



# PRIME Case study report

## BOLIVIA – TOURISME

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## CASE STUDY BOLIVIA

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## **1 --PART A ---- THE INTERVENTION**

### **1.1 Country dynamics**

#### **1.1.1 National economic dynamics**

Bolivia ranks at or near the bottom among Latin American countries in several areas of health and development, including poverty, education, fertility, malnutrition, mortality, and life expectancy. On the positive side, more children are being vaccinated, and more pregnant women are getting prenatal care and have skilled health practitioners to attend their births. Bolivia's income inequality is one of the highest in the world. It has a Gini-coefficient of 53.0, which makes Bolivia in the 10% of countries with the most unequal income distribution, though similar to its neighbours Brazil, Paraguay and Chile. Public education is of poor quality, and educational opportunities are among the most unevenly distributed in Latin America, with girls and indigenous and rural children less likely to be literate or to complete primary school. Child labour is common, and since 2014 legally accepted for children older than ten years old when these attend school. However, informality reigns.

Following a disastrous economic crisis during the early 1980s, reforms spurred private investment, stimulated economic growth, and, late 1990s, managed to reduce poverty rates. The period 2000-05 was characterised by political instability, ethnic tensions, and violent protests against privatisation of state enterprises and plans to export Bolivia's newly discovered natural gas reserves. In 2005, the government passed a hydrocarbons law that imposed significantly higher royalties and required foreign firms to operate under risk-sharing contracts and surrender all production to the state energy company in exchange for a predetermined service fee. This did limit foreign investment but did not slow growth, due to the increase in food and mineral commodity prices. During 2010-13 high world commodity prices sustained rapid growth and large trade surpluses.

The Bolivian economy has been growing fast. This growth is especially due to the increased volumes and price of exports of natural gas, soy beans and minerals. Aside from exports, other areas of development have also improved. The official minimum wage rose with from 60 US\$/month to 120 US\$/month in 2014. Overall income per capita (in real terms - 2005 Purchase Power Parity) is rising, and other human development indicators are improving too, including life expectancy, mean years of schooling and the overall Human Development Index (Source: UNDP, 2013).

#### **1.1.2 Overall business environment**

The vast majority of firms are micro enterprises, with self-employed owners and non-permanent workers. Only in the industry sector, there is a relatively high proportion of small and medium enterprises, 47%. (source CILEA 2007)

The business climate in Bolivia ranks very low (162 out of 189) according to the World Bank Doing Business Ranking. Also, compared with neighbouring countries in the region, especially with Peru and Chile, Bolivia offers an unattractive business environment. The most cumbersome aspects of doing (formal) business, according to the World Bank Doing Business Survey, are related to the bureaucracy related with founding a company, and in the administrative burden to comply with the tax and social security regulations. Access to finance is however relatively good. Bolivia is among the countries in the

world with the highest number of bank accounts per habitant, comparable with the US, Canada, Australia and France.

Salary costs are rising fast. The Morales government issued a decree that all firms had to pay an extra month when economic growth is higher than 5%, which was the case in 2014 and 2015. Yearly salaries in the formal sector consisted in these years in 14 monthly salaries.

### 1.1.3 General business support organisations

The Bolivian government manages several programmes related to SME support. A semi-autonomous entity, PRO-BOLIVIA<sup>1</sup> manages two programmes, with financial support from the European Union, that targets capacity building and export promotion: PRODUCE and PROMUEVE-BOLIVIA. The latter has CBI as one of its supporters. There is also a third, more business-led, SME support program called AL-INVEST.

Produce Bolivia concentrates its resources on five sectors that are considered key in generating pro-poor growth: timber, textiles, leather, food industry and metal industry. One of the activities of PRODUCE BOLIVIA is a competitive grant system for the set-up of food processing industries in rural areas, often intended to create supply to government programmes. Next to this, vocational training and innovation programmes are starting to be implemented.

PROMUEVE-BOLIVIA (in the past called CEPROBOL) is a decentralised entity, part of the Ministry of Productive Development and Plural Economy, with activities to increase exports and tourism and to stimulate value-adding and product diversification. One of its components is PROEX<sup>2</sup>; an association of, amongst others, small enterprises, exporters and Chambers of Commerce, that is involved in a participative process to identify the key problems and objectives to generate more exports.

A third more business-led programme is AL-INVEST, funded by the European Union to the Andean Community. In 2016, it started a new phase, which CAINCO-Sta Cruz – a partner of CBI and PUM – is coordinating for the whole Latin American region. This new programme AL-INVEST 5.0 is designed to contribute to productivity growth and the sustainable internationalisation process of SMEs in Latin America through support to activities of organisations that represent the private sector and promote its development, such as Chambers of Commerce, Trade Associations and Export Promotion Agencies, etc. PUM complies with these requirements and interested to become one of the eligible parties to provide such support.

## 1.2 Context of the sector

### 1.2.1 Market dynamics

Bolivia has a lot to offer to tourists, and the tourism sector has experienced continuing growth over the last decades. According to the economic impact research of WTTC, tourism contributed 2,5% to total GDP in 2013 and is expected to rise by another 4,9% in 2014. When indirect contributions are also considered - including investments, government procurement, domestic purchases of goods and services dealing directly with tourism and spending of those directly or indirectly employed in travel and tourism - this percentage rises threefold, to 6,3%. Forecasts are positive, although the relative contribution of tourism to GDP is expected to decrease due to the strong growth in of total GDP. In 2013 travel and tourism supported an estimated number of 96,500 jobs (2.3% of the total employment) which is

<sup>1</sup> <http://www.probolivia.gob.bo/Produce.aspx>

<sup>2</sup> <http://www.proex.bo/index.php/el-proex>

expected to rise to 105,000 in 2024 (1.9% of employment). If indirect employment is also included this rises to 248,500 and 289,500 respectively.

Despite this growth, there remains much potential for growth in the tourism sector that is not yet used. A 20 million dollar funding from the Inter-American Development Bank, which started in 2011, addressing the tourism value-chain showed that it is considered a sector with potential. Due to the policy orientation of the Morales Government, most of these resources are dedicated to the development of 'Community Tourism', a form of tourism where local community participate as service providers, not only as a tourist attraction.

As described in the CBI business case, Bolivia is mostly known to tourists for La Paz, the highlands and Lake Titicaca. In the last years, the Salar de Uyuni has developed itself as a top attraction, especially for international (Asian) tourists, facilitated by the construction of new airport and improvements in vial infrastructure. Yet, Bolivia offers many other tourist attractions less known to the general public and international travel agencies. The development of these destinations could increase the time spent by international tourists in Bolivia and offer new attractions for national tourists. At the moment, international tourists that travel to Bolivia do so mostly as part of a trip to Peru or Chile, and not as a stand-alone trip. Moreover, most tourist are low-budget young people and backpackers. Santa Cruz is starting to position itself as a short-vacation hub for tourists in other Latin-American countries due to the increase in direct flight connections. CBI and PUM target the market for higher-quality demanding tourism, which has high potential to be developed much more and attract European tourists.

The characteristic of being an add-on destination makes that most international tourists are contracted by travel agencies based in neighbouring countries, especially in Peru. This creates a chain of interdependencies, in which smaller regional agencies provide services for larger national agencies in La Paz, which in turn have preferred supplier arrangements with travel agencies in Peru or Europe. This interdependency makes that for local agencies it is challenging to create direct contacts with international travel agency that are currently working with the Peru or La Paz based ones, because they may consider this disloyal behaviour and retaliate.

Official statistics on tourism are notorious incomplete, because many smaller firms operate informally, and in practice there is no enforceable system of registration after the institution of departmental autonomy in the reformed Carta Magna in 2007.

CUADRO Nº 6: ESTABLECIMIENTOS TURÍSTICOS Y GUÍAS DE TURISMO 2010 (EN numero de establecimientos)					
Departamento	Agencias de viaje y op. de turismo	Empresas de hospedaje	Guías de turismo	Arrendadoras de vehículos	Restaurantes y peñas folklóricas
La Paz	607	1139	241	91	960
Oruro	31	141	32	20	189
Potosí	204	240	235	30	45
Chuquisaca	36	154	95	22	161
Tarija	78	242	36	285	148
Cochabamba	282	448	60	153	465
Santa Cruz	307	812	145	670	926
Beni	42	117	SR	SR	104
Pando	9	25	SR	4	34
Bolivia	1.596	3.318	844	1.275	3.032

Fuente: Registro Nacional de Turismo 2010 – Viceministerio de Turismo  
SR. Sin registro en las Gobernaciones Departamentales



### 1.2.2 Sector policies and support programmes

Bolivia has a National Tourism Development Plan (2012-2016) directed to eight strategic areas. It has modest activities despite high pretensions. For example, the plan wants to develop five new regional tourist destinations, five destinations organised as community tourism, promotion of Bolivia as a destination and implementation of the General Tourist Law and its administrative rules. Expectations of the effects of these activities are unrealistically high: an increase of 50% in tourist flow and a 100% increase in incoming tourists in the main foreign markets, and a doubling of the average daily spending per tourist.

To implement the strategy of branding and product development, the Bolivian government established, late 2014, a state-run tour agency BOLTUR. While the Vice-Ministry of Tourism (VMT) argued that this a state-company was necessary to make the threshold investment to develop new destinations, the private agencies, organised in ABYVAT, argued that BOLTUR is not complementary but competes directly with the private travel agencies on already developed destinations, like the Titicaca Lake, or the cycling route from La Paz to Caranavi on the 'Death Road' (also see section 3.2.2).

In the last decade, The Morales Government also invested heavily in infrastructure vial and airport upgrading. Though most are used only for domestic flights, there are new international airports in Oruro, Uyuni, Tarija and Sucre (opened 15 May 2016).

Some other policies have a negative influence on tourism. For example, for political reasons, tourists from the US need to apply for a visa and need to pay for each day they stay in Bolivia. This highly discourages US back-pack tourists to add Bolivia to their travel schedule.

The most important development programme in the tourism sector is the 20 million dollar funding from the Inter-American Development Bank, which started in 2011, and is directed to develop Community Tourism. Even according to the Vice-Ministry, these subsidies, mainly to develop communal tourist infrastructure, resulted quite unsuccessful to spur sustainable flows of tourists. Many communal infrastructure is said to be in frank deterioration because no clear responsible person is there to clean and receive the tourists. Some positive experiences are there, giving this communal property in a concession to a private firm. However, ideological sensitivities and opposition from the communal village organisations prevent the government to implement this modality at full speed, even when many consider this a superior form of developing these new destinations (Interview with Sucre Municipality; Interview Red de Turismo).

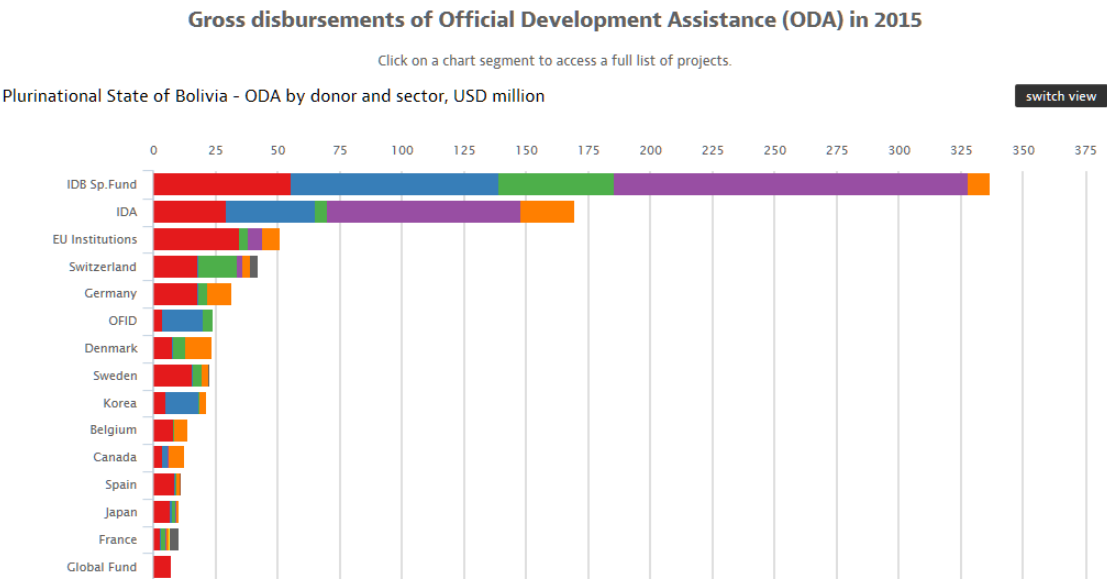
### 1.2.3 Sectoral business support organisations

There are several Business Sector Organisations working especially for the tourism sector, especially the association of travel agencies (ABAVYTT), the Hotel Chamber (Cámara Hotelera) and the Chamber of Receptive Tourism (CANOTUR). Most important, however, are the OGDs (Organizaciones de Gestión de Destino) that are multistakeholder platforms, with the participation of the public and private sector, geared to develop the attractiveness of and information about a city or an area as a tourist destination. These OGDs are the main counterpart of CBI in the Tourism ECP in Bolivia and also the entrance point for PUM to work in the tourism sector.

In each department there are more general, intersectoral business support organisations, like the Chamber of Exporters (CADEX) and the Chamber of Industry and Commerce (CAINCO). The national offices and regional branches of these Chambers are the main nodes in the network of the local representatives of PUM.

1.3 Characteristics of CBI and PUM support in the country

The per capita ODA (Official development Assistance) is increasing again after a sharp dip after the political turbulence in 2003-2006 that preceded the change of government in 2006. For many years, The Netherlands was a major bilateral donor. This has changed since 2010. Bolivia continues to be one the countries that receive support through the Dutch private sector support instruments. CBI and PUM are two of these instruments; both are active in the Bolivian tourism sector.



