

TC ABSTRACT

I. Basic project data

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| ▪ Country/Region: | Barbados |
| ▪ TC Name: | Support to the Preparation of National Tourism Program BA-L1033 |
| ▪ TC Number: | BA-T1033 |
| ▪ Team Leader/Members: | Sergio Ardila(INE/RND), Adela Moreda (INE/RND), Cassandra Rogers (RND/CBA), Guilherme Piereck (INT/TIU) , Yolanda Valle Porrua (INE/RND) |
| ▪ Indicate if: Operational Support, Client Support, or Research & Dissemination. | Operational Support |
| ▪ If Operational Support TC, give number and name of Operation Supported by the TC: | National Tourism Program (BA-L1033) |
| ▪ Date of TC Abstract: | August 2014 |
| ▪ Beneficiary: | Ministry of Tourism in Barbados |
| ▪ Executing Agency and contact name | IDB, through INE/RND Division |
| ▪ IDB Funding Requested: | US\$600,000 |
| ▪ Local counterpart funding, if any: | N/A |
| ▪ Disbursement period (which includes execution period): | 8 months |
| ▪ Required start date: | 31/08/2014 |
| ▪ Types of consultants (firm or individuals): | Firms and individuals |
| ▪ Prepared by Unit: | INE/RND |
| ▪ Unit of Disbursement Responsibility: | INE/RND |
| ▪ Included in Country Strategy (y/n); | N |
| ▪ TC included in CPD (y/n): | N |
| ▪ GCI-9 Sector Priority: | (i) Development to small and vulnerable countries; and (ii) support for regional cooperation and integration through institutional strengthening and capacity development. |

II. Objective and Justification

- 2.1 Barbados is a Caribbean mature destination mostly known for beach-resort tourism and cruises. Tourism has been, since the late 1970's, the pillar of the island's economy, contributing approximately 36.2% of total ¹GDP in 2013², since tourism supports a wide range of livelihoods, both directly and indirectly. However, Barbados has been seriously affected by the global crisis and the resulting decline of arrivals and receipts from key source

¹ Including indirect and induced effects

² World Travel and Tourism Council (WTTC)

markets. Over the period 2007 to 2012, both cruisers and stay over arrivals have declined - 16% and -6.3%, respectively, while tourism receipts have declined -24%³. Barbados' tourism market share in the American region has also declined in the same period (-21,4% for tourism expenditure and -17,4% for international stay over visitors)⁴. The average unemployment rate in tourism, construction and wholesale and retail trade increased from 9.8% in June 2007 to 16% by the corresponding period in 2011. In order to re-start tourism growth in a competitive and sustainable way, in addition to this cyclical situation, Barbados needs to address some structural challenges that have exacerbated the impacts of the crisis, among which two are at the forefront:

- (i) Need to diversify both travelers' segments and geographical source markets: 33% of stop-over visitors in 2012 came from the UK, 24% from the USA and 13% from Canada. Thus, Barbados is heavily dependent on the British and North American markets (70% of total stay-over arrivals). The concentration of tourism inflows in a small number of countries is considered a particular cause of vulnerability. In 2012, cruise passengers represented 49.1% of total arrivals to the country, with average passenger expenditure at \$60.9, far below the average daily expenditure achieved by long stay tourists (US\$161.4⁵). Due to the importance of cruisers in the current portfolio demand, it is urgent to implement strategies aiming at increasing the average passenger expenditure
- (ii) Improve competitiveness of tourism products. As a mature destination, Barbadian tourism product and branding is in need of rejuvenation and upgrading in order to meet the changing expectations of travelers. Barbados tourism marketing still places heavy emphasis on attributes related to sun, sea and sand, an attraction offered by other Caribbean and world destinations. Tourism authorities have already initiated some diversification efforts, such as festivals that have attracted more than 15 % of visitors from USA and Canada in 2011 and 2012. In fact, tourism planners have yet to capitalize on the benefits to be leveraged from the designation in 2011 of Bridgetown and its Garrison as a UNESCO World Heritage site, including its use in the promotion of the country overseas. At the same time, Barbados is perceived in the marketplace as a high-priced destination when compared to competitors. In 2012 Barbados was among the top five Caribbean destinations in terms of Average Daily Rate⁶. Also, a research published yearly by the UK Post Office (Long Haul Holiday Costs Barometer) is systematically positioning Barbados far behind the best value long-haul destinations for British holidaymakers. In 2013, the World Economic Forum ranked Barbados #113 out of 140 countries in the specific dimension of price competitiveness and #116 in its hotel price index. It is therefore important to work on

