

PROGRAM FOR DIVESTMENT OF TOURISM ASSETS

(TC-00-06-01-3)

EXECUTIVE SUMMARY

Borrower:	Government of Ecuador
Executing agency:	Ministry of Tourism of Ecuador
Objective:	<p>The objective of the program is to implement an efficient and effective process for divestment of properties owned by the Ministry of Tourism in order to increase the returns on, and the use of, such assets to the benefit of the country's tourism sector.</p>
Description:	<p>To achieve this objective, the program is divided into four basic components: (1) title clearance and environmental impact assessment of the assets; (2) formal procedures for sale and/or transfer of assets to the private sector; (3) creation of the tourism promotion fund; and (4) dissemination of the lessons learned from the program to other State agencies.</p> <p>The first component involves consulting services for title clearance and an environmental impact assessment of the properties. At the present time, there is no up-to-date information on the legal status and environmental impact of the 34 Ministry of Tourism properties selected for divestment. Accordingly, a detailed diagnostic study of the legal status of the assets and their environmental impact is necessary before proceeding with sale formalities.</p> <p>The second component of the project involves activities that have to do with valuation and the strategy and formalities for divesting the properties. To execute this component, an investment bank will be contracted.</p> <p>The third component involves setting up a trust fund to promote tourism in Ecuador (Tourism Promotion Fund). This component will make use of a specialized consultant to help set up a trust fund with public and private participation, in order to promote Ecuador's tourism resources abroad. Specifically, this component will provide technical assistance in designing and structuring the trust fund.</p>

The final component of the program, involving dissemination of the lessons learned from the program to other state agencies, will be carried out jointly by the Ministry of Tourism-CONAM execution team and specialized consulting services. The aim here will be to present to the executive branch, and subsequently to other authorities, the lessons learned under the proposed divestment program. There are a considerable number of ministries with idle assets, similar to those owned by the Ministry of Tourism, that could be covered in similar divestment programs.

Amount and source:	Ministry of Tourism:	US\$250,000
	MIF:	<u>US\$500,000</u>
	Total:	US\$750,000

Terms:	Execution period:	24 months
	Disbursement period:	30 months

CESI: The Committee on Environment and Social Impact approved this operation at its meeting of 19 January 2001, with the recommendation that the terms of reference for the environmental assessment consulting services specify that the Ministry of the Environment will supervise all environmental activities under the proposed program.

Special contractual clauses: None.

Exceptions to Bank policy: In order to move ahead with the activities of contracting for establishment of the Tourism Promotion Fund, title clearance, and environmental assessment of the properties, expenses incurred by the Ministry of Tourism since January 2001 to a maximum of US\$22,000 will be recognized as part of the local counterpart funding. Also to be recognized as local counterpart funding under the program, in accordance with the approved budget, will be the administrative expenses and expenses incurred in hiring the program execution team to a maximum of US\$70,800, since December 2000 (see paragraphs 4.5 and 8.1). All expenses have been incurred in accordance with Bank procedures.

In the case of the specialized consulting services (investment banks or consortiums with a lead investment bank) for the divestment strategy and transfer of assets to the private sector, it is recommended that contracts be awarded on the basis of quality and price (the price factor will not exceed the equivalent of 20% of the total appraisal) (see paragraph 3.6).