1.3.1 Support program/activities

CBI

CBI support focuses the Bolivian image for tourism, BSO support in the tourism sector, export quality of companies, and market demand for tourism. First of all, CBI aims to enhance the image of Bolivia in European markets. CBI gives marketing advice to the private sector, BSOs and at government level and by provides training on the operational side (e.g. organising trade fairs). Second, CBI aims to enhance the quality of BSO support and stimulate public-private cooperation by organising strategic conferences, through training and coaching of BSOs and developing tailor-made market information that these can use in their service delivery to members. Third, CBI aims to contribute to the quality of the targeted exporting companies sector using the ECP modules and training. Fourth, CBI gives significant attention to sustainability both regarding CSR and regarding market demand. In implementing these activities, CBI collaborated with various partners: Vice Ministerio de Turismo (VMT), Exporters Chambers, exporting companies, Canotur, local authorities, private sector organisations and PUM representatives (see more details below).

**Wine and tourism.** One specific product in the tourism sector is that of enotourism. This is the sector in which wine production and tourism come together. Wine is an important product for Bolivia. Because CBI has a program in the wine sector, and they are currently exporting the possibilities for developing wine routes, this sector was included in the first case study mission. Given the already broad scope of this case study (including both hotels and travel



The four target areas within Bolivia are Santa Cruz de la Sierra, Sucre, Tarija and Potosí.

CBI has provided support to ten companies under the ECP tourism program that started in 2009 and ten companies that joined in 2012 under the new program. The companies in the first program are mainly situated in the La Paz region. The new participants are also in other areas: Santa Cruz de la Sierra, Sucre, Tarija and Potosí. In addition to these companies, CBI has also provided less intense support to a wider group of companies that were not selected for the ECP. An example is the development of a website for Sucre as well as Tarija; CBI brought together various private and public actors to work on this website.

Since its inception in 2012 CBI implemented several activities have been organised as part of the BSO support including the organization of a Tourism Summit on Destination Branding, La Paz November 2011; the organization of Regional Strategic Conferences in the four priority regions, Spring 2012, leading to the establishment of public-private taskforces working on marketing and product development plans; the support to the participation of Bolivia in WTM 2011 and 2012 in London and ITB 2012 and 2013 in Berlin; and advise to VMT regarding strategic export marketing plan.

In Annexe B, we present an overview of the twelve SMEs that have received direct support from CBI, based on the experts' progress reports.

### PUM

PUM provides support to tour operators, travel agents, operators of sightseeing tours or excursions or tourist activity centres and eco-tourism centres. A major part of PUM activities revolve around the development of new products and marketing activities. PUM experts also pay attention to business administration and office organisation, financial management, staff training an/or general management. Assistance to BSOs is also provided, although less common, by advising (local) governments, local chambers of commerce, hotel and catering associations, vocational institutes, regional tourist offices, tourism planning agencies and national tourist boards. Finally, PUM experts have experience in organising tourism, hotels, restaurants and catering seminars in many different countries involving various companies at the same time.

In the tourism sector of Bolivia, since 2013, PUM has provided support with 16 missions: 3 SMEs received two missions and one three missions. Support was provided to nine hotels and 2 travel agencies. The support was provided by ten different experts. Two experts did more than one mission. PUM also organised several missions to BSOs, in one case specifically related to the development of a marketing plan for Sucre – in other cases related to the future work of PUM in the sector. The majority of PUM support is concentrated in Sucre, Santa Cruz de la Sierra and Cochabamba.

Based on these numbers it appears that the importance of tourism in PUMs overall support portfolio in Bolivia is decreasing, despite being one of the two focus sectors for 2015 according to the country plan. For PUM, the tourism sector in Bolivia was seen as an opportunity to explore the synergy of a more coordinated approach by CBI and PUM. Cooperation between the organisations was sought to solve one of the bottlenecks in the Bolivian tourism sector, namely the low quality of local services (see section 3.3.3 for more details). For 2015 PUM scheduled training and workshops to facilitate training of managers and personnel of hotels and tour operators in Sucre and Tarija. PUM planned to organise two seminars per year during three years on tourism both in Sucre and in Tarija with multiple SMEs to be convoked through the CBI supported OGD or similar platforms. PUM expected to organise these seminars for three groups of SMEs: two-star hotels and hostels, three and four-star hotels, and tour operators and travel agencies. However, this plan could not be implemented yet due to lack of co-funding support by the SMEs and sector organisations.

Annex A provides an overview of the outcomes of the missions in the tourism sector in Bolivia, based on the debriefing information in the PUM M&E system.

### 1.3.2 Intervention logic

To analyse the effects of CBI and PUM support in the tourism sector, we refined the general intervention logic used in the PRIME research (changes in knowledge – changes in business practices – change in business performance – development impact), and identified more concrete outcomes and impact pathways (see Figure 1).

In the intervention logic the CBI and PUM support is summarised in two main pathways that are expected to result in an improved tourism sector (see Figure 1); the causal chain depicts firms trained on export promotion, marketing and market development that result in improved travel agencies and the development of regional stakeholder platforms. First of all, the training provided to firms are expected to result in the development and (to a certain extent) implementation of a firm-specific Export-Marketing Plan (EMP), with improved travel agencies at the intermediate outcome level as a result. In the context of CBI this does not only result in an increased number of competent exporters, but the EMP is also a precondition to participating in international fairs. Secondly, the various types of support to BSO (such as to the stakeholder platforms) eventually results in an increased amount, diversity and quality of tourism products (day-trips, activities, attractions). This should directly result in an increased awareness of Bolivia as an interesting destination. Combined with the increased competitiveness of competent exporters this should ultimately result increased export competitiveness of the tourism sector in Bolivia and ultimately sustainable an inclusive growth.

Both PUM and CBI target mainly the tourism segment directed to foreign tourists, and PUM also the market of (national) business travellers. Especially for the tourism sector, better airline connections are a driver of growth. In Sucre a new international airport opened in 2016, and is expected to receive shortly some incoming international flights.

In the intervention logic the PUM support is depicted in the pathway on the right side: from the expert support mission to an improved tourism sector at the ultimate outcome level. Once a firm is linked to PUM, the beneficiary firm defines the needs or problems to be solved. The firm is then matched, by PUMs network of sector specialists in the Netherlands, to the appropriate expert. At the immediate outcome level this should result in the support of the right person in the firm at the right time, and by the right expert. At the intermediate outcome level PUM support is especially targeted to tourist services (mostly hotels). This result at the ultimate outcome level in an increase in amount of competent exporters. Exporters of tourism can be hotels or travel agencies with services that meet standards of EU tourist, but also tourists from other (Latin) American with a large demand for tourism such as the US or Argentina. Combined with other ultimate outcomes this should result in increased (export) competitiveness of the tourism sector in Bolivia and ultimately sustainable and inclusive growth. It is important to note that the improved tourist services are expected to have spillover effect on the local good and service sector – e.g. through the demands on tour guides by supported hotels or travel agencies.

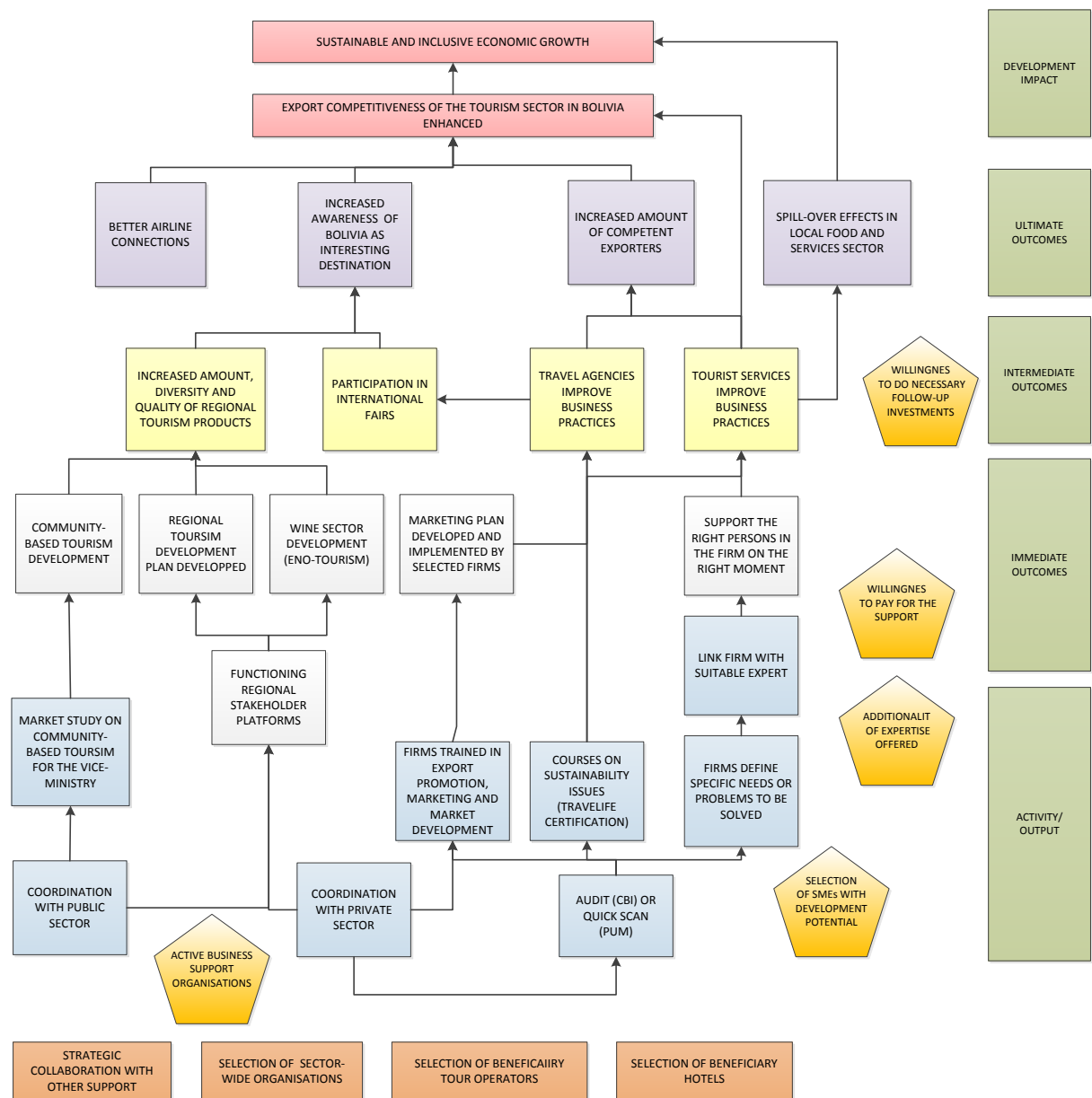


Figure 1. Intervention logic of the support in the Bolivian tourism sector.

1.3.3 Key assumptions

The arrows in the intervention logic assume causality or ‘effectiveness’. We explored the case study for information that help to reflect on the plausibility that these effects indeed took place, and what type of firms responded better than others, and why. Also, we identified four areas that deserve special attention, because they are considered to be key enablers (or barriers) of effectiveness:

- The quality of the business organisations as implementing partners

The communication to SMEs in order to make them interested in CBI and PUM support is generally through a sector organisation. For both PUM and CBI the Chamber of Industry (CAINCO) and the departmental Chamber of Exporters (CADEX) are important ‘hubs’. Especially in the tourism sector, to reach the sector of smaller firms is through these sector organisations and their platforms, especially the OGD (Destiny promotion agencies), where public and private parties meet to develop tourism development plans. These departmental platforms differ in capacities and resources. Strengthened departmental OGD are considered key to the effectiveness of the support (interview with CBI and PUM).

- The selection process of beneficiary firms

Both CBI and PUM intend to select firms that are likely to respond positively to the support. However, they also balance between 'supporting the stronger firms' and 'targeting the weaker firms'. CBI, therefore, uses an explicit process to select the companies with highest export potential, which, in the tourism sector, implies the travel agencies that are expected to develop the high-quality services required by European travellers. PUM uses a more implicit selection process. The local representative identifies the companies that can be expected to have an interest in expert advice and the resources to pay the related costs. The number of companies that complies with this is small, especially in cities like Sucre and Tarija. This tends to generate demand from firms that are relatively rich, or that are owned by rich persons/families. For PUM that is the difficulty to reach the sub-top of hotels – unable/unwilling to pay but likely the sector with most development impact – and the top-end of hotels – willing to pay but perhaps not really the right target group for development cooperation.

- The additionality of the support provided to these firms

In Bolivia, there is a local market of advisors in a context of widespread development support. Both PUM and CBI assume that their support is additional to this local offer of business support and that the support would not be provided to these SMEs without their respective programmes. CBI explicitly state that "their support is not offered in a similar way by other donors. Several product-development donor programmes have been carried out or are being carried out. They often lack the linkages to the export value chain that CBI's programme can provide" (Business case report Tourism, 2014). Because CBI works more closely with specialised sector organisations, they have some insight in this local market of consultancy support and the additionality of their experts. PUM, instead, does not work with local consultants, and because they have no explicit sector focus, the local representatives have limited overview of the presence of skilled consultants.

- The willingness to pay for the support

Related to the issue of additionality and targeting, the willingness to pay for the related costs of the support is a key issue. The (new) requirement to pay for the second mission (between €350 and €700 depending on the capacity to pay), next to lodging and food costs for the expert during his stay, assumes that the first mission provides the firms enough confidence to pay for the follow-up support of an expert. Especially in the hotel sector, where lodging costs are low or absent, this cash payment is the major impediment for (smaller) hotels to ask for PUM support. Because the participation in CBI training activities are for free, this opens opportunities for less capitalised travel agencies to join. However, significant co-funding is needed to participate in international tourist fairs.