³ On the basis of data provided by the Ministry of Tourism

⁴ World Tourism Organization

⁵ On the basis of data from Ministry of Tourism and Stay Over Visitor Survey

⁶ Caribbean Market Update, January 2013

differentiation and improving value for money offered by the country, in order to reduce any negative perception related to higher price and lower value than competitors. It is also important to consider that, in addition to fluctuating expectations, customers are checking the reviews of their peers before making decisions through on-line channels.

- (iii) Air connectivity remains a concern, due to high fares, limited number of operating airlines and inefficient routes and connections. In 2013, the WEF ranked Barbados #97 out of 140 countries in the specific dimension of number of operating lines and # 81 in terms of airline seat km/week. Airlift capacity has fluctuated over the years determined by incentives granted by Government in a deliberate effort to improve airlift capacity to the island and to increase access. As stated by the White Tourism Paper (p.160)⁷, “large portions of marketing budgets are spent subsidizing airlift without an assessment as to whether they are coupled with effective strategies to fill existing seat capacity” and what are the economic benefits derived from such expenditures”. Therefore, while the country supports an open skies policy to facilitate healthy competition, it is important to review airlift support policies to improve their economic benefits and monitor the results.

- 2.2 In this context, the objective of this TC is to support the preparation of the National Tourism Program in Barbados (BA-L1033), providing the technical studies needed to reinforce the tourism product diversification efforts initiated by the Ministry of Tourism, while ensuring that the investments included in the operation will make a measurable contribution to tourism sector’s reinvigoration.
- 2.3 The Program is aligned with the Tourism priority area of the (draft) IDB-Barbados Country Strategy 2014-2018, as it supports competitive and sustainable tourism in Barbados through tourism growth and reinvigoration. The program will contribute to the following IDB (GCI-9) lending program priority targets: (i) development to small and vulnerable countries; and (ii) support for regional cooperation and integration through institutional strengthening and capacity development.

III. Description of activities and outputs

- 3.1 The TC will benefit from the existing tourism statistics in Barbados and two demand studies undertaken with administrative funds by INE/RND, in order to further explore demand’s determinants and preferences. These studies will be an important input for the TC, which is composed of 4 components. The main expected results and outputs are as follows:
- 3.2 Component 1: Heritage tourism product portfolio strategy, with emphasis on innovative design. The aim is to underpin the efforts initiated by Government and private stakeholders

⁷<http://barbadosparliament.com/htmlarea/uploaded/File/Info/White%20Paper%20revised%2013%20Feb%202012.pdf>

to diversify the Barbadian tourism product. The Government is willing to capitalize on the tourism benefits to be leveraged from the designation in 2011 of Bridgetown and its Garrison as a UNESCO World Heritage site, including its use in the promotion of Barbados overseas. It is important to differentiate Barbados from its competitors, stressing its unique attributes and its capacity to offer a distinctive Caribbean tourism experience. On the basis of the investment proposal made by Government to enhance the tourism experience in Bridgetown and its Garrison, this component will propose an integral product portfolio strategy to further develop the heritage tourism component in Barbados. The strategy will include the design of a set of groundbreaking heritage tourism itineraries and activities, with a high degree of innovation and local ownership, clearly identifying key target markets/demand segments and local and outbound stakeholders that should be involved. The outputs of the component will be: i) a portfolio of priority heritage tourism products, clearly related to target markets and demand segments; ii) a detailed set of heritage tourism projects, with a deep description in each project of the cultural / heritage themes that will be used in tourism interpretation and proposed activities, the location, the needed skills and investments, identification of local and outbound tourism stakeholders that should be involved; and iii) Recommendations to facilitate access of small and local players to profitable market opportunities related to the new proposed heritage tourism products. The result will be an integrated and market-based strategy and operational framework for the development of new heritage tourism products in Barbados, with emphasis on Bridgetown and its Garrison.

