

5. Tourism Development Framework

5.1. Tourism Demand Estimation

Tourism demand estimation is carried out to set target figures of the tourism demand considering various indicators. The target figures should be viewed as the one that should be achieved through efforts of the public and private sectors in Peru rather than the forecast.

5.1.1. International Tourism Demand Estimation

For setting the international tourism demand to Peru, three different methods were applied :

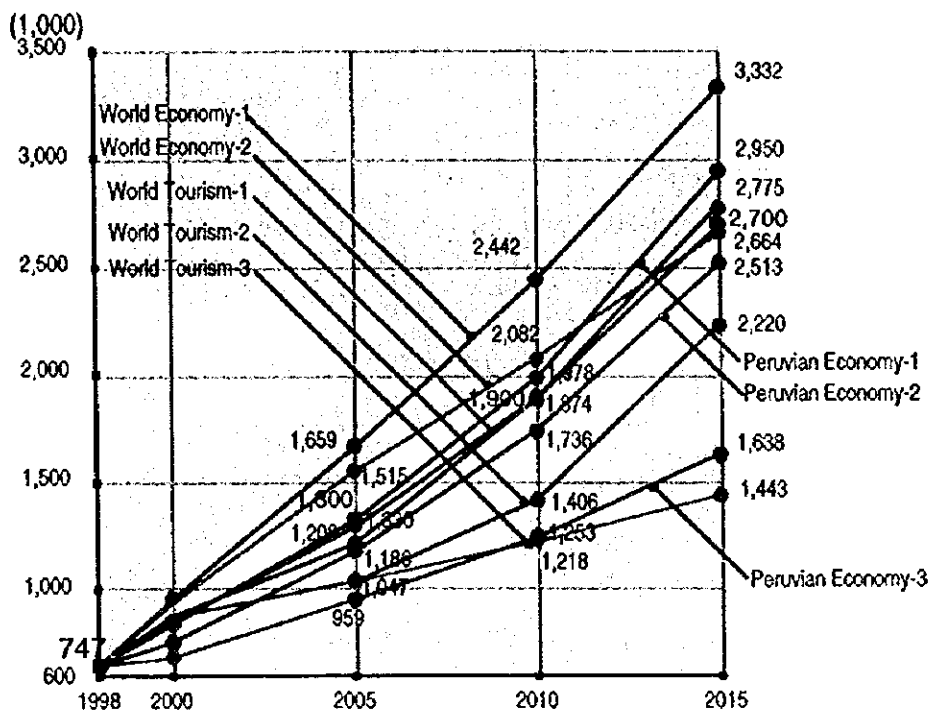
Estimation based on the world economy: Analysis of future economic growth of OECD and Latin American countries using multi-regression analysis.

Targets based on trend analysis of world tourism: Analysis of future share of Peru in the world tourism market using WTO studies.

Estimation based on foreign exchange earnings target: Analysis of the tourism sector share in the target figure of foreign exchange earnings.

The results of the analysis are shown in Figure 5.1.

Figure 5.1 International tourism demand indicators



Source: JICA Study Team

5.1.2. Domestic Tourism Demand Estimation

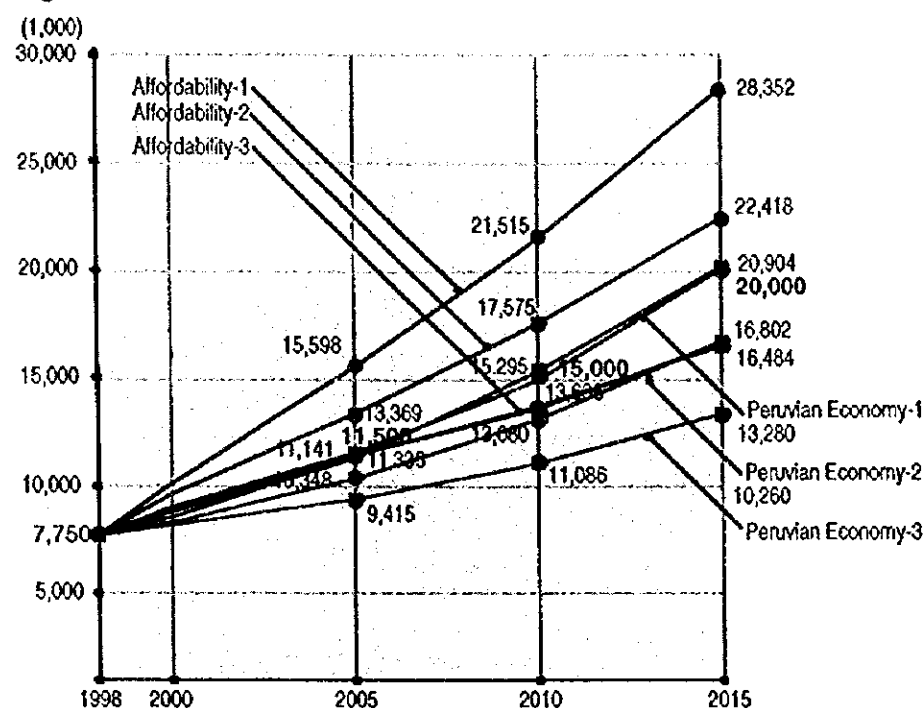
For setting the domestic tourism demand, two different methods were taken:

Estimation using Peruvian economic variables: Analysis of growth rate of Peruvian economic variables that affect the domestic tourism demand. Analysis is carried out using multi-regression methods.