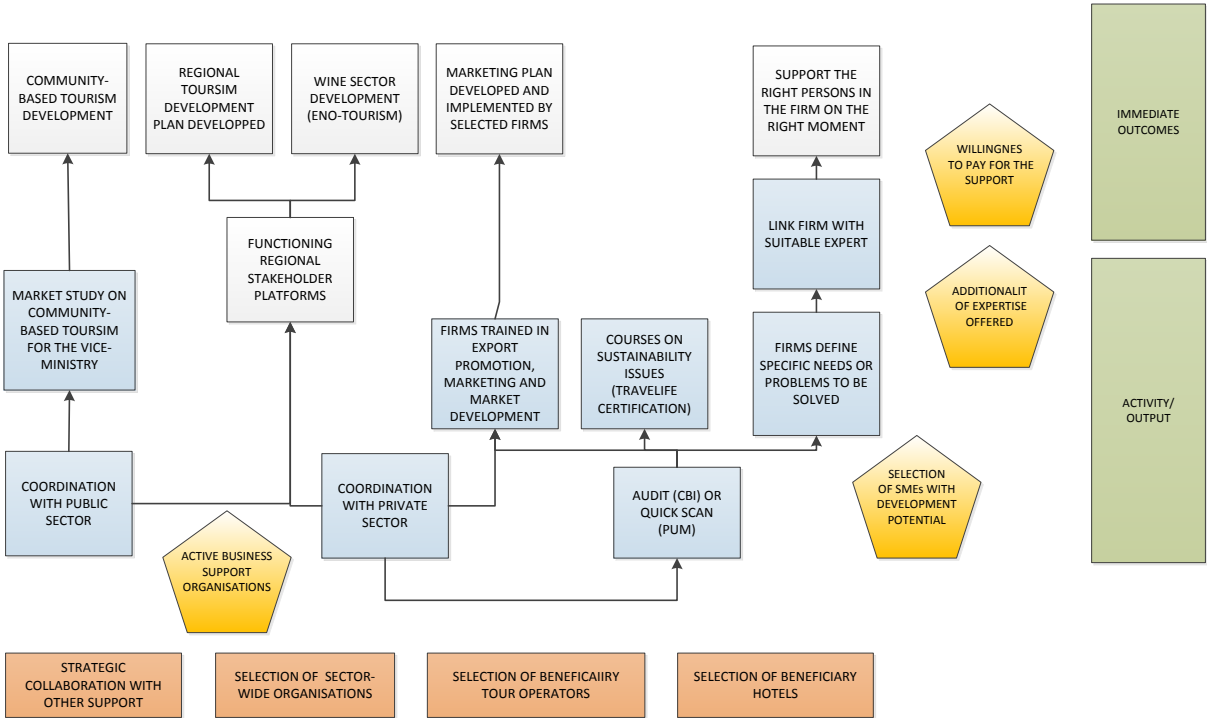
- The willingness to make the necessary follow-up investments

Often the PUM-advice implies investments in the business. Many PUM experts indicate that a follow-up mission is only useful when these actions and investments have been done. In the modality of CBI support, the most intensive support is the preparation in the ECP courses in the Netherlands and the participation in international fairs or business link activities. The activities of CBI in the tourist sector culminate in the participation in international fares. Participants in these international tourist fairs are made aware that, to be credible business partners for European outbound travel agencies, they need to have a yearly presence at these fairs. Therefore, the effectiveness and sustainability of this type of support imply significant investments by SMEs before this will lead to a substantial increase in sales. To be effective, travel agencies that are supported in their participation in the fair are assumed to have the willingness to invest in this yearly follow-up.

2 ---PART B ---- THE EFFECTS

2.1 Intended effects

2.1.1 Immediate outcomes



CBI and PUM support the tourism sector with different types of activities. The blue-coloured boxes in the intervention logic indicate those activities where PUM and/or CBI have direct influence. These activities have direct effects in several outcome areas. In these immediate outcome area, PUM and CBI have still quite some influence, but necessarily depend for the improvement of these outcome areas on many other factors and actors. Reviewing the experts’ mission reports, interviews with the programme manager and programmatic process reports (activity reports), we see that the support to the vice-ministry on the market study on community-based tourism did take place, but that CBI and the experts did this study especially to improve the relations with the Vice-Ministry, not because they had high expectations to influence the debate on community-based tourism as a development strategy. The Vice-Ministry did not mention it but emphasised the support of CBI in direct coaching and in the facilitation of participation of the sector in the international fairs.

*"Working with the VMT is difficult. They work with support to new activities but not to the businesses that could help to manage these. We evaluated the programme of the IDB with the government. Of the 19 supported initiatives, only three have actually been in use." (Interview consultancy Turismo Rural)*

*"... not only do we have to respond to the community when they ask support, but only start programmes to sensitise them about the need to preserve their tourist sites, improve attention to the clients, etc. We have discussed this with the communities. As a last resort, we might decide to make these initiatives 'mixed', with the direct involvement of the public sector, or delegating the management of the infrastructure to a private travel agency, as a concession." (Interviews Dirección de Turismo Sucre)*

CBI had actividades directed to the set-up or support to regional stakeholder platforms around tourism, the Organizaciones de Gestión de Destino (OGD), in Santa Cruz and Tarija, and the initiatives to come to

some sort of public-private sector platform in Sucre. OGD Santa Cruz was already a strong and well-networked organisation with strong public sector support. PUM supported the OGD in Tarija. The role of the OGD for CBI support was especially as a channel to reach potential beneficiaries, with some minor support to improve the websites.

*"Late 2009 CBI contacted Santa Cruz and invited Rosario Tours and OGD Santa Cruz to the export training in Rotterdam in February 2010. This was an excellent training of 10-11 days. They started with their EMP and had to finish it in Bolivia. They had to reschedule quite a lot to finish it. After that there came a consultant for the websites and Wolfgang did and gave follow-up to the audits. We explained our insights with the membership of the OGD and had the training on websites, social networks and marketing with all members. Wolfgang invited us to participate in the international fairs. In 2012 two other firms entered the programme and also participated in the fairs. It was nice. However, we definitely needed some more support from CBI to get business contact in the fair. CBI could well have arranged a small business wheel for all participants. OGD Santa Cruz discussed the participation in the international fair with their members and they indicated that they considered the Latin American regional fairs and roadshows more important. Thus, I was not allowed to go any more. In these countries people have a direct flight to Santa Cruz and could come a weekend or midweek. This market is far more important for the members 'Fast, frequent and cheaper'." (Interview OGD Santa Cruz)*

The OGD Tarija started with the support of FAUTAPO and SNV, both with funds of the Netherlands. CBI's support to the OGD Tarija, started in 2012, is considered by the CBI programme manager as a success story, especially after 2014 when the public sector started to support and implement various initiatives that initially were developed by the OGD. Key factor was the incorporation in Gobernación (regional government) of the former president of OGD Tarija. CBI used the organisational network and capacity of convocation of the OGD to support the development of a municipal and departmental tourism development plan. The main benefits of CBI support mentioned by the OGD is the support in diversifying the number of tourist destinations, and the way to make an attractive offer and 'route'. The OGD is currently developing a new route, linking wine production areas in Tarija and Northern Argentina. In Tarija they work therefore in coordination with the wine support programme of CBI.

*"With CBI support the OGD Tarija was able to consolidate itself as a public-private platform, able to attract support from other entities like the university. The OGD is better placed than 3 years ago, when the regional government had no intention to invest anything in tourism. CBI and OGD worked two years on the issue of product development, before offering it on the European fairs. The CBI experts come in March, August and December. These are moments only, and sometimes we feel the need for a more continuing presence, even when we have electronic contact with them. One day Tarija, one day Sucre, one day Santa Cruz and one day in La Paz implies that we benefit only from a very short stay...." (Interview Dirección de Turismo Gobernación Tarija)*

CBI's activities related with business coaching in Tarija were limited to two travel agencies, one of them also managing a hotel. The 'export to Europe', the attraction of tourist groups from Europe, is still incipient. The interviewees indicated also that European tourists are less important than Argentinean tourists for both agencies and hotels in Tarija. PUM also supported the OGD in view of developing a training curriculum directed at tourism service providers, like hotels and restaurants. However, due to an unwillingness to pay, these activities did not progress. The potential trainees wanted more intensive training in each of the hotels, more than the planned 1.5 days, considering the financial contribution that they needed to make.

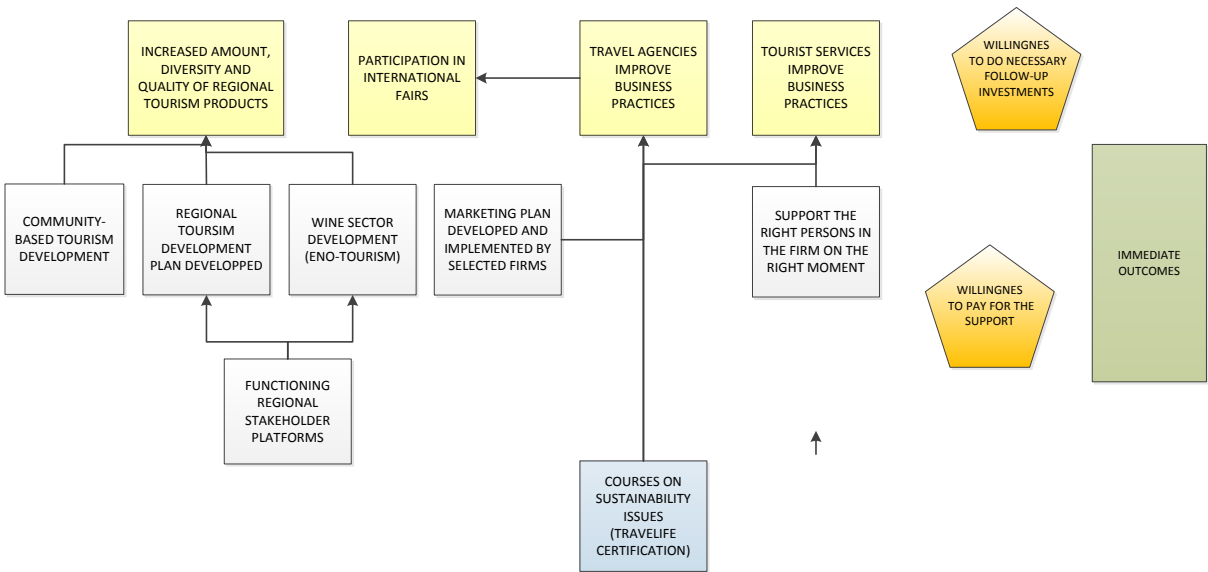
The support to the tourism platform in Sucre by CBI was less successful. This is due to two important factors. First, the tourism influx in Sucre is already quite big, which makes the promotion of Sucre as a destination less important than in Tarija (a new destination). And second, several intents have failed, leaving some discomfort of the former participants.

*"In relation to CBI support, we see a fatigue after all intents to create a platform. The work does not progress due to the fact that the private sector does not want to participate. We plan to invite again for a*

platform meeting but with a more limited group of stakeholders.(..) The municipal plan that has been developed with a group of consultants some years ago has some weaknesses that need to be resolved, especially the lack of attention to the rural areas. It is very much centred on the urban area.” (Interviews Dirección de Turismo Sucre)

The two agencies in Sucre that were involved in the Export promotion activities of CBI are both clear in the positive effects that CBI support has had on the management of their agency. They are very positive about the content and quality of the trainers. The European market is also the most important market for these agencies. The main effects of the support are in the development of direct relations with incoming travel agencies, instead of being the subcontractors of the larger Peruvian or La Paz-based incoming tour operators. However, though positively evaluated, not all activities were successful. One agency developed with the support of CBI a nice website with booking possibilities, another agency’s website was not functioning when we interviewed her, two days before presenting itself in the international fair in Berlin. The owner of this travel agency indicated that for her Facebook was a more important communication channel (six months later the website is still not functional), reflecting the importance national and regional clients, where social media dominates, instead of European clients for whom web sites are still a crucial media source.

2.1.2 Intermediate outcomes (business practices)



The PUM missions in Bolivia were mostly focused on a reduction of costs, innovation of existing products and services, reduction of production cost and innovation of new services and products. Some concrete examples of business practices that changed as a result were documented in the expert debriefing form and interviews. These show that the right kind of expert, at the right time, can speed up the overall development of the firm. One hotel manager indicated that aside from receiving concrete advice on how to organise the rooms or certain aspects of the business, “..the gentleman (i.e. expert) had a very good vision of how things should be done...” This example shows how impact is not only on specific knowledge areas, but on business vision more generally.

Another example of a business practice that changed in response to the support relates to an expert that helped develop the hotel in its early days was provided by another PUM supported hotel manager; the expert advised them in all areas of running their hotel and working with booking.com. In doing so, the expert greatly speeded up their start as a first class hotel.



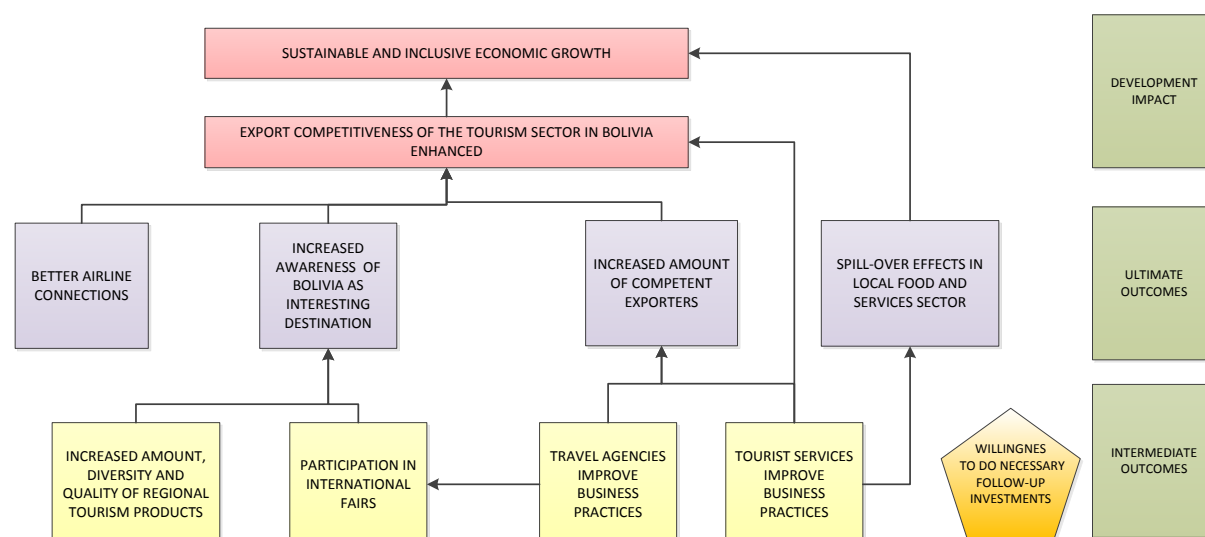
The area often mentioned as been changed most in response to PUM support is that of putting more attention to the needs and expectations of customers from the EU, Canada or the USA. For example, the owner of a family-led eco-lodge explained that the expert (amongst many other things) advised him to put less beds per room because European tourists are used to this. Another advice he gave was to have customers fill out a small satisfaction survey. This example also illustrates that the value of PUM knowledge in hotels is also related to the attraction of European tourists. Another example is the PUM support to a hotel in Sucre; it received support in developing a high-class restaurant. The expert assisted them in everything from developing the kitchen till the menus. They now have a fully operational restaurant which attracts tourist with European standards but also caters to national visitors.

Regarding CBI support, the perceived benefits in SMEs mostly relate to improved knowledge and better sector coordination but translates in limited changes in business practices. Some respondents reported that due to CBI they received more direct online bookings through booking.com. Most changes are however more on the learning and strategizing side. One travel agent, for example, mentions SWOT analysis, better product promotion and management as examples where CBI has contributed to major improvements. Between 2014 and 2017, seven travel agencies participated in international tourism fairs (WTM, ITB). However few have continued presence. In 2017, only one travel agency, from Santa Cruz, participated in the ITB.

Aside from the support to SMEs, CBI played a key role in strengthening the OGD in Tarija, and in convening the platform in Sucre. While the activities in Tarija are successful, in Sucre the platform does not convene, and firms are tired, especially due to the unreliability in the support from the public sector (also see 3.2.2). The initial idea of the platform was to work as an OGD for Sucre, Potosí and Uyuni, while the level of tourism in Sucre is increasingly delinked from Potosí and Uyuni because of the better roads and airports in these towns. For the public sector, both Chuquisaca and the municipality, a platform limited to Sucre only is more feasible. Also, most interviewees have more trust in a Sucre-only platform to coordinate activities and training. Most actors consider CBI as a high quality, professional and neutral partner in this set of these platforms or OGDs. Cooperation is also perceived an important condition for success. The manager of one BSO in Santa Cruz, for example, said that: *"To construct a platform is key: when this has success the program has success"*.

These platforms mention important but less tangible outcome areas. For example, the manager of a BSO in Santa Cruz explains that the tourism program of CBI in Santa Cruz has changed the mentality of tourism companies: *"There is a stronger mentality to export tourism"*.

### 2.1.3 Ultimate outcomes and development impact



The intended outcome of CBI support is an increase in 'export' to the EU and EFTA. CBI reported that the directly supported firms in the tourism programme exported in 2014 €2,428,744, in 2015 €3,082,674, and in 2016 €2,749,006. However, when we look at the table we see that half of the firms decreased in total exports and that almost all increase was reported by one SME, a first star hotel in La Paz, and especially in the non-EU/EFTA market.

The exports to the EU/EFTA market decreased from €870,764 in 2014 to € 614,048 in 2016. One travel agency (no.4) showed a strong increase in exports between 2013 and 2014, but faced a decrease due to the sudden loss of an important European partner, and is likely to improve in the next years. Five (out of 11) travel agencies showed an increase in exports to the EU/EFTA in the project period 2014-2016, though for two of these travel agencies the economic benefits are modest (less than €5,000) in comparison to the costs of the support provided.

Export value reported by supported SME in CBI tourism programme Bolivia (in Euro).\*

CBI supported SME	Type SME	2012/13 Baseline Export to EU/EFTA	2014 Export to EU/EFTA	2015 Export to EU/EFTA	2016 Export to EU/EFTA	2014 Export Non EU/EFTA	2015 Export Non EU/EFTA	2016 Export Non EU/EFTA
1	agency	45,040	48,206	24,268	90,888	110,108	97,746	19,112
2	agency	0	4,129	-	-	2,795	-	-
3	agency	42,275	1,194	3,298	4,681	44,321	12,277	15,050
4	agency	149,743	325,741	206,624	96,053	180,750	228,907	136,937
5	agency	2,592	32,864	38,545	33,108	19,044	6,468	-
6	agency	51,346	56,000	62,160	8,903	52,000	66,931	114,266
7	BSO	-	-	-	-	-	-	-
8	agency	56,054	63,662	-	-	189,435	-	-
9	agency	0	0	9,835	28,415	0	54,820	-
10	hotel	34,269	249,236	300,856	225,272	930,324	1,842,110	1,738,529
11	agency	8,383	28,722	12,976	33,849	8,417	11,055	11,215
12	agency	43,742	49,860	66,320	85,006	4,780	868	1,136
13	agency	773	5,538	6,389	4,054	2,770	4,138	4,028
14	hotel	3,408	5,612	6,981	3,819	13,236	19,102	14,273

\*, The data for 2014-2016 are based on the 'certified results', reported by the both SME and expert. This data is more reliable than the earlier estimates of the exports for the 2012/13 baseline.

### 2.1.4 Economic spill-over effects in the sector

The impact of CBI may well have indirect benefits because they often promote an entire destination. For example, CBI has played an important role in creating linkages between different destinations (Sucre and Tarija). On the long term, this might also benefit non-supported companies. No such indirect benefits were reported by companies or observed by the researcher yet.

An expert, Roxana Dulon, who did her PhD research on the effects of tourism on local communities, warned that these spill-over effects of visits by tour operators outside the urban areas is marginal. Often, these agencies even bring their own food and drinks. However, especially in the Ruta de Vinos in Tarija, the new tourist destinations create room for private entrepreneurs to expand and develop their restaurants and wine cellars. Spill-over to poor section of the population are limited to occasional and precarious employment opportunities within these small enterprises. Our local researcher noted that several of the PUM and CBI supported hotel/agency combinations in Sucre do not pay the legal minimum wage to their hotel's reception staff, and this implies that most that work is done by students, with inherent instability and problems for upgrading their capacities by training. The situation in travel agencies is better, with salaries that are on or above the minimum wage.

## 2.2 Unintended effects

The business case of CBI indicated two potential negative externalities: 1) Increase in the number of tourists may increase the pressure on the environment, touristic sites and local communities. 2) The risk that large international hotels and tour operators gain most, at the expense of other stakeholders. At this stage, both risks do not yet seem to be important threats, largely because the emphasis in training is on sustainable practices and a focus on small agencies.

A risk inherent to selective firm support is unfair competition. The increased knowledge and practices may give SMEs a competitive advantage to their competitors. In case the better of SMEs are selected (either because they have more potential or because they have access to the right networks), this might come at the cost of those SMEs that want support but are left aside. The role of the OGD in Sta Cruz and Tarija, and the efforts to extend capacity building and product innovation to these inclusive networks makes this unintended effect unlikely in this Bolivian tourist sector.

An unexpected negative outcome, or externality, observed during the case study was a public sector organisation in Tarija that expected capacity building activities from PUM. At least part of these expectations was raised while PUM and CBI were in the process of looking for closer cooperation. This did not work out as expected. For some time, the expectation of support motivated at least one BSO to become more passive, so as not to "do things double". This is of course no direct effect of PUM support, but it should be realised that unclear communication and expectations might result in a delay of other initiatives .

The labour conditions in travel agencies and hotels are, according to the audit reports satisfactory. In the interviews we asked about payment for workers in the travel agency (Mimeo Lithzy Flores) that indicate that depending on age supplements, these gain a monthly income between once or twice the legal minimum wage. In the hotels supported by PUM, however, the incomes for cleaners and receptionists are reported to be far below this legal minimum wage. Considering that these are at the same time among the top-end hotels in Sucre, this suggests that these do not comply with PUM's CSR policy.

### 3 ---PART C ---- THE EVALUATION

#### 3.1 Implementation efficiency

##### 3.1.1 Selection of SMEs with development potential

The potential to impact sustainable economic development depends partly on the selection process of the supported SMEs. In practice the selection processes is highly depended on the social networks of the people working at the respective BSO, for CBI, or with the local representative, for PUM. For PUM, this networking capacity is of course an important quality attribute of and selection criterion for the local representative.

While asking supported companies or BSOs why others did not apply for support an often heard answer is that they don't see the benefits. In the words of one of the respondents:

*"... non-applicants don't see value, only costs"*

Another respondent – owner of a small scale travel agent - explained that she is not surprised by the lack of enthusiasm of firms to pay for services of PUM experts in a sector programme, because BSOs have often offered support in the past, without any concrete success. The selection of companies to receive CBI support was done, amongst others, through the local BSOs. For example, in Sucre a BSO was asked to share the news on the new tourism program with all travel agents.

CBI selects the companies based on an audit, a personal visit of an expert to the firm, identifying forms that are most likely to respond positively to the exposure to the EU market. We could not detect that firms were uncomfortable with this selection. In fact, it seems even a challenge to get enough firms interested in this direct support, especially because it implies time and funds to follow the ECP sequence of activities and deliveries.

In the case of PUM, the supported hotels were personally invited by the local representative of PUM, in Santa Cruz this was the Dutch consul, to apply for PUM support. One aspect that was noted in relation to PUM supported firms in the tourism sector in Sucre, was that the supported hotels were owned by the upper class. Being part of upper class often means there is the presence of important family capital.

The role of the local representative seems to be key not only in establishing a correct "match", but also in the kind of companies that are motivated to apply for support. He generally works through BSO networks. This might help in the selection because the BSO was already familiar with the SME, but it might also translate into limited access to support for others agents, not in these networks.

Where the costs of PUM experts are considered too high for smaller firms in Bolivia, the main strategy to work with them is to include them in activities with the sector organisations, or in quick scans. The idea of these activities is to create enthusiasm of firms to apply for the direct SME support modality.

*"PUM could organise two or three experts that speak the language, consult with the chambers of the sector, make a problem analysis, a baseline, return to Holland and make a proposal to Bolivia. The local representative can discuss this with the local chambers, and including the public sector as facilitators, and when these (hotels, agencies) see these results they can apply for missions to develop tourist products.'" (Interview local representative La Paz).*

It is also the modality that the public sector is expecting from PUM in the tourism sector (Interview Dirección de Turismo Tarija).

*"A Canadian expert came to make a quick scan and several visits. After this he made recommendations on what type of support the Chamber of Hotels could organise. This helped us to define several support activities on very practical issues for which we can contract local or national consultants. This could*

*eventually also include support by international experts like PUM, but as a public institution we have strong economic constraints that makes it impossible to contract international consultants.”(Interview Dirección Turismo Tarija)*

Another element of SME selection is to select those SMEs which currently have the highest potential to benefit. One of the beliefs of PUM is that SMEs approach them “when the time is right”. One example that highlights this is the mission to a hotel in its early days; the expert advised them in all areas of running their hotel. In doing so, the expert greatly speeded up their development as a first class hotel.

### 3.1.2 Matching the SME with experts that provide additional knowledge

The match between the expert and SME is vital, especially in case of PUM because there is a wide variety of companies, sectors and problems. The local representative together with the country or sector expert determines this match. In most cases, the match seemed more or less successful; meaning that the SME was satisfied with the knowledge and expertise the expert had to offer. In other cases, there was a clear mismatch. A disappointing case related to the experience of a cook that was supposed to help them with administrative issues: a clear mismatch without any positive results. At the same time, some linkages are extremely successfully: the right expert at the right place at the right time. The owner of a hotel and chair of an important local BSO - phrased her view of PUM very nicely by saying: “*Some are jewels.*”

One of the aspects that can either make or break the match between the expert and the SME is the knowledge, or lack thereof, on local conditions and the local language. CBI experts are generally perceived as very professional: they have much knowledge about the sector. PUM experts also have much experience with companies with high quality standard in EU. However, they sometimes seem to lack the experience in Bolivia, or in Latin American in general, and/or do not speak sufficiently well Spanish.

### 3.1.3 Follow-up of the initial support provided to the firms

The local representative of PUM is not informed about the commitments of the firm which has been supported by the expert. This limits his ability to work towards a second mission. The experts report to the country coordinator in the Netherlands, not to the local representative, while he/she has been the person in which the firm deposited trust in the preparation of the first mission. This suboptimal follow-up is due to confidentiality issues, in order to prevent the chance that the local representative could take advantage from this business knowledge and inform competitors. We doubt if this is a real threat and compensates for the reduced in-country learning and follow-up capacity.

### 3.1.4 Specific SME characteristics

Two factors that might reduce implementation efficiency is a lack of credit and good quality employees. One hotel owner, for example, indicated that he would need to make an investment in the hotel rooms to adhere to EU standards. While the expert advised him to make such investment, this is of course only possible when there is access to such credit under reasonable conditions. In relation to good employment various hotel owners indicated that young, educated people only stay for a short time. Moreover, the education is of low quality in terms of issues that matter to the tourism sector, such as level of English. Both lack of credit as well as good employees are limiting factors to implement the advice from experts needed to advance.

### 3.1.5 Specific support modalities

The length of the mission and issues addressed do not always match in the current PUM approach. Missions of two weeks are too short for many of the problems faced by SMEs; PUM should either allow experts to go their longer (which according to this expert is very difficult) or only focus on those issues that are “solvable” within the two weeks. Often he came across issues which simply require more structural support, yet they sent PUM experts.

Throughout the course of the first mission, it became clear that the role of PUM in BSO support is not always clear. Many expectations were raised on their support to BSOs or in specific cities (e.g. Tarija). Moreover, it seems that the public sector is not yet very familiar with PUM as a provider of BSO support. Combined with the reluctance of certain Bolivian public sector actors due to the regular changes in staff, this makes BSO support challenging. Where CBI appears to be successful in bringing BSOs together, PUM still lacks the necessary reputation and skills to do so. One of the BSOs indicated that the presence of PUM of two weeks is not enough to get to know the context of an entire sector. This image has played an important role in the lack of impact at the government level. The local manager of a travel agency, whom previously worked for them, confirmed this. According to her, the plan that PUM developed (together with her) about community tourism was not taken seriously at all. In Bolivia there is a lot of rotation in government staff; staff is often replaced by unskilled or inexperienced employees. This was the case for the person that replaced her.

CBI has also provided less intense support to a wider group of companies that were not selected for the ECP. An example is the development of a website for Sucre as well as Tarija. CBI brought together various private and public actors to work on this website. In Sucre, the website is yet to be launched. One of the stakeholders explained that the process to come to a single website for Sucre as a destination did not run smoothly, and “everybody was arguing about everything”. However, in Tarija, this has resulted in the successful launch of a website.

## 3.2 Barriers and enablers

### 3.2.1 Private sector collaboration

Private sector collaboration is easy when the issues discussed are pre-competitive, but becomes difficult when firms compete in the same market segment. There is also synergy when firms provide complementary services. More problematic is collaboration when this affects economic activities directly. For example, the hotel sector tries hard to be attractive to the needs of (La Paz-based) travel agencies, and these subcontract most Sucre- and Tarija-based agencies. Therefore, all these firms are very careful not to offer alternative packages to the clients that come in through these larger agencies. One agency even presented this as an important reason for not participating in international fairs. Their CBI-funded participation in the fair might upset these large inbound travel operators that participate with their own resources in these fairs. This undoubtedly reduces the effectiveness of CBI support to prepare these smaller agencies to approaching European travel agencies directly in international fairs.

In general little of the knowledge learned in the events is used within each firm with little knowledge sharing with other firms. However, there are spill-over effects, especially from tourist product development by CBI (enoturismo, Ruta del Vino, Ruta Bi-nacional). This spill-over is positive for the sector, but not always wanted by the supported firms. Because agencies do not have many ways to secure intellectual property on the new ‘destination package’ that they develop, free-riding on one agency’s ideas is common (e.g. Ruta de Vino).

The respondents gave some ideas for ‘pre-competitive’, punctual sector collaboration initiatives that did not materialise due to lack of trust and cooperation in the sector. A good example is given by the challenges posed as a result of unreliable flight schedules. Agencies and hotels do not have a back-up plan when there is a problem with the flight. According to one hotel manager, hotels and travel agencies should spend less time on complaining and more on formulating an emergency plan when there are problems with flights: but they do not work together to organise it. For example, it would be easy to collectively organise 4x4 taxis from Sucre to Santa Cruz when there are no flights.

### 3.2.2 Public sector support

Due to the constitutional changes in Bolivia, with greater autonomy to the departments, the requirements to register tourists, and certify guides and agencies operated in a vacuum. Many tourist operators do not want to spend time in filling these registration forms (Interview Renée Thielemans)

2014). However, this information may facilitate sector organisations in targeting their services to a larger group of (registered) tourist operators (Interview Teresa Molina 2014). An administrative ruling is being prepared to reinstate a system of sector data collection (at least in La Paz).

The effectiveness of CBI is to a large extent mediated by the strength of the OGD. These organisations have emerged in the process of 'other donor'- support. For example, OGD Santa Cruz emerged from support activities of Swisscontact in the framework of the Mesas de Competitividad (competitiveness platforms) in 2003-2004. First it functioned in the Swisscontact office, but in 2004 it moved to the building of CAINCO that provides this free of charge to them. The OGD emphasise the pivotal role of public sector support in their activities. One of the main reasons of the suboptimal functioning of the sector coordination in Sucre is precisely the unclear and unreliable support from the public sector, and CBI indicates that the activities in Tarija are to a large extent also successful because of the (return of) the public sector as a participant in the OGD meetings. CBI has an important link with the Vice Ministry related to the co-funding of the costs of international fairs. This has positive spin-off for other, not directly supported, travel agencies and firms, including the state-owned BOLTUR. The VTM is ambiguous about the support given by CBI to specific firms, and argues that the public sector cannot replicate CBI model of support to some agencies in order for them to participate in international fairs, as their mandate, even more than with the sector organisations, is to cater a much larger constituency of firms with their support, and legal obstacles to direct support to individual firms.

The role of international experts in developing community tourism, a major focus of the VTM, is less clear. The study done by CBI gives a vision of similar intents in other countries, but the political/ideological challenges with the management of the collectively managed infrastructure that is build in the context of the Community Tourism policy are very specific for Bolivia, with solutions that depend more on political dynamics that prevent sound decision making than lack of knowledge about the ways required to solve them (Interview Municipality of Sucre).

An important bottleneck regarding the public sector relates to high levels of bureaucracy and the lack of influence of the private sector. At the same time, it is difficult to organise something without the support of the public sector. One illustrative example is the fact that several stakeholders tried to organise a "FAM trip in Sucre" which means various (international) stakeholders visit a place and experience the touristic attractions themselves. The government thought it was a good idea, but decided in the end that it was more important to organise this event in La Paz (thereby surpassing the goal to attract more attention to the tourism sector in Sucre). CBI reports that their relation with the public sector remains difficult. In Bolivia, there is much rotation in government staff which may disrupt coordination efforts. Another challenge to the effectiveness of the support provided to the private travel agencies is the start of a state-owned travel agency (BOLTUR) that competes unfairly with the private sector that developed tourist packages that are being also sold by BOLTUR. Many travel agents were forced to lower their rates to compete with short-term non-formalized agents; the development of such a public tourism office means even more (unfair) competition.

Many of the supported SMEs indicated as one of the main barriers or enablers of the effectiveness of PUM and CBI support is the language. The firms very much liked the support that was provided in Spanish, and, in the case of CBI, considered the writing of the export strategy document in English not Spanish as a major hindrance. Not only does this reduce the number of interested firm owners in the courses (they often delegate to someone that is more fluent in English), but also the commitment and real possibilities to continue the presence of these English speaking employees in international fairs..

*"(In the case of CBI) I will learn something from her, who assimilates the advice better than I can. However, language remains a barrier. In the case of PUM I had to contract an interpreter to help the expert to work better with the chef and cooking ladies." (Interview Sucre agency/hotel)*

Also, the public sector (VTM) indicated in the interview that the lack of English-speaking civil servants in the ministry delayed the formal collaboration with CBI in the new programme.



### 3.3 Additionality

#### 3.3.1 Additionality of the expert support to the local market of business training providers

The public sector invests in some programmes that provide access to training in the tourist sector. Examples are the 'firm incubator' programme of the municipality of Tarija and the Technological Business Innovation Centre of the departmental government in Tarija. Both offer free courses about practical issues, including some issues related to tourism. In many departments, like Chuquisaca, the tourism sector is low on the priority list, compared with agriculture, construction, etc. which implies that few tourism-related courses are offered. The experiences with this Business Incubator is, however, mixed.

*"Every year the municipality includes a budget for the Business Incubator. However, it does not work well; it ends up in plenary talks in well-known themes. Ultimately they started to train in smaller more focused subjects, for example, for hotels they trained how to manage and fold towels and bed rope. That is important: starting with the small and important things. Sometimes they talk about international marketing when even the internal practical issues are not yet minimally resolved."* (interview Tarija agency 2016)

However, most respondents indicate that these, generally course based, events do not always address the key issues for their company, and they consider the audit review process of CBI and the expert support to individual SMEs as a valuable additional and complementary opportunity. The courses by international experts are also more attractive to members of the OGDs or other platforms to come and participate. Participants expect that they get more innovative ideas from these experts. However, when working out a concrete business strategy, e.g. a new tourist package, some interviewees of the OGDs indicate that local Bolivian experts are key because they know better the local conditions and have more time to invest in these packages (example: International Ruta de Vinos in Tarija and Argentina). Sometimes, e.g. in market analysis, CBI works with local consultants (Interview CADEX), backstopped by the international consultants. A local consultancy company that has experiences with CBI indicates that they would not be able to pay for the high-quality consultants that CBI provided. Sometimes, these CBI-assumed costs are considered excessively high in relation to the output that it generated.

*"CBI have resources that permit investing large amounts in work, like designing a branding strategy. However, because CBI covered all costs there has been no brake on costs. When co-financing would have been required, most likely, the amount invested in this work would have been lower"* (Interview Tarija NGO 2016).

Local experts sometimes help the BSOs in capacity building activities. Good consultants are rare and, when available, expensive, more expensive than PUM or CBI experts. An advantage of CBI is that it has a very fast process of contracting local consultants, compared with the public sector that needs much more time to approve this type of work.

*"For example, to develop our tourist offer in Uyuni, we wanted a renown Bolivian expert. It took at least six months to get the project approved by the departmental government. CBI is much faster."* (Interview OGD Tarija 2016)

There are very few other support programs in the tourism sector. At international level, three programs were mentioned during the interviews: FAUTAPO, AVABIT and the Swiss "PUM". Some local service providers might also exist, as some stakeholders did indicate that there is room to work with local experts because they have knowledge of the local circumstances that international experts lack. One

local expert was mentioned, whom, however, aside from the fact that this person is very expensive, he lacks access to knowledge of EU market. Another 'Dutch' organisation that provides business development support similar to PUM is SNV. In Bolivia, due to budget restrictions of the Dutch government, they changed from a public funded development organisation into a consultancy.

*"But the issue is, that SNV does not see PUM as a complementing alliance but as a competitor. They have experts that need to be paid, while PUM works for free." (Interview Local representative La Paz).*

The additionality of CBI seems even more clear in the case of Bolivia. According to their business case CBI's added value can be summarised as: an integrated approach with proven modules, the linkage between product development and export; focus on EU, focus on sustainability, highly experience tourism sector experts, long-term trajectory. The Vice-Ministry indicated in the interview that they would like to see a much stronger training-of-trainers approach by the international consultants, to develop local capacities to reach more firms and provide follow-up support (Interview VTM 2016). The added-value in knowledge about the European tourism market (or for example mountain climbing) is clear in many interviews with agencies. The added-value of the CBI-supported sustainability training for agencies is less clear, and, according to several interviewees, local expertise may well be available on waste management and sustainable tourism. However, the sustainability training of CBI is linked to the certification process of Travelife. The benefits of this certificate is not very clear yet for the smaller travel agencies that foremost cater to La Paz-based or Lima-based travel agencies, nor for TUSOCO that has other distinctive attributes to communicate that are more important than a sustainability certificate (farmer-led community tourism) and dominant in its external communications. Also, the follow-up provided by Travelife is too slow to generate much enthusiasm for the certificate (CBI Activity report 2015), which negatively affects the willingness of the trainees to implement the required changes in the organisation of the business. CBI is aware of this lower priority of sustainability coaching compared to export coaching.

*"Zooming in on the tourism sector and the regional context, sustainability offers opportunities, but there is also the risk of information overload and setting the wrong priorities. For many companies, the priority is to develop business, now, and in the future after the CBI programme is finished. " (Business Case Tourism 2014)*

### 3.3.2 Complementarity to other supports provided to the SMEs

CBI is explicit in the need for additional services to their support in order to be effective. The CBI Business Case for tourism states:

*"Exporting companies will be targeted using the ECP modules and training, aiming at improving internal conditions and the marketing approach and increasing the network in target markets. A bottleneck in the value chain is the local service level. Even when the CBI trained inbound tour operators are able to provide a high service level, for a large aspect of the product they depend on local services in for example accommodation, food, and transport. Through the inbound tour operators, the CBI might be able to exert indirect influence in this matter, but a more effective opportunity lies in cooperation with other donors which have a lot of experience in this matter. This bottleneck has been identified by several donor organisations. For example, the IDB has mentioned this explicitly in its tourism support plans for Bolivia." (from CBI Business Case)*

CBI's link to other donor programmes working on tourism in Bolivia is primarily through the Vice-Ministry of Tourism (VTM) and the national tourism plan. The International development Bank support is channelled primarily to community tourism, infrastructure development.

For example, TUSOCO, one of the supported travel agencies, is a network of 32 community tourism organisations. Members of the network have been supported with infrastructure development projects in the past. TUSOCO is a member-based travel agency, but several members generate their turn-over

directly or through other travel agencies. In the past, the network of TUSOCO had been supported by the Dutch agri-agency AGRITERRA to develop this commercial branch. Currently, TUSOCO receives some support of the Belgian technical cooperation (CTB), and coordinates capacity building activities with the Vice Ministry.

In the mentioned countries several donor initiatives are active, and some larger ones were started in 2011. Of these especially the (start-up) tourism programmes of IDB for Bolivia and of the Spanish Development Cooperation Effort for the Andean Community offer possibilities for synergy, cooperation and (to be investigated) funding. Another private travel agency, Candelaria Tours, has (modest) expectation towards an upcoming IDB project to support community tourism in Sucre. While they have doubts about the added-value of some of the projected initiatives, they may benefit from the IDB support to invest in their hacienda 'La Candelaria'.

*"A visit to the hacienda is part of our tours. We show the history, the agriculture and the handicrafts. With the help of a Peace Corps voluntary, we have set-up a local weaving association. However, the hacienda is currently a white elephant because it generates little income with tourism, and the investment needs are increasing, being a very old building. With IDB support the hacienda could be made more attractive for tourists. This will generate more movement with the hacienda, which will directly benefit the community. The major problem is related to water, and a community development proposal would include tourism and water capturing systems."* (Interview Sucre based agency 2016)

Other coordination with donors is through the OGDs in Tarija and Santa Cruz, who are central actors for donor support initiatives in tourism in their region.

*"As OGD we know what certain actors need, and we identify persons (consultants) that can respond to the demands of the private sector. For example, we identified a person that could help in sales, one in hotel management. The OGD has persons that use their travel or participation in events to identify opportunities and contacts with interesting persons that can support Tarija, and manage that the municipality or regional government pays the costs of getting them here to give some courses."* (Interview OGD Tarija)

The sector organisations, like CADEX, see the individual coaching of SME by CBI and PUM as the main strength compared to other support available. Organisations like CADEX do organise course-like capacity building activities but are unable, also because they cannot favour some members above others, to give intensive individual support to firms. (Interview CADEX 2016).

The interviews with two of the three local representatives of PUM showed that these know very little about CBI's activities in other sectors (quinoa, wines), even though they considered this relative isolation of the PUM expert support as one of the weaknesses.

*"What would help is to have an 'airport' where local experts could meet international consultants. The Bolivian experts would be permanent and would need to know what the international consultant has done in the mission to give follow-up."* (Interview local representative La Paz)

One of the options for such an 'airport' is ICCO, which manages a Business Booster Fund that targets SMEs. The SME needs to pay in cash 1/3 of the expected costs of the business plan, which is estimated in 7.000 to 14.000 Euros. The business plans are supported by local consultants, in the ICCO network, e.g. CEPAC in Sta Cruz. However, when needed, also specialised support to get the good business plan. For example, they have consultants in Colombia (specialised in this type of work) that also could work in Bolivia. When the investments are made, ICCO becomes co-owner, and the remaining 2/3 of the costs are converted in patrimony. Follow-up consultancies are also paid with shares in patrimony. They had conversations with Gerardo Polo of PUM in order to use also PUM experts in this business plan development, not only ICCO consultants. Negotiations between ICCO (Jaap Jan Verboom) and PUM are ongoing in the Netherlands. It may generate a fast-track to get experts very quickly, because SMEs can't wait too long. Another option is that the PUM experts may link SMEs with interest and potential to be

eligible for the Business Booster Fund to ICCO, in order to make the necessary investments for scaling up or improving business processes.

### 3.3.3 Synergy between PUM and CBI

The tourism sector was an opportunity to explore the synergy of a more coordinated approach by CBI and PUM. Cooperation between the organisations was sought to solve one of the bottlenecks in the Bolivian tourism sector, namely the low quality of local services. In the tourism ECP CBI experienced the challenge that even though their program resulted in a high service level by the inbound tour operators they trained, it did not (indirectly) lead to improved quality of local services on which they depend, such as accommodations, food and transport. PUM has much experience in these matters and already has been supporting many of these local services in the tourism sector. Therefore, CBI and PUM explored the possibilities to collaborate. PUM, amongst other things, would focus on capacity building of local suppliers in the four priority areas, based on the needs identified in the product development plans that are being developed.

Based on various interviews it became clear that this cooperation between CBI and PUM is in a very initial stage and many barriers still have to be overcome regarding the diverse visions and methodologies used by both organisations.

At this stage, it is unclear whether and how the cooperation will be continued in the future. The interviews with two of the three local representatives of PUM showed that these know very little about CBI's activities in other sectors (quinoa, wines), even though they considered this relative isolation of the PUM expert support as one of the weaknesses. Nevertheless, during 2014-2016 there has not been progressing in this effort, with only one hotel in Tarija in the process of becoming supported (end 2015).

*"We made a plan to work with these platforms, together with CBI, to support smaller hotels through seminars and training in a three-year programme. We attached a price tag to it and people were unwilling to pay the required financial contribution. We hope it will take-off with some adaptation, like a lower payment and support for a shorter training period."* (Interview PUM, February 2016)

## 4 ---PART D ----- CONCLUSIONS

### 4.1 Reflection on the intervention logic and key assumptions

The support of CBI and PUM to SMEs generates positive changes in knowledge on business management and export skills. The translation of this knowledge to changes in business practices is limited to only some SMEs only.

The changes in export performance in the CBI supported travel agencies are still modest. The enthusiasm for participation in international fairs is waning. Most travel agencies in Sucre and Tarija that are currently supported by CBI are unlikely to continue to offer their services through these fairs, but will choose to remain part of a chain of subcontractors: working for the large inbound travel agencies in La Paz that work for outbound agencies in Europe. The travel agencies interviewed during the missions see more growth perspectives in the regional South-American and Asian market than in the European market.

PUM support in the tourism sector is relatively small and geographically scattered. The interviews showed that some missions were considered as highly effective, while some others had only limited effects. Many missions need follow-up missions. These follow-up missions, however, rarely took place. This implies that many needed changes in business practices are not being made by the SMEs. Lack of

funding is often mentioned as a reason for not following-up recommendations. The cash costs of a follow-up mission provides are another major impediment for firms not to ask for follow-up support.

In chapter 2 we identified five key assumptions that might shape or challenge the effectiveness of the support. In this paragraph, we revisit these assumptions in the light of the impressions that we derived from the interviews and data on the support in the Bolivian tourism sector.

- The support depends on the quality of the business organisations as implementing partners

This case study on support in the Bolivia tourist sector points to the importance of business support organisations that can translate the support provided to individual SMEs, as innovative pilots, into sector innovation and (inter)national competitiveness. The number and size of the companies supported by CBI is, however, very small, and part of a large number of similar firms in the sector. The activities of these small peripheral travel agencies are unlikely to result in a sustained flow of European visitors with impact on sector competitiveness and job creation. However, the role of CBI in innovation and upgrading in the sector through the support in developing new products, branding destinations and the introduction of new quality assurance certification is widely recognised by the sector organisations. Tourist products developed with the support, when successful in some pilot firms, might stimulate other SMEs to replicate. Innovation and quality improvement in the sector is a more likely impact area of CBI support to these (small) travel agencies than an increase in exports or job creation.

- The selection process of beneficiary firms results in beneficiary firms with growth/export potential and development relevance

CBI is valued for its expertise and approach to develop skills and attract direct clients from Europe, but most agencies do not consider this as their main market for growth. Many interviewed travel agencies see more growth potential in capturing clients channelled to them by the larger inbound travel agencies Crillon and Magri Tours or in targeting neighbouring countries. Likely, support to these larger La Paz-based agencies, as CBI did in the preceding support programme, can be expected to be more effective in creating additional exports. However, due to policy and developmental objectives CBI decided in the new programme to focus on the sector outside La Paz. This illustrates the inherent contradiction in private-sector development support between the objective of increasing exports to Europe with companies that are larger and more professional, versus the selection of companies in a sector/region that are 'eligible' for development support and where product innovation and upgrading is in need of external development support but risks are higher and economic impact is lower.

Though these are not the prime target group for PUM support, we observed that PUM worked with several companies in the tourism sector that, at least in Sucre and Tarija, belong to relatively rich families. The lodging costs that hotels have to pay for the expert are relatively low; hotels have generally spare capacity to lodge the expert, and, therefore, at least theoretically, the participation of less capitalised hotels would be possible. The PUM-supported hotels in Sucre and Tarija are in the category of the most expensive ones, just as the CBI-supported hotel in La Paz. This might be inevitable, as PUM and CBI support is considered especially effective in developing services for high-end customers, both national and international clients. Because European travel agencies are interested in this class of higher-end hotels, the synergy between CBI and PUM in tourist development is undoubtedly present. The importance of improving hotels along with developing travel agencies is confirmed by the active participation of four hotel-agency combinations in both support programmes. The interviews with these agencies suggest that visibility of their hotels to larger international and domestic travel agencies may be a more promising venue to generate additional exports to the EU than presenting their small inbound travel agencies in international fairs.

- The international expert support provided to these firms is additional to existing knowledge and local expertise

The expert support provided by PUM and CBI makes a difference in companies that receive this at the right time, with an expert with the right experience and skills. This timely support is, of course, the

intention of CBI and PUM, but, inevitably, will not always be the case. The case study shows that, overall, the beneficiaries are satisfied with the quality of the CBI experts but would like to have coaching consultants that speak Spanish to support them in follow-up actions or implementation of changes in their business. The export coaching is clearly a value-added. However, it seems that the support of CBI in some capacity building courses does not always respond to the real problems of the firms, or would need more support. This explains the fact that some outcomes and business changes are not met yet, though rapid changes could be expected (website development, sustainability measures). We see the most positive outcomes at the sector level, especially in the strengthening of the private sector in order to get access to public sectoral support investments, and in tourist product innovation.

- The firms are willing to pay the costs associated with the expert support provided

The interviews confirmed the contributory role of CBI and PUM in the changes of knowledge of the SMEs related with product development, financial and non-financial data management, sustainability issues and ideas for sector coordination. However, for most of the SMEs the economic impact of this knowledge was still limited, which also reduces their willingness to pay for follow-up support. For example, the intention of PUM to implement seminars in the tourism sector was unsuccessful (at least until 2016) because participants had low willingness to pay. This is also a product of the tradition of free support by NGOs and the public sector, which has created a culture of not willing to pay for knowledge and advice.

- The firms are willing to do the necessary follow-up investments

In case of CBI, most supported SMEs in the tourism programme are of a size that they will not make the necessary follow-up investments needed to go to international fairs, without funding. In the case of PUM, necessary investments in the hotels or restaurants are more readily done, as for these investments the short term benefits are clearer.

## 4.2 Recommendations

The focus of CBI on inbound travel agencies in Santa Cruz, Sucre and Tarija implied that it works with travel agencies that are dependent on the larger La Paz-based agencies or outbound ticket sales. These smaller agencies benefit only to a small extent from the knowledge on the European market as most see more room and perspective in attracting tourists from neighbouring countries. We recommend CBI to broaden their support activities in a way that it includes support to exports on the regional market, and facilitates the preparation and participation of travel agencies in regional and national fairs, not only European fairs. Moreover, CBI could strengthen its follow-up support by working with regional-based Spanish speaking consultants that could do have more regular contacts with SMEs and support the work of the OGDs.

PUM has an approach to targeting SME in a scattered way, while a sectoral focus could help to get a more predictable pool of experts that could be offered by the local representatives to SMEs and sector organisations. Likely this will improve the willingness to engage with PUM, and open perspectives for seminars and sector-wide innovation. Several intents to do so are in place, including in the tourist sector (with little success until 2016 but with a new intent in 2017). Moreover, we noted that the internal communication in PUM about experts advice and follow-up actions is suboptimal, especially because the local representatives are deliberately (confidentiality of business information) fully informed on the SME and mission results, which limits their role in the follow-up process after the mission. He/she has informal contacts with the supported firms in his or her local network, which makes this relatively easy when compared to the follow-up capacities of international experts. It would be good to ask firms during the mission if they want their information shared with the local representative, and if agreed upon, give him/her a role in follow-up and preparation of the (paid) follow-up missions.

## ANNEX A

Table: Short description of outcomes of PUM missions (source: PUM Mission Reports)

END DATE	DEBRIEFING SUMMARY	ORGANISATIONNAME
26-5-2014	The expert submitted a report with a long list of recommendations for the hotel. These were accepted and to a large extent implemented immediately by the hotel Director.	SME: Hotel Boutique
13-11-2014	According to the manager the expert was only available for meetings for in total ten hours. Expert feels the hotel doesn't base its decisions on historic data. He feels the hotel should not only focus on tourists but also on professionals. He considers the area to be a banking district.	SME: follow-up mission Hotel Boutique
31-8-2013	This mission has been initiated in cooperation with the CBI. Main goal has been to explore Sucre's tourism and its position within the sector. As already feared, Sucre is only a small player compared international, despite being a nice tourist destination. To be able to develop the tourism within Bolivia, one should aim for a national promotion including all the particular and present destinations.	BSO: Export Chambre Chuquisaca
28-9-2013	A new area of attention, in which the expert has been asked to execute a survey at 4 hotels. The quality of the hotels and its management differ significantly. Two hotels will be suitable for FU, 1 JR Hotel needs lots of improvements but sufficient at the base. Besides this mission, Berend has given 2 workshops about the possibilities of entrepreneurship and tourism at this area.	BSO: Hotel Chambre Cordillera
6-3-2013	The company has a lot of opportunities but needs to structure in total. To start, the members of the family come to an agreement about the leadership within the company. Then implementation of the advises can be the next step.	SME: Eco Resort
21-7-2013	This mission takes part of a collaboration with CBI. Parallel on the request to establish country tourism, Wim has gained lots of information which will also be useful on further activities.	BSO: Regional government Chuquisaca
21-10-2013	After an interruption, due to switch of management, the expert has continued the project. Numerous of former advices have been followed, but there is still a lack of cohesion. Hans is supporting the desire of the company to obtain an ISO certification. Within the frame, family connections and relations are of great importance. For this, it is meaning- and useful to prepare a business framework with the family.	SME: Hotel
21-6-2014	This hotel was also visited in 2013 as part of a Quick Scan. At that time a list of recommendations were made, of which 60% had been implemented. This time emphasis was given to the menus, cost prices, inventories, training of personnel and marketing. A comprehensive study was made with a long list of recommendations. The management did not give the best example because of his being absent very often.	SME: Hotel
29-4-2013	As the company has grown significantly, plus their need to pull other markets, they need to optimize. They are willing but on several topics the requested knowledge is lacking. The expert has prepared a to-do-list that needs to be completed. Besides general issues, one specific detail is a problem: the kitchen of the restaurant. It is planned that the kitchen has to	SME: Hotel



	be renewed totally within 2014.	
23-11-2013	This 2nd, short visit of 1 week, has been necessary to set up a new kitchen plan. The hotel is based at a prime location, which at this moment has few tourism. This is a family company, of which one can expect their son will be the successor. The expert has prepared a new layout which has been discussed. The expert also has given his recommendations regarding the restaurant.	SME: follow up mission Hotel
6-11-2014	The hotel has an owner who is originally from Switzerland. It is located at the outskirts of La Paz. As the expert mentioned It is run like a Swiss watch. Staff works well, rooms are clean, meals are fine. However occupancy rates go down. It is recommended that the owner looks for alternatives to make his hotel more attractive for people who travel the world.	SME: Hotel
7-12-2014	A hotel that pretends to offer a five star service. The layout of the new addition is wrong and will be adjusted as much as possible, so that it will be used for smaller groups rather than for congresses, weddings etc. Therefore the positioning of the hotel is wrong. There is no staff member with a proper hotel management background. Facilities and menus are way below standard. Many suggestions were given.	SME: Hotel
18-10-2014	The customer is a tour operator who has its own hotel, lodges and further installations and equipment in and around Rurrenabaque, an area in the rainforest that has great potential as an ecological touristic centre. The expert made an overall business analysis with a short and long term practical and strategic plan of action. Improvements were made and recommended regarding the quality of hospitality service, customer service, administration and sales operating systems as well as e-marketing. Business is run on price and there is an enormous number of travel agencies who do the same. The hotel should concentrate on the higher segment of the market.	SME: Tour operator
31-8-2013	This travel agency with support offices at La Paz and Sucre, operates at the main attraction of Bolivia de Salar. This family company is in the midst of a generation switch resulting in few well executed initiatives. Uyuni needs to be further developed if Bolivia wants to benefit of Tourism also. The quality of the product in total is lacking enormous.	SME: Tour operator
15-11-2013	This restaurant is one of the finest restaurants within Cochabamba, but due to the 2 year absence of the kitchen chef and co-owner (female), several parts of the business did not function as it should be. Simon has checked the kitchen and the restaurant as well. His advices have been discussed.	SME: Restaurant
28-11-2013	3 years ago, Toine has given extensive advice. This advice has been implemented within the total expansion of the company. This expansion has affected the financial condition of the company sincerely, but the results are good. After a saving period of 1,5 years, the company wants to start the final investments during 2014. This will include the kitchen also. After this has been finished, the company would like to ask the PUM-er is back to instruct the current kitchen crew.	SME: Hotel

## ANNEX B

### **Overview of CBI coaching activities in tourism sector (Source: modified from activity report September 2015 by the CBI expert)**

#### **SME: Travel agency**

They are understaffed and it is difficult for the appointed persons to deal with the daily business as well as with the development. But they have the potential to get there. I talked to the owner and tried to explain the need and opportunity to support this development a bit more. They now intend to go to ITB 2016 and we discussed all the process again. The web-site has not been improved yet, but they are going to push that. There has been hardly any progress in sustainability issues.

#### **SME: Travel agency**

They have limited financial resources and have to decide very carefully how to invest. They are maybe able to attend WTM 2016. But before that they need to do a proper preparation and building up of a good data base. They need to concentrate to improve the business via web first. They are definitely interested to learn and take the advice given, but show a slow way of progress.

#### **BSO: Destiny organisation Tarija**

OGD Tarija is coming into a much better position now. Now there are budgets available to finish projects that had been started during the CBI Integrated program like the web-portal and they will do a Tourism Development Plan and a strategic marketing plan. They will now be able to do more trainings and started already with new English learning sessions, which is the first important step for companies to get deeper into export business. They have really been playing an important role to improve tourism in Tarija.

#### **SME: Travel agency**

Former CBI agency that started a new business in March 2015. They have done big steps to put the new company on a solid fundament. They have implemented a lot of issues they have been coached before. They participated in ITB 2015 and will also attend WTM 2015. They have done a new website and are working now on online marketing and social media. In terms of sustainability and CSR they are working on the process to be certified as soon as possible by Travelife. They are following the coaching very well.

#### **SME: Hotel**

The hotel has done some further good development in 2015. The occupancy rate is about the same, but they were able to increase the rates. They have participated in ITB and will attend WTM again. The web-site is doing better, giving them more and more business. They have received the contact of their biggest business via web recently. They attended the sustainability training and have done quite some progress since then in changing bulbs, saving paper, electricity and water.

#### **SME: Travel agency**

Firm is in the program since 2012 and they did not do a lot of progress so far. But now they decided to attend WTM 2015. Their web-site is better now but they need to do more web-marketing and need the help of the experts again. They have also attended the sustainability training in 2014 and want to put more effort now into the process to become Travelife partner, but did not do any progress over the year yet.

#### **SME: Travel agency**

The firm had some progress on the receptive business. There has been some good increase of business already, again in 2015. The web-site has been done, but needs some good web-marketing to improve sales. They are now targeting on ITB 2016 and they are ready now to do that. We have discussed all the preparation process in detail again.

**SME: Travel agency**

They have done some very good progress over the year. They have attended WTM 2014 and ITB 2015 with some good success. They received some business from both of the fairs as well as from the roadshow. Their web-site is almost finished and they need to work on online-marketing afterwards. Their business is step by step based on more direct contacts, not subcontracted, which makes them more and more independent. They do follow the coaching very well and are on a good way.

**SME: Travel agency**

This is a network of incoming company with offices in La Paz, Sucre, Potosi and Santa Cruz. The business in 2015 is on a similar level than in the previous year. They participated in ITB 2015 with some good first success. They plan to go on with ITB 2016 and are also interested to approach the Scandinavian market. The web-site is not on the right level yet. They are following the coaching quite well, have some lack of communication here and there.

**SME: Community travel organisation**

This is a member-based organisation with the target to promote community based products nationwide. They currently work with 22 communities and are looking for some more to join the network. 2015 will give them another increase of business. They have been attending fairs in the previous years, but missed ITB 2015 and WTM 2015. They need to grow their database of potential partners for their key-markets, which has been discussed again. They are currently working to improve the web-site. Tusoco has become partner of Travelife. They have involved the communities in certain sustainability issues.

**SME: Hotel**

The lodge has been further improved over the year. The customers they have are mostly satisfied with the product. The problem they have is that they cannot get the rates they need to have.

**SME: Travel agency**

It is doing business with EU companies for a number of years already. They attended a lot of fairs over the years, but can still do a better preparation. They need to enlarge the database quite a lot, which has been discussed again. They will attend ITB and WTM 2016. Furthermore they have almost finished the process of ISO 9001 certification. The web-site will be completely redone with reservation and payment tools. They attended the sustainability training and have done some good steps since then and are going for the certification of Travelife.

ANNEX C



CASE STUDY RESEARCH METHODOLOGY

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Case study design

This document outlines the methodology that will be used for the qualitative PRIME case studies. These case studies are complementary to the quantitative analysis of the PUM and CBI monitoring and evaluation data. Case studies examine processes in specific contexts in order to answer an overarching research question, analysing dynamics within each case and comparing across several cases. Our research question for the case studies is *'Why and how do CBI and PUM interventions work, for whom and under what conditions?'*, in order to provide guidance to CBI and PUM on the ways that they might use to improve the effectiveness of their support. This implies the need – *within case analysis* - to study different types of beneficiaries and non-beneficiaries (e.g. larger and smaller SMEs) of the support in a specific country and sector, and the need to study similar support under different conditions – *across case analysis*. Table illustrates the combination of a within and across case analysis.

Table 1. Case study analyses to answer the research question

Research question	Research objects	Within-case analysis of enablers/barriers	Across-case analysis of enablers/barriers
What works?	Support modalities	Identify the different support modalities used in the sector	Compare similar support modalities across cases
For whom?	Beneficiaries	Differentiate participation and effects between larger and smaller, and younger and older firms	Differentiate participation and effects between more and less developed countries
Under what conditions?	Sector & country	Firms operate under similar economic and political conditions	Cases cover various sectors, with different economic and political conditions
	Enablers and barriers	Identify plausible enablers and barriers of effectiveness	Compare enablers and barriers across cases
Policy recommendations: <i>How can CBI and PUM improve the effectiveness of their support?</i>			

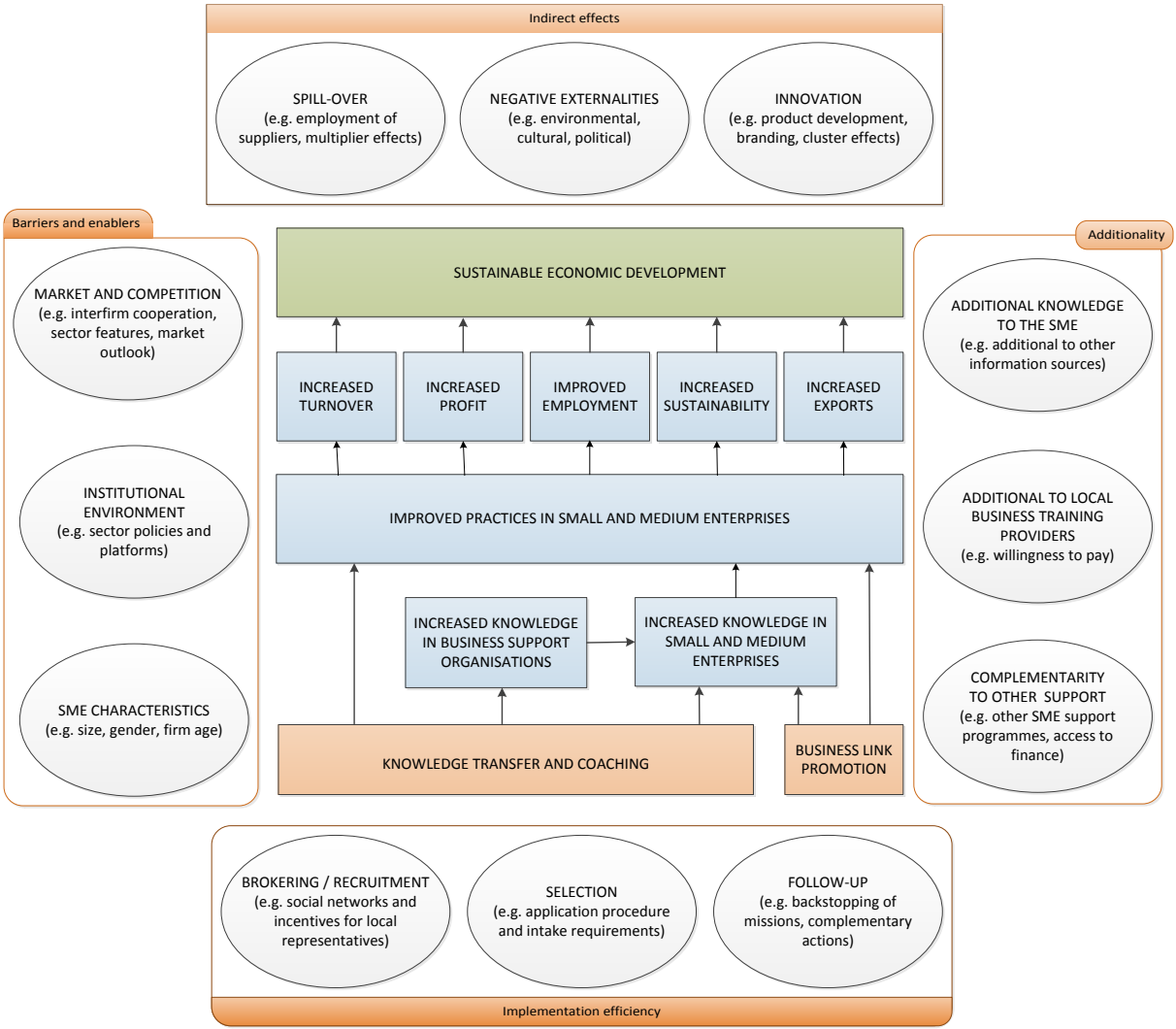
Case studies are conducted in six beneficiary countries, in the sector where CBI and PUM are both supporting SMEs. The case studies consist of in-depth and semi-structured interviews with client

enterprises, non-client enterprises, BSO representatives, and local (sector) experts in order to get a deeper understanding of the mechanisms that affect the effectiveness of CBI and PUM support.

Qualitative research methods

To gain insights into the effectiveness of CBI and PUM activities, we use qualitative research methods to identify the processes and dynamics that take place during and after the support trajectory and which influence the effectiveness of the support activities. Across the cases a similar framework is used to facilitate the research synthesis and help us understand why the programme works differently for the various sub-groups, with different characteristics or under different conditions (see Figure 1).