3.3 Component 2: Feasibility studies for a sample of heritage tourism product investments. The component will provide all the technical information needed to immediately begin the execution of the program, once approved, through the achievement of feasibility studies related to at least 4 new heritage projects prioritized in previous component. The expected output is the technical, financial, economic and environmental feasibility studies of a sample of new heritage tourism projects (that represent at least 30% of the total foreseen investment in physical works under the Bank's program). The result is a set of studies and final designs that will allow a faster implementation of key tourism projects in Bridgetown and its area of influence, once the program is approved.

3.4 Component 3: Marketing strategy and operational plan to promote new tourism products (through on-line and off-line channels). In order to ensure the effective branding and market launch of the new heritage tourism products, this third component will define the Barbadian heritage tourism value proposition and desired positioning in key geographical markets and demand segments. The expected output is the preparation of a marketing strategy and an operational plan to promote and commercialize the new heritage products on the most effective on line and off line channels. Both, the strategy and the plan will be integrated in the broader marketing tourism strategy for the whole country. The result will be a rejuvenation and differentiation from competitors of Barbados' tourism branding.

3.5 Component 4: Economic analysis of airlift support policies. The objective of the study is to characterize the tourism demand for Barbados, evaluating the impact of existing mechanisms to improve air connectivity, and proposing alternatives that could lead to more efficient results. The work will be focused on the airlift demand from Brazil, Canada and the US to Barbados and will be divided into the following five major tasks: i) Market identification and preliminary evaluation of existing mechanisms and policies; ii) Estimation of tourism demand for Barbados and expenditure patterns of tourists visiting the country from Brazil, Canada and the USA; iii) Assessment (valuation) of touristic products by current tourists: a contingent approach; iv) An overview and analysis of mechanisms and policies to increase airlift demand; v) Cost-benefit evaluation of mechanisms and policies to increase airlift demand.

IV. Budget

4.1 The total amount of funding needed is US\$600,000 as per the table below.

Indicative Budget

| Activity/Component | Description | IDB/Fund Funding | Counterpart Funding | Total Funding |
|---|--|-------------------------|----------------------------|----------------------|
| Component 1: Heritage tourism product portfolio strategy with emphasis on innovative design. | Design of innovative heritage tourism products on the basis of the Ministry’s proposals related to Bridgetown and its Garrison, with local ownership and commercial sustainability | 60,000 | N/A | 60,000 |
| Component 2: Feasibility studies of new/enhanced heritage tourism products. | Technical, financial, economic and environmental feasibility studies of a sample of new heritage tourism projects | 220,000 | N/A | 220,000 |
| Component 3: Marketing strategy and operational plan (for both on-line and off-line channels) | Marketing strategy and operational plan for the new heritage tourism products supported by the program. | 80,000 | N/A | 80,000 |
| Component 4: Economic analysis of airlift support policies | Characterize the tourism demand for Barbados, evaluating the impact of existing mechanisms to improve air connectivity, and proposing alternatives that could lead to more efficient results | 240,000 | 20,000 | 260,000 |

V. Executing agency and execution structure

- 5.1 This operation will be executed by the Environment Rural Development and Disaster Risk Management Division (INE/RND) at the Inter-American Development Bank, in accordance with the Bank's Technical Cooperation Policy (Document GN-2470-2). The main reason that justifies the execution of the project by the Bank is that INE/RND has gained invaluable know-how with the preparation and execution of a significant amount of tourism operations in Latin America and the Caribbean, which has allowed to extract important learned lessons and identify market trends that are valued for the management and performance of this technical assistance. The contracting of project consultants will be carried out by the Bank in accordance with document GN-2350-9 (Policies for the Selection and Procurement of Consulting Services Financed by the IDB), while the procurement of goods and related services will be carried out by the Bank in accordance with document GN-2349-9 (Policies for the Procurement of Goods and Works Financed by the IDB), both of March 2011.

VI. Project Risks and issues

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

VII. Environmental and Social Classification

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