objective of the study is to characterize the tourism demand for Barbados, evaluating the impact of existing mechanisms to improve air connectivity, and proposing alternatives that could lead to more efficient results. The work will be focused on the airlift demand from Brazil, Canada and the US to Barbados
- 3.5 Component 3. Institutional studies. This component will finance the preparation of institutional and operational designs required for the project.

#### IV. Description of activities, budget and results matrix

- 4.1 Component 1: Feasibility studies for a sample of heritage tourism product. For each of the proposed investments by the Government, the consultants will achieve, at least, the following activities: i) Site selection, analysis and confirmation; ii) Environmental impact analysis for each project; iii) Determination of economic and financial feasibility; iv) Determination of technical feasibility; v) Detailed project design, construction and operation specifications, including final design drawings, construction details, cross-sections, final quantities, costs and technical specifications. The design will meet regulatory requirements and specify operating and maintenance manuals to enable safe and effective operation and visitation, safety measures to protect workers, visitors and surrounding residents during construction, operation, and closure, and environmental monitoring activities for construction and operation; and vi) Detailed terms of reference for undertaking the construction/implementation phase (procurement documents for goods and civil works and required technical assistance).
- 4.2 Component 2: Economic analysis of airlift support policies. The work under this component will be divided into the following five major tasks: i) Market identification and preliminary evaluation of existing mechanisms and policies; ii) Estimation of tourism demand for Barbados and expenditure patterns of tourists visiting the country from Brazil, Canada and the USA; iii) Assessment (valuation) of touristic products by current tourists: a contingent approach; iv) An overview and analysis of mechanisms and policies to increase airlift demand; v) Cost-benefit evaluation of mechanisms and policies to increase airlift demand.
- 4.3 Component 3. Institutional studies. This component will finance the following studies required for the preparation of the loan: SECI studies required to identify strengthening needs of the Ministry of Tourism, the procurement plan, operation manual, and risk analysis. These studies will be done mainly with local consultants.
- 4.4 **Budget.** The total amount of funding needed is **US\$450,000** as per the table below.

**Indicative Budget**

Activity/Component	Description	IDB/Fund Funding	Counterpart Funding	Total Funding
Component 1: Feasibility studies for a sample heritage tourism products.	Technical, financial, economic and environmental feasibility	190,000	N/A	190,000

	studies of a sample of new heritage/cultural tourism projects			
Component 2: Economic analysis of airlift support policies	Characterize the tourism demand for Barbados, evaluating the impact of existing mechanisms to improve air connectivity, and proposing alternatives to lead to more efficient results	240,000	20,000 (in-kind)	240,000
Component 3: Institutional; studies	Preparation of the SECI, procurement plan, operation manual and risk analysis.	20,000		20,000

4.6 **TC results matrix.** The main TC's expected outcomes and outputs are as indicated below.

TC’s objective	The TC’s aim is to support the preparation of the National Tourism Program (BA-L1033) and to reach compliance with eligibility conditions for loan’s disbursement.		
Outcomes	Baseline	End of the program	Comments
BA-L1033 contributes to increase of tourism receipts	0	Increase of average tourism receipt per traveler, and total receipts	Indicators included in BA-L1033 results matrix
Outputs	Indicator	Baseline (2014)	Target (2015)
Documents to prepare the National Tourism Program (BA-L1033) completed.	Number of technical studies completed in order to support preparation of Bank documents and develop necessary evidence required for processing the loan for BA-L1033	0	12
Componente I: Feasibiliy analysis for a sample of heritage tourism product			
Sample of heritage tourism products with feasibility analysis and final designs completed	Feasibility studies (Technical, financial, economic and environmental) and final designs achieved for a sample of heritage tourism products	0	4
Componente II: Airlift			
Economic analysis of airlift policies achieved	Studies to evaluate the impact of existing mechanisms to improve air connectivity,	0	4

<b>Component III: Institutional studies</b>			
Institutional studies needed for the preparation of the loan completed	SECI analysis, procurement plan, operation manual and risk analysis.	0	4

## **V. Executing agency and execution structure**

- 5.1 This operation will be executed by the Environment Rural Development and Disaster Risk Management Division (INE/RND) at the Inter-American Development Bank, in accordance with the Bank's Technical Cooperation Policy (Document GN-2470-2) as requested by the government. The main reason that justify the execution of the project by the Bank is that INE/RND has gained invaluable know-how with the preparation and execution of a significant amount of tourism operations in Latin America and the Caribbean, which has allowed to extract important learned lessons and identify market trends that are valued for the management and performance of this technical assistance. The contracting of project consultants and services will be carried out by the Bank in accordance with document GN-2350, and AM-650 (Policies for the Selection and Procurement of Consulting Services Financed by the IDB), while the procurement of non-consulting services will be carried out by the Bank in accordance with document GN-2303-9 (Policies for the Procurement of Goods and Works Financed by the IDB).

## **VI. Project Risks and issues**

- 6.1 The success of the project will depend on a significant level of engagement and participation of the relevant public and private stakeholders in Barbados during the market study phase, in order to obtain valuable inputs to establish a feasible and sustainable tourism roadmap for new tourism products in Barbados. The operation will mitigate the risks by engaging government officials and private sector representatives in the activities from the start of the TC and through an intensive dissemination strategy during the preparation of each of the Components.

## **VII. Exceptions to Bank's Policies.**

- 7.1 None

## **VIII. Environmental and Social Classification**

- 8.1 It is not anticipated that the activities to be financed in this TC will have any negative direct or indirect social or environmental impacts. According to the Bank's Safeguards Screening Toolkit, this operation is classified with Category "C" because: (i) there are no environmental or social risks; and (ii) there is direct contribution to solve environmental issues. See [Safeguard Policy Report](#).

### **Required Annexes**

- Annex I: Client's requirement (IDBDOCS [#39013803](#))
- Annex II: Terms of Reference (IDBDOCS [#39013810](#); [#39013829](#))
- Annex III: Procurement Plan (IDBDOCS [#39013792](#))