Figure 1. Conceptual framework for the research synthesis



Based on the desk research and first mission insights, the researchers sketched visually the intervention logic that is pursued in each sector/country, indicating the key assumptions of impact that seem to influence the effectiveness of the support. This framework (Figure 1) is used and refined in the second mission, which focused on main knowledge gaps about these key assumptions and plausible enablers and barriers. The main elements on which more in-depth information was needed related to the additionality of CBI and PUM compared with other public and private support modalities available in the sector and the implementation efficiency of CBI and PUM. Therefore, compared with the first missions, these second missions comprised more in-depth interviews with sector organisations, and less attention to interviews with the supported firms. Another important area is to explore whether and how the support provided to certain SMEs might affect other SMEs, both negatively and positively. An example of a negative externality could be that a support obstructs or upholds other development initiatives in the

sector. An example of a positive spillover would be that supported SMEs share the knowledge gained from the CBI and PUM support with non-participating SMEs in the region. The case studies provide an opportunity to identify these types of indirect effects by interviewing not only the supported firms but by also reflecting on the dynamics in the sector with unsupported firms or sector experts.

*Selection of cases*

To select the cases, CBI and PUM support portfolio was reviewed through the analysis of programme documents, the data on the supported firms in the last years, business case documents and personal interviews with CBI and PUM staff. This resulted in an overview of all countries involved in the support programmes and the number of firms enrolled or supported. The selection of the key sector in each country subject to PRIME research will be based on an assessment of the diversity in the support portfolio, the synergy between CBI and PUM activities, and logistical considerations. This helped especially to select sectors with CBI support that had also received some PUM experts in order to use PUM local representatives and sector organisations to reflect on CBI support and CBI experts and supported sector organisations to reflect on PUM support.

To select the countries for the case study a random element was added to reduce an eventual bias in the selection of cases towards ‘better’ experiences of support, which would threaten the validity of the research findings. Therefore, the research team has used the randomised list of countries and selected cases with the explicit objective to maximise diversity. The following criteria have been used:

- case-studies cover all continents.
- case studies cover both least developed, lower income, lower-middle income and upper-middle income countries.
- case-studies cover different sectors, preferably where synergy of PUM and CBI can be expected, favouring the sectors in which CBI will concentrate resources in the future and considering the overlap in sector focus in past PUM support.

Based on these criteria, a proposal was made to the Programme Board in January 2014. Two countries were normatively selected because they received relatively high levels of support. Other countries were added by reviewing a ordered list based on the random number generated. One case, the Philippines, was replaced, after consultation with the Advisory Board, with Myanmar in order to increase the number of least developed countries.

In the following table we present the list of countries according to their random number and with an explanation of why the country is rejected or included in the list of six case-studies (selected cases are marked in dark green).

Table 2. Selection of cases for the case-study

Random number	Country	Region	Income category	Rationale
0.024	Indonesia	Asia	Lower middle	normative: high incidence of PUM and CBI
0.274	Bolivia	Latin-America	Lower middle	normative: high incidence of PUM and CBI.
0.976	Peru	Latin-America	Upper middle	no reason to reject
0.914	Colombia	Latin-America	Upper middle	rejection: LA with 2 cases already
0.856	Nepal	Asia	Least developed	rejection: few activities of CBI
0.839	Afghanistan	Asia	Least developed	rejected: no activities of PUM
0.839	Bangladesh	Asia	Least developed	no reason to reject. Selected under PRIME-ITC for additional quantitative research
0.810	Macedonia	EU	Upper middle	second stage rejection: Europe not preferred
0.805	Uganda	Africa	Least developed	no reason to reject
0.800	Bhutan	Asia	Least developed	rejected: few activities CBI and PUM
0.774	Philippines	Asia	Lower middle	rejected: preference for LDC
0.772	Myanmar	Asia	Least developed	rejection: no activities PUM
0.760	Kenya	Africa	Other low	likely to be selected under PRIME-ITC
0.748	Nicaragua	Latin-America	Least developed	likely replacement LA: least developed
0.711	Zambia	Africa	Least developed	no replacement: few activities CBI
0.693	Madagascar	Africa	Least developed	no replacement: few activities PUM
0.672	Ghana	Africa	Lower middle	likely replacement Africa: least developed
0.607	Tanzania	Africa	Least developed	no replacement: few activities CBI
0.600	Sri Lanka	Asia	Lower middle	possible replacement Asia: limited choice of sectors (tourism, IT)
0.577	Armenia	EU	Lower middle	likely replacement Europe
0.570	Vietnam	Asia	Lower middle	possible replacement in Asia: sector diversity

## Research methods

For the first mission, we selected the SMEs for the qualitative interviews based on the potential to get additional insights about the processes, conditions and mechanisms that influence the effectiveness of CBI and PUM support. This implied a purposively selected sample of CBI and PUM supported firms, complemented with some firms supported through similar programmes, and some unsupported firms. The selection will be made based on a list with an overview of CBI and PUM participants in the last five years and the applicants to the new programmes starting in the selected countries. Next, to that, an some non-participating companies were selected based on the available information provided before or during the mission by the business support organisations, and other experts working in the sector. In the first field mission, in 2014, the researchers interviewed between 15 SMEs in the respective sector. In 2016, some of these companies were revisited. However, the emphasis in the second was more on the interviews with business support organisations and external experts.

After selection by the PRIME researchers, a local consultant contacted the chosen companies. CBI and PUM experts, local representatives, and country coordinators assist the consultant with making contact and in providing background information on the SMEs, but were not present during the interviews. In most cases, the interviews were held with the SME contact person who was involved in CBI and PUM activities, and in most cases, this was the managers or the director of the company. Regarding logistical considerations, and given the limited time available for each mission (10 days each), it was important that supported firms, unsupported firms, and third parties in the respective sector, are somewhat clustered geographically.

Preparation for interviews in the first mission was done by reviewing the available information about the company using M&E data, intake form, exit form, the company website, Google searches, interviews with CBI and PUM experts, etc. A semi-structured questionnaire (see Appendix 1) was used to indicate the



themes of the interviews with the various stakeholders (CBI/PUM experts, SMEs, BSOs and experts). However, especially in interviews with the sector informants, the process and dynamics related to specific support activities were explored in more detail. Depth of information about specific enablers and barriers to effectiveness was preferred above breath of the interview. Each interview took about 1 hour.

It was made clear to respondents that the information was strictly used for research purposes and not shared with any third party without their explicit permission. Furthermore to avoid firms from feeling pressured to provide “desirable answers” or otherwise provide biased information, it was explicitly made clear that the PRIME researchers were *independent researchers*. For the same reason, when local researchers or translators were needed for the interviews, the PRIME researchers worked with external parties that are not identified with CBI /PUM support activities.

Furthermore, interviews with the *non-supported* SMEs were included to gain a better understanding of the differences and similarities between the two groups, as well as provide a better understanding of why firms make the decision to participate or not participate in the programmes. By repeated visits to the firms (e.g. a first mission in 2014 and a second mission in 2015) we were able to identify firms that became more or less active in the programme during this period.

The interviews with the BSOs and other relevant stakeholders in the sectors were used to discuss how CBI and PUM support helped these organisations to improve their support to the SME sector. During the interviews with the BSOs we also discussed possibilities to get access to the data of BSOs on non-supported SMEs, explore with them the diversity/heterogeneity of SMEs in the sector, reflect on dynamics in the sector, and the additionality of CBI and PUM support in the sector.

For the second mission, the interviews focussed on areas on which information was lacking according to the conceptual framework and corresponding case study report format. To prepare for the second mission, we reviewed the progress reports of activities of CBI and PUM, to identify the success/failures. CBI provided all the adjusted audits performed on the directly supported firm, and the ECP/BC progress report. For the preparation of the Bolivia mission, we had an extensive phone call with Thijs Beetstra (PUM) and Wim van Heumen (CBI) to discuss the key issues that appeared in these reports. Because PUM had only few firms that worked in the tourism sector, the analysis of PUM’s activities in Bolivia was wider than only tourism. We reviewed all reports of missions in Bolivia in the last years to get a feeling of recurring issues signalled in these reports that could be discussed with the local representatives of PUM in order to identify the main barriers and enablers of effectiveness.

As discussed before, the first missions had yielded important insights but did not yet provide sufficient information about the enabling environment, synergy with other support, additionality to local support, indirect effects on employment, to write the full report. Therefore the focus of the second mission will be more to these aspects. Based on a reflection on the intervention logic, we defined some key assumptions around which to organise the second mission the mission for the qualitative research, in view to collect information that answers for each assumption the question ‘Why does it work (or not work) for whom under what conditions?’

Table 3. Key assumptions for more in-depth reflection in the second mission to Bolivia

			1	2	3	4
Bolivia	Tourism	Theme	Implementation efficiency --> brokering	Additionality --> Local business training providers	Indirect effects --> spill-over	Barriers/enablers --> Institutional environment
		Hypothesis	PUM has incentive systems for local representatives that targets support to the right type of firms	PUM and CBI has expert knowledge that is additional to local business providers and the target group of firms is willing to pay for this knowledge	The supported companies create spill-over effects that generate sector-wide improvements and employment in service providers and local economy	The local stakeholder platforms manage to create development plans that motivate actions in the sector

Analysis

All interviews were recorded and interview report was written with a level of detail that made it possible to extract quotes of information. A report of one to three pages was made for each stakeholder interview. This report, especially in the second missions, followed the actual flow of the conversation and not necessarily the semi-structured interview format. The interviews and project documents were processed (coded) in the qualitative software application Atlas.ti with a coding scheme that corresponds with the headings of the conceptual framework and case study report. After the first mission, all information concerning the case study was added to portfolio document with the rough information used for analysis and synthesis, and a short mission report of four to eight pages was written, discussed with CBI and PUM, and put on the website. This mission report provided information on basic sector level statistics and dynamics, and contained an analysis of the key observations. The first mission captured data around the general intervention logic of the support provided by CBI and PUM in each case-study. After the mission these initial intervention logics were refined, disaggregating it into specific impact pathways for specific groups and under different conditions. These more refined impact pathways served to highlight themes and topics and information gaps to be addressed in the follow-up mission. After the follow-up mission, Finally, all data collected was synthesised in a case study report.

The six case study reports, including the underlying pool of information, will be analysed and synthesised using the software Atlas.ti (Frieze 2014). The final synthesis report will report on the following (tentative) headings:

- I. How do PUM and CBI clients compare to other SMEs in the various countries/sectors?
- II. To what extent is the support by CBI and PUM additional to other public, donor or private support provided in the sector.
- III.What do companies and experts perceive to be the outcomes of the CBI and PUM interventions and for what type of companies, and under what type of conditions are they more effective?
- IV. What do companies and experts perceive to be the main determinants of the success or failure of the CBI and PUM support activities?
- V. What do companies and experts perceive to the main possibilities to improve the efficiency of CBI and PUM support interventions?

References

Frieze, S. (2014) *Qualitative data analysis with ATLAS. ti*, Sage.

Yin, R. K. (1984/2009) *Case Study Research: Design and Methods, Fourth edition*, Sage.

Yin, R. K. (2013) 'Validity and generalization in future case study evaluations', *Evaluation*, 19(3), 321-332.

## **PROGRAMMA FIRST MISSION 12-21 June 2014 – Fédés van Rijn**

The visit took place between the 12th and 21st of June. During the mission one LEI researcher, partly joined by a local consultant, interviewed various stakeholders in Sucre, Tarija and Santa Cruz.

A major determinant in selecting stakeholders in the first mission was the geographical location. We chose Sucre as our focus for the first mission. Sucre is one of the two locations with quite some overlap between CBI and PUM support (Santa Cruz is the other). Having sufficient overlap increased the possibility that CBI and PUM supported SMEs and/or BSOs are knowledgeable about each other. Sucre was preferred over Santa Cruz because PUM has more missions in Sucre, including BSO support. In addition, based on an interview with CBI it also became clear that the support in Sucre the overall business and political climate is easier to grasp in Sucre.

Within Sucre we were able to interview almost all companies that received support from PUM and CBI. Given time limitations, we only had to make a selection from the newly supported companies in the CBI program: this was done randomly. These firms received support at different moments in time. This diverse selection ensures we get insight into the different views of PUM and CBI support during our first mission. In addition to these SMEs we visited the BSOs and other stakeholders in the tourism sector.

Next to Sucre, two days of fieldwork were spent in Tarija where the researcher could join a CBI event in relation to the development of enotourism as part of the Wine program. The reason this visit was included was that it provided a good opportunity to gain more insight into CBI support, and whether or not the Wine program should be included in the case study. Another day was spent in Santa Cruz, where one hotel and BSO were interviewed. Santa Cruz was included because several of the larger tourism firms are based in Santa Cruz.

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## **PROGRAMMA SECOND MISSION 28 February – 10 March 2016 – Giel Ton**

En La Paz, 28/2-1/3 2016:

- Vice-ministerio de Turismo
- TUSOCO
- PUM Local rep
- ICCO
- ~~— Peru Bolivian Tours:~~
- Red de Turismo Rural

En Tarija, el 2-5/32016.

- OGD
- VTB Travel/Hostal Carmen
- Gobernación
- Ruta de Vinos

En Sucre 6-9/3 2016:

- ~~— Gobernación~~
- Candelaria Tours
- Aserturismo/Villa Antigua
- Gateway Bolivia
- Tarco Tour
- CADEX/PUM
- ~~- Sociedad Hotelera Parador Santa Maria La Real SRL~~
- Roxana Dulón

- Gobierno Municipal Dirección Turismo
- ~~Yotala: Centro de Formación Integral Rural "VERA"~~

En Santa Cruz 9/3 (2016

- OGD Sta Cruz
- PUM Local rep
- CAINCO – Conferencia AL-INVEST
- Rosario Tours

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