Estimation based on travel affordability of Peruvian people: Analysis of income-earners who could be afford tourism trips. Analysis is carried out by setting target of number of trips that can be made by income-earners.

The indicators estimated above are shown in Figure 5.2.

Figure 5.2 Domestic tourism demand indicators



Source: JICA Study Team, MITINCI

5.1.3. Setting of Tourism Demand Targets

Target figures in the year 2005 and 2015 were set based on the analysis of various indicators and taking into account the development effects of this tourism master plan. The results of the arrival targets of international and domestic tourists are summarized in Table 5.1.

Table 5.1 Target tourism demand

		1998	2005		2015	
		Arrivals (1,000)	Arrivals (1,000)	Change (times)	Arrivals (1,000)	Change (times)
International tourism demand	Average	709	1,271	1.79	2,466	3.48
	Target	709	1,300	1.83	2,700	3.81
Domestic tourism demand	Average	7,750	11,549	1.49	19,152	2.47
	Target	7,750	11,500	1.48	20,000	2.58

Source: JICA Study Team

5.1.4. Distribution of tourism demand to Departments

The international and domestic demands are distributed to 24 departments taking into account of "corrected" past trend and future development effects. More specifically, the following factors are considered to distribute tourism demand.

- Negative factors that hampered tourism growth in the past,
- Increasing popularity of "Jungle" destinations of Amazonas, Cajamarca, San Martin, Ucayali, and Madre de Dios,
- Increase of tourism demands in beach resort and border tourism destinations,

- Effects of planned tourism development, and
- Extension of length of stay in planned resort destinations.

Table 5.2 shows the distribution of the tourism demand by Tourism Region.

Table 5.2 Distribution of tourism demand by Tourism Region

Year	Item	Total	North	Lima	South
1997	Domestic hotel arrivals	7,749,568	2,099,080	4,261,777	1,389,711
	Domestic bed-nights	10,749,244	3,249,925	5,314,681	2,184,638
	Regional share of domestic bed-nights	100.0%	30.2%	49.4%	20.3%
	International hotel arrivals	1,061,988	137,403	480,261	444,324
	International hotel bed-nights	2,464,871	269,219	1,309,808	885,844
	Regional share of international bed-nights	100.0%	10.9%	53.1%	35.9%
	Total hotel arrivals	8,811,556	2,235,483	4,742,038	1,834,035
	Total hotel bed-nights	13,214,116	3,519,144	6,624,489	3,070,482
	Regional share of bed-nights	100.0%	26.6%	50.1%	23.2%
	2005	Domestic hotel arrivals	11,500,000	4,523,865	4,786,014
Domestic bed-nights		16,603,747	7,080,907	6,045,955	3,476,886
Regional share of domestic bed-nights		100.0%	42.6%	36.4%	20.9%
International hotel arrivals		780,000	139,637	281,003	359,360
International hotel bed-nights		10,920,000	1,693,186	4,767,467	4,459,347
Regional share of international bed-nights		100.0%	15.5%	43.7%	40.8%
Total hotel arrivals		12,280,000	4,663,503	5,067,017	2,549,480
Total hotel bed-nights		27,523,747	8,774,093	10,813,421	7,936,233
Regional share of bed-nights		100.00%	31.9%	39.3%	28.8%
2015		Domestic hotel arrivals	20,000,000	8,531,908	7,538,765
	Domestic bed-nights	29,213,354	13,428,682	9,531,782	6,252,890
	Regional share of domestic bed-nights	100.0%	46.0%	32.6%	21.4%
	International hotel arrivals	1,620,000	287,896	585,307	746,797
	International hotel bed-nights	22,679,999	3,495,392	9,925,456	9,259,151
	Regional share of international bed-nights	100.0%	15.4%	43.8%	40.8%
	Total hotel arrivals	21,620,000	8,819,804	8,124,071	4,676,125
	Total hotel bed-nights	51,893,353	16,924,074	19,457,238	15,512,041
	Regional share of bed-nights	100.0%	32.6%	37.5%	29.9%

Source: MITINCI, JICA Study Team

5.2. Requirement of Hotel Rooms

Hotel room requirement is calculated based on the distribution of the visitor arrival to the departments.

The requirements of the hotel rooms are made in three categories, namely, 1) high class - 5 and 4 star hotels, 2) middle class - 3 star hotels, and 3) low class – the rest of accommodation types.

The current hotel occupancy rates for respective hotel categories are too low compared with other country's cases. This means that many hotels in Peru are not well operated in financial terms. The occupancy rates have to be increased in the future due to the competition in the market and increase of wage.

In the year 2005, the applied occupancy rates are similar to the current ones since the drastic change in the occupancy ratio would not be expected, but in 2015 the occupancy rates are higher assuming improved hotel management.

Table 5.3 summarizes the hotel requirement by Tourism Region.

Table 5.3 Requirements of hotel rooms by Tourism Region

Year	Class	Total		Northern		Lima		Southern	
		Rooms	Increase	Rooms	Increase	Rooms	Increase	Rooms	Increase
1998	High	4187		412		3,295		480	
	Middle	10,413		3,660		4,221		2,532	
	Low	74,819		17,136		40,535		17,148	
	Total	89,419		21,208		48,051		20,160	
2005	High	4,992	805	897	485	3,367	72	728	248
	Middle	19,775	9,362	10,361	6,701	4,882	661	4,531	1,999
	Low	78,280	3,461	28,465	11,329	30,139	-10,396	19,676	2,528
	Total	103,047	13,628	39,724	18,516	38,388	-9,663	24,935	4,775
2015	High	9,884	4,892	2,753	1,856	3,879	512	3,252	2,524
	Middle	35,017	15,242	14,007	3,646	12,188	7,306	8,821	4,290
	Low	80,303	2,023	34,765	6,300	26,986	-3,153	18,552	-1,124
	Total	125,204	22,157	51,525	11,802	43,052	4,664	30,626	5,691

Source: JICA Team

6. Regional Strategies

6.1. Northern Tourism Region

6.1.1. Existing Conditions

Table 6.1 shows major socioeconomic indices of Departments in the Northern Tourism Region. Cajamarca, Ancash, and San Martin are the poorest Departments in the Tourism Region.

Table 6.1 Major socioeconomic indices of the Northern Tourism Region

Department	PTDZ	Area(km ²) 1997	Population 1996	GRDP 1996	
				per capita (US\$)	GRDP (mln US\$)
AMAZONAS	I	39,249	376,289	909	342.1
LAMBAYEQUE	II	14,231	1,008,505	2,273	2,292.4
CAJAMARCA	II	33,318	1,343,501	714	959.2
LA LIBERTAD	II	25,500	1,365,735	2,016	2,753.2
TUMBES	III	4,669	173,604	1,179	204.7
PIURA	III	29,680	1,467,538	1,349	1,980.4
ANCASH	VI	35,877	1,024,581	770	789.2
SAN MARTIN		51,253	643,233	911	586.2
LORETO	IX	368,852	798,646	2,344	1,871.8
Sub-total / regional average		602,629	8,201,632	1,481	11,779.2
Total / national average		1,223,282	23,946,779	2,143	49,927

Source: INEI statistics data/ MITINCI compiled by JICA Study Team

Table 6.2 shows major tourism indices of the Northern Tourism Region. The number of hotel arrivals amounted to more than 2.23 million in 1996, of which domestic visitors occupy 93%, which is much higher than the 76.7% share in the Southern Tourism. The percentage of international visitor arrivals is the smallest among the three Tourism Regions. La Libertad is the Department that received the largest number of visitor arrivals (918,381), while Amazonas received the smallest number (47,785). Total number of rooms in the Northern Tourism Region is 20,796 rooms.

Table 6.2 Major tourism indices of the Northern Tourism Region

Department	PTDZ	Hotel arrivals 1996			Hotel 1996	
		Total	International	Domestic	Hotel	Room
AMAZONAS	I	47,785	208	47,577	41	804
LAMBAYEQUE	II	373,433	14,720	358,713	96	2,801
CAJAMARCA	II	106,594	3,542	103,052	43	922
LA LIBERTAD	II	918,381	61,346	857,035	244	4,938
TUMBES	III	65,745	5,210	60,535	41	857
PIURA	III	170,697	6,945	163,752	133	2,731
ANCASH	VI	255,879	16,463	239,416	195	3,879
SAN MARTIN		142,616	942	141,674	109	1,853
LORETO	IX	150,755	34,548	116,207	109	2,011
Sub-total / regional average		2,231,885	143,924	2,087,961	1,011	20,796
Total / national average		8,680,934	1,022,957	7,657,977	4,050	81,752

Source: INEI statistics data/ MITINCI compiled by JICA Study Team

Important tourism resources are shown in Table 6.3. Underlined tourism resources are evaluated to have special importance based on the results from the questionnaire survey conducted by the JICA Study Team.

Table 6.3 Potential tourism resources in Northern Tourism Region

Resources	Costa Zone	Sierra Zone	Selva Zone
Natural	<ul style="list-style-type: none"> - <u>Tumbes&Piura Beaches</u> - <u>Los Manglares National Sanctuary</u> - Cerros de Amapote National Park 	<ul style="list-style-type: none"> - <u>Huascarán National Park (World Heritage)</u> - Calipuy National Sanctuary - Hot springs such as <u>Baños del Inca</u> 	<ul style="list-style-type: none"> - Río Abiseo National Park (World Heritage) - Cutervo National Park - <u>Amazon basin rivers</u> - Diverse flora & fauna - <u>Pacaya-Samiria National Reserve</u>
Historical	<ul style="list-style-type: none"> - <u>Chan Chan Ruin (World Heritage, Chimu era)</u> - Moche ruins (<u>Sipán, Túcume</u>) - Chimu ruins (Huaca Dragon) - Sican ruins (Batan Grande) - Sechín ruins - Trujillo historical city - Hacienda (Casa Grande, Hacienda Cartavio, etc) 	<ul style="list-style-type: none"> - Pre-Inca ruins (<u>Kuélap, Gran Pajaten</u>) - Inca ruins (Huacabamba) - Gran Pajaten - Chavín ruins (Kuntur Wasi) - Cajamarca historical city - <u>Chavín de Huántar</u> 	<ul style="list-style-type: none"> - Colonial houses in Iquitos
Cultural	<ul style="list-style-type: none"> - Trujillo city - Handicraft villages in Catacaos, Chulucanas, Monsefú, Morropé - Tañica in Huaraz 	<ul style="list-style-type: none"> - Cajamarca city - Markets in several cities - Cultural and religious festivals in major cities 	<ul style="list-style-type: none"> - Witchcraft (Tarapoto, Huancabamba)
Village with cultural interest	<ul style="list-style-type: none"> - Fishing villages in Trujillo - Farmers village in Piura and Trujillo 	<ul style="list-style-type: none"> - Yalape in Amazonas Dpt 	<ul style="list-style-type: none"> - Natives of Boras, Yagua, Napo, Uratna, Chayahuta, Cocoma
Man-made	<ul style="list-style-type: none"> - Agricultural areas - Artificial canals 	<ul style="list-style-type: none"> - Artificial dams 	<ul style="list-style-type: none"> - Zoological park in Iquitos

Note: Tourism resources with special importance are underlined.

Source: JICA Study Team

Figure 6.1 shows the existing conditions of the Northern Tourism Region.

6.1.2. Spatial Structure Development Directions

(1) Gateways

a. Terrestrial access

Pan-American Highway provides relatively easy access from the south. There are two border posts to and from Ecuador in Tumbes and Piura.

b. Air access

An international airport is located in Iquitos. The airport serves for the nature-oriented tourists mainly from North America and Europe.

There are many airports for domestic flights. Most of the airports have less than 7 flights per week except Chiclayo, Tarapoto, Piura, and Iquitos that have more than 14 flights. There is no airport in the Sierra that receives a large number of passengers, which hinders access to archaeological sites that locate inland.

c. Sea and river access

Salaverry and Paita are major seaports in the Tourism Region. Iquitos, Sarameriza, Yurimaguas in Loreto Department are major river ports in Amazon River Basin. Sarameriza and Yurimaguas have a strategic importance as it connects the Amazon River Eco-Corridor with the Northern Tourism Circuit.

(2) Short Northern Tourism Circuit

Lambayeque, La Libertad and Cajamarca Departments are designated as a PTDZ. The PTDZ has the Tourism Centers of Chiclayo, Trujillo and Cajamarca, which are the capital cities of the respective Departments. Chachapoyas, which is the capital city of the Amazonas Department, is another Tourism Center and PTDZ. It could be linked with the three Tourism Centers to formulate the core part of the Northern Tourism Circuit, or Short Northern Tourism Circuit.

These cities have a variety of tourism resources/products such as archeological, historical and natural tourism ones as well as the towns themselves. Chiclayo-Trujillo Corridor abounds in archaeological and historical tourism resources as well as beaches. The colonial town of Trujillo is considered to be an important tourism product.

Trujillo – Cajamarca Corridor also abounds in archeological and historical tourism resources. It would be extended to Chachapoyas after the completion of the road construction between Cajamarca – Chachapoyas. The road section has abundant historical and natural tourism resources.

Chachapoyas-Jaen-Chiclayo Corridor has to be established in order to complete the Northern Tourism Circuit. The Corridor includes the western most part of Amazon Basin, and supposed to have potential in nature-based tourism. Considering the long travel time between Chachapoyas and Chiclayo, Jaen or its vicinity would have to be developed as another Tourism Center. Road condition between Cajamarca and Chachapoyas is quite poor, and need urgent improvement.

(3) Supplementary Tourism Corridors

a. Lima – Huaraz – Trujillo Corridor

Lima – Huaraz – Trujillo Corridor is the axis that connects the Short Northern Circuit to the international gateway of Lima. Huascarán National Park and Pre-Inca ruin of Chavín de Huantar, both of which are designated as world heritage, are major tourism resources along the Corridor.

b. Chiclayo - Tumbes Corridor

The Departments of Tumbes and Piura are a PTDZ. It has natural tourism resources such as mangrove forests near the Ecuadorian Boarder and Andean Dry Forest in its inland, as well as a series of sandy beaches.

The beaches are receiving visitors from Ecuador through the border town of Aguas Verdes approximately 26 km away from the Tumbes city.

Chiclayo - Tumbes Corridor is part of Pan-American Highway; therefore it was relatively well developed. Some parts, however, were damaged by the flood caused by recent El Niño, which need urgent improvement.

c. Chachapoyas – Yurimaguas Corridor

Tarapoto and Moyobamba are proposed to be a new PTDZ. Tarapoto, the capital of the San Martín Department, is highlighted as a new tourism center for nature-oriented tourists. The tourism center has attractions of River Huallaga with a lot of lagoons (lakes) as well as some historical ruins. Yurimaguas could be a river port for cruise to Iquitos.

Moyobamba has natural tourism resources of beautiful landscape that surrounds the city, as well as possibilities for river rafting and motor boating in River Moyo. These tourism resources could be utilized to formulate a Tourism Corridor that connects to the Chachapoyas-Chiclayo Corridor.

d. Amazon River Eco-corridor

Amazon River Eco-corridor runs through Loreto Department, which is designated as a PTDZ. Although Iquitos is considered to be the core of the PTDZ, connecting Bagua and Puerto Sarameriza with Iquitos with river transport network could formulate an Eco-tourism corridor, and provide Upper Amazon Cruise to enjoy wild life, fauna and flora in the rain forest. Several locations along the Marañón River have to be developed as stopover points for the cruise.

6.1.3. Tourism Development Strategy for the Northern Tourism Region

(1) Action plan strategy by 2005

Creating a Short Tourism Circuit that connects major archaeological sites in Trujillo, Cajamarca, Chachapoyas, and Chiclayo has the first priority for the Northern Tourism Region. The road section between Cajamarca and Chachapoyas has to be improved immediately to formulate the Short Tourism Circuit. Visitors can reach the circuit either by flight or surface transport through the Lima – Huaraz – Trujillo Tourism Corridors. Cajamarca Airport should be improved as a gateway to the Short Circuit. National Archaeological Parks are planned in Chan Chan and Sipan.

A new Tourism Center needs development as a stopover between Chachapoyas and Chiclayo considering the long interval between the two cities. It would be preferable if the Tourism Center would locate near Cutervo National Park or other appropriate place to enjoy nature tourism in the western most jungle in the Amazon Basin.

At the action plan stage, Iquitos should be developed as an independent Tourism Center for nature tourism. Improvement of access to Pacaya-Samiriya National Reserve would be a strategic issue. Tumbes and Piura should start beach resort developments to cater primarily for domestic and Ecuadorian visitors.

Establishing the Northern Tourism Region Development Corporation is an urgent necessity to initiate the visitor facilitation program in the Northern Tourism Region. Historical cities like Trujillo and Cajamarca should introduce measures to promote wise use of their historical buildings and townscape with the local initiative.

Figure 6.2 illustrates the action plan strategy.

(2) Long-term strategy by 2015

Iquitos and Tumbes/Piura will be integrated into the Northern Tourism Circuit by the year 2015.

Amazon River Cruise, which takes several days to one week, should be introduced between Iquitos and Sarameriza and/or Yurimaguas to provide natural and cultural tourism attractions. The Upper Amazon Cruise should be combined with the Short Archaeological Circuit that extends over Sierra and Costa to create a product mix of nature and archaeological tourism.

Another product mix will be created by combining beach resort tourism in Tumbes/Piura and the Short Circuit. At this stage Tumbes and Piura should start to promote the combination of beach and archaeological tourism toward the long-haul market.

Highland resort developments are planned in Cajamarca and Huaraz to prolong visitor's length of stay. Combination of Short Circuit and mountaineering, trekking, and highland resort in Huaraz would create the third product mix.

Figure 6.3 illustrates the long-term strategy for the Northern Tourism Region.

Figure 6.2 Action plan strategy for the Northern Tourism Region

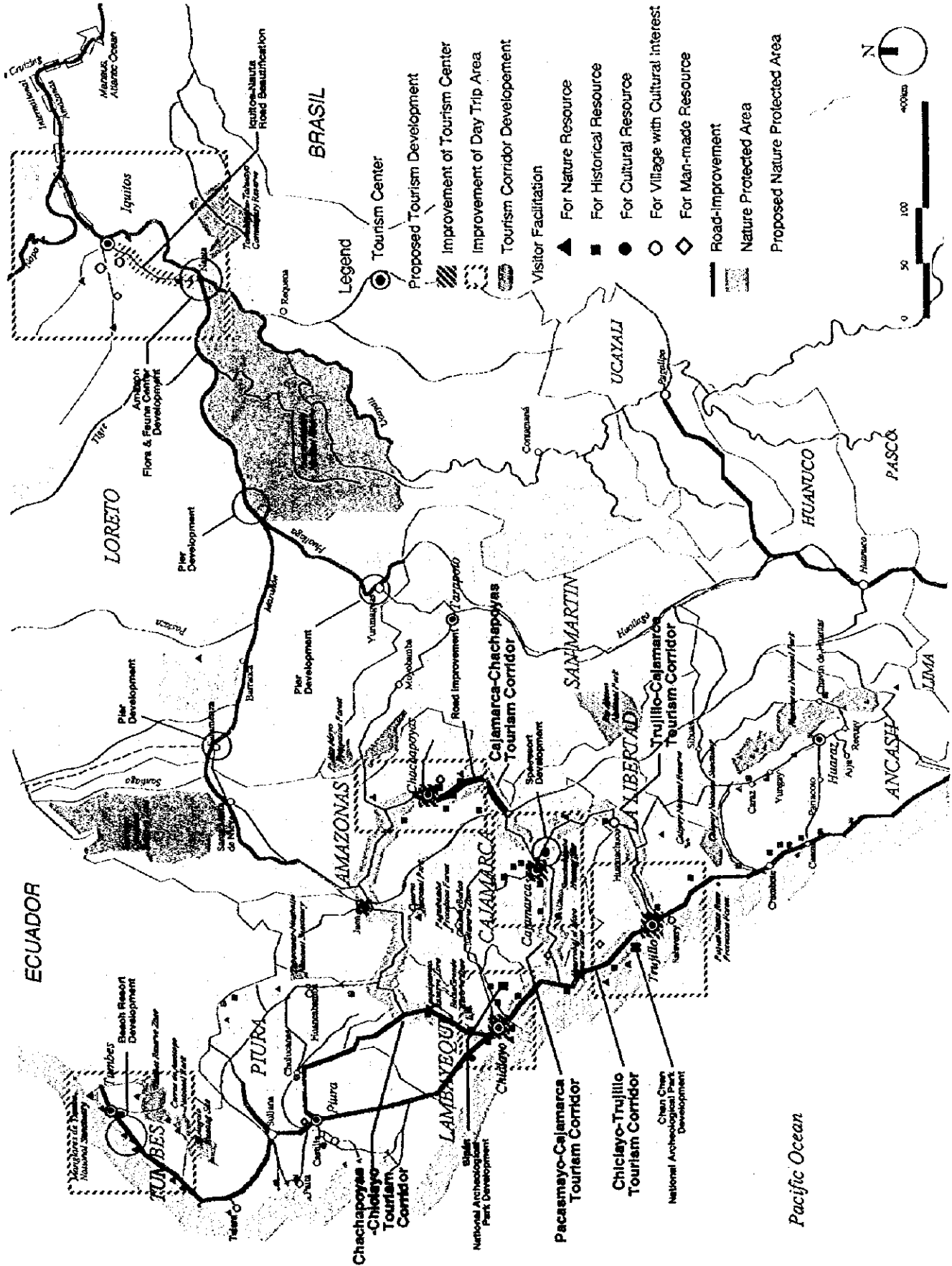


Figure 6.2 Action plan strategy for the Northern Tourism Region

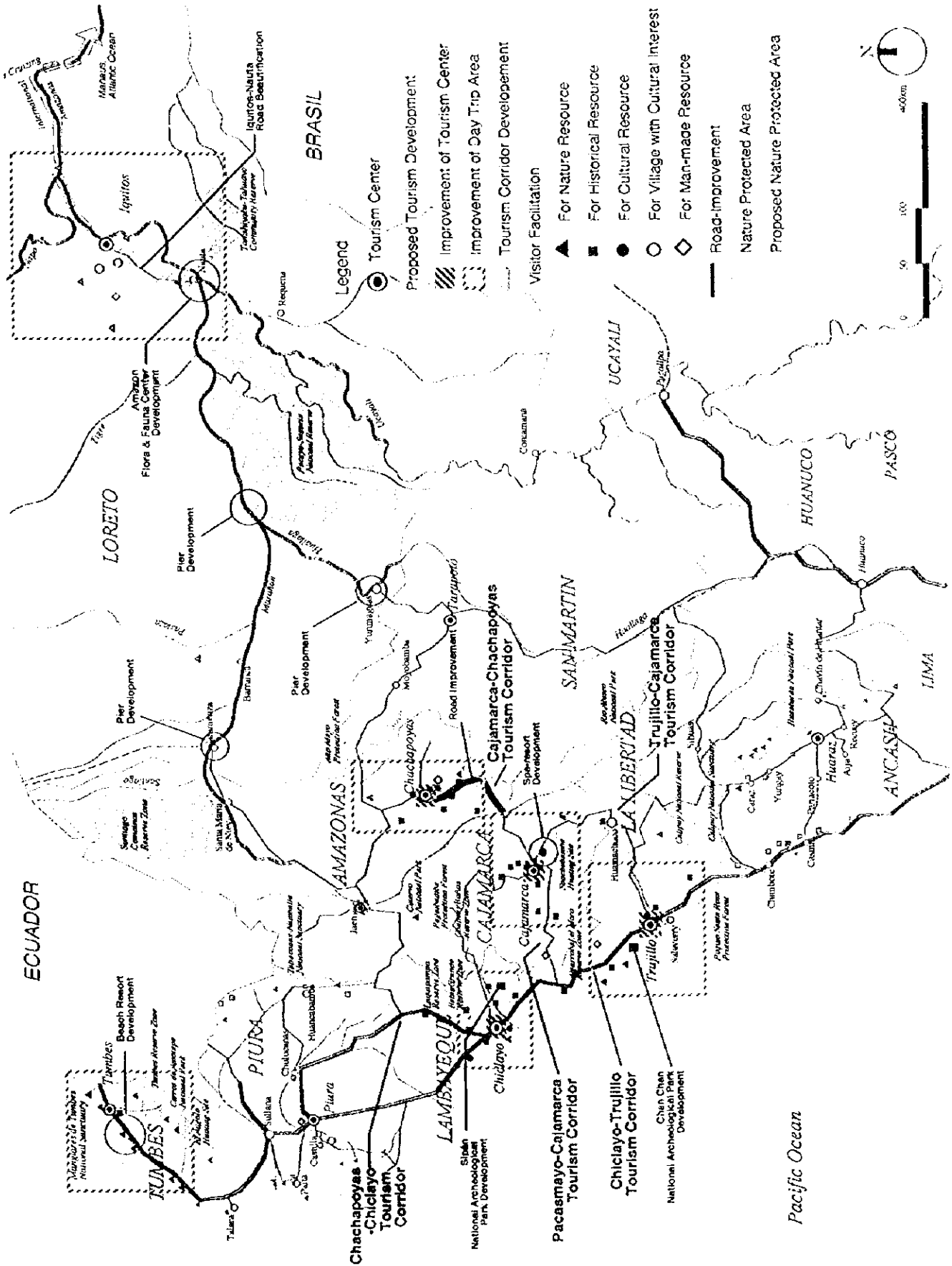
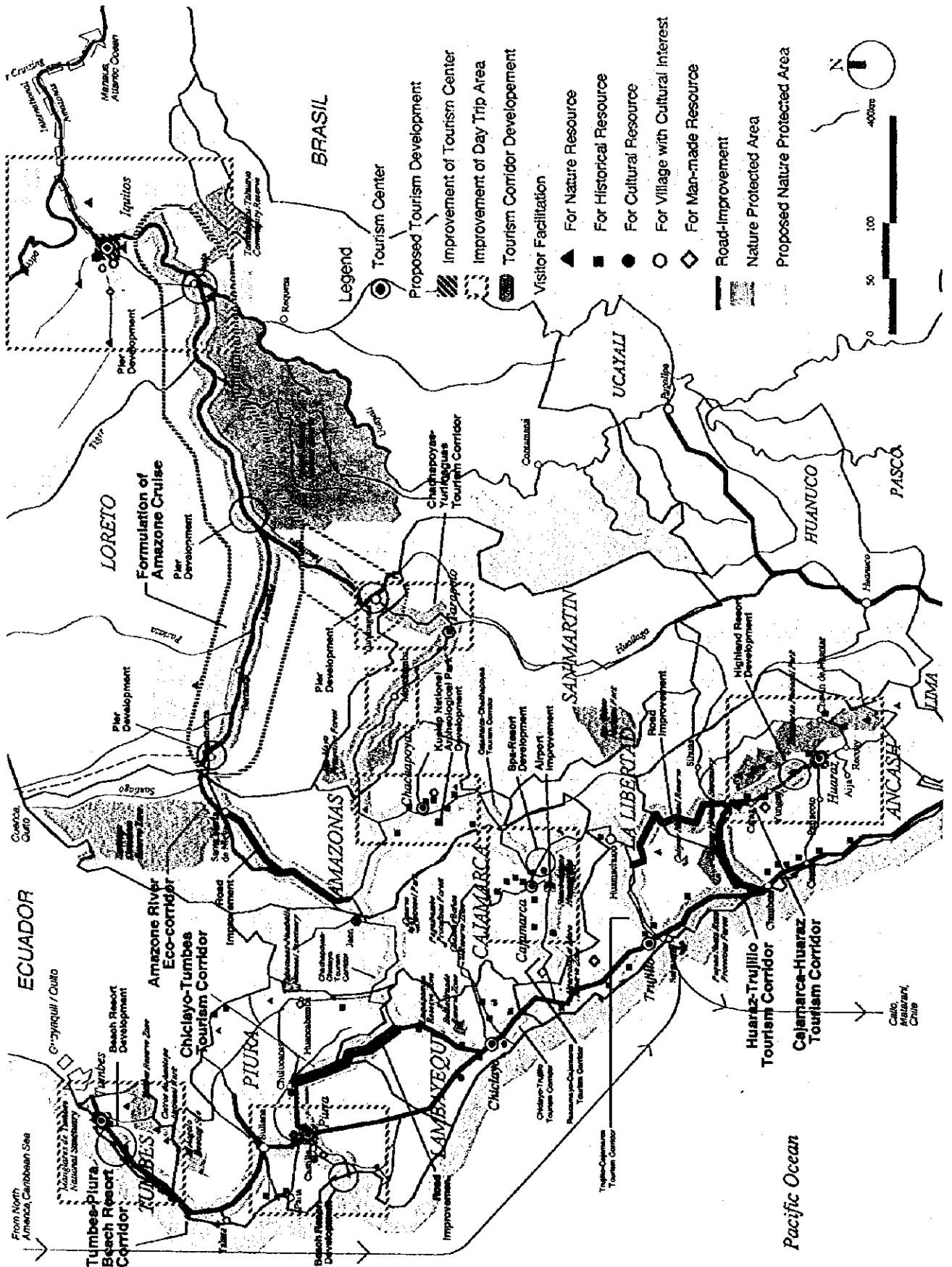


Figure 6.3 Long-term strategy for the Northern Tourism Region



6.2. Lima Tourism Region

6.2.1. Existing Conditions

Table 6.4 shows major socioeconomic indices of the Lima Tourism Region.

Table 6.4 Major socioeconomic indices of the Lima Tourism Region

Department	PTDZ	Area(km ²)	Population	GRDP 1996	
		1997	1996	Per capita (US\$)	GRDP (mil US\$)
LIMA	VII	34,949	7,631,172	3,507	26,763.5
HUANUCO		4,802	717,673	663	475.9
PASCO		25,320	243,671	1,246	303.5
JUNIN		44,197	1,133,183	1,501	1,700.8
HUANCAVELICA		3,725	413,772	937	387.8
UCAYALI		102,411	366,912	1,351	495.6
Sub-total / regional average		215,402	10,506,383	2,659	30,126.9
Total / national average		1,223,282	23,946,779	2,143	49,927

Source: INEI statistics data/ MITINCI compiled by JICA Study Team

Table 6.5 shows major tourism indices for the Lima Tourism Region. Visitor arrivals to the hotels in the Lima Tourism Region amounted to 4.67 million in 1996, of which domestic visitors account for 89.5%. Lima has the largest number of visitor arrivals in Peru. 82.4% of the hotel rooms of the Tourism Region concentrates in Lima.

Table 6.5 Major tourism indices of the Lima Tourism Region

Department	PTDZ	Hotel arrivals 1996			Hotel 1996	
		Total	International	Domestic	Hotel	Room
LIMA	VII	3,888,554	441,189	3,447,365	1,703	34,289
HUANUCO		172,280	836	171,444	80	2,025
PASCO		69,941	248	69,693	62	832
JUNIN		454,806	2,393	452,413	78	2,304
HUANCAVELICA		32,968	287	32,681	13	360
UCAYALI		54,639	1,791	52,848	67	1,782
Sub-total / regional average		4,673,188	446,744	4,226,444	2,003	41,592
Total / national average		8,680,934	1,022,957	7,657,977	4,050	81,752

Source: INEI statistics data/ MITINCI compiled by JICA Study Team

Table 6.6 shows major tourism resources in the Lima Tourism Region. Underlined tourism resources are evaluated to have special importance based on the questionnaire survey.

Table 6.6 Potential tourism resources in the Lima Tourism Region

Resources	Costa Zone	Sierra Zone	Selva Zone
Natural	<ul style="list-style-type: none"> - Supe and other beaches - <u>Lachay National Reserve</u> - Reserve Zone of Pantanos de Villa - Valleys (Chancay) 	<ul style="list-style-type: none"> - Junín National Reserve - Yanacocha-Chemillén NP - Hot springs in highland - Rivers and valleys for adventure tourism (Mataro valley) 	<ul style="list-style-type: none"> - Tingo María National Park - Amazon basin rivers - Yarinacocha lagoon
Historical	<ul style="list-style-type: none"> - <u>Lima Historic Center (World Heritage)</u> - Pre-Inca ruins (Pachacamac, Paramonga, Cajamarquilla, Chancay ruins) - Inca ruins (Incahuasi) - Sechin ruins - Historical Museums in Lima 	<ul style="list-style-type: none"> - Pre-Inca ruins (Huánuco, Kotoshi, etc.) - Inca ruins (Huacabamba, Tarmatambo, Huánuco Vijeo, Huaytara, etc.) 	
Cultural	<ul style="list-style-type: none"> - Handicraft centers in Lima, - Urban culture in Lima 	<ul style="list-style-type: none"> - Traditional market places in Huancayo & Huánuco - Handicraft in San Pedro de Cajas, Izuchaca - Cultural and religious festivals in major cities (Concepción, Huancayo, Huancavelica) 	<ul style="list-style-type: none"> - Shipibo handicrafts in Yarinacocha
Village with cultural interest		<ul style="list-style-type: none"> - Traditional villages in Ircay 	<ul style="list-style-type: none"> - German colony in Oxapama and Pozuzo - Shipibo Indian villages in Yarinacocha
Man-made	<ul style="list-style-type: none"> - Recreational parks in Lima (zoological park, gardens) - Agricultural areas (Lunahuaná) 	<ul style="list-style-type: none"> - Monument of Chacamarca Historical Sanctuary - Botanical garden 	

Note: Tourism resources with special importance are underlined.

Source: JICA Study Team

Figure 6.4 shows the existing conditions of the Lima Tourism Region.

Figure 6.4 Existing conditions of the Lima Tourism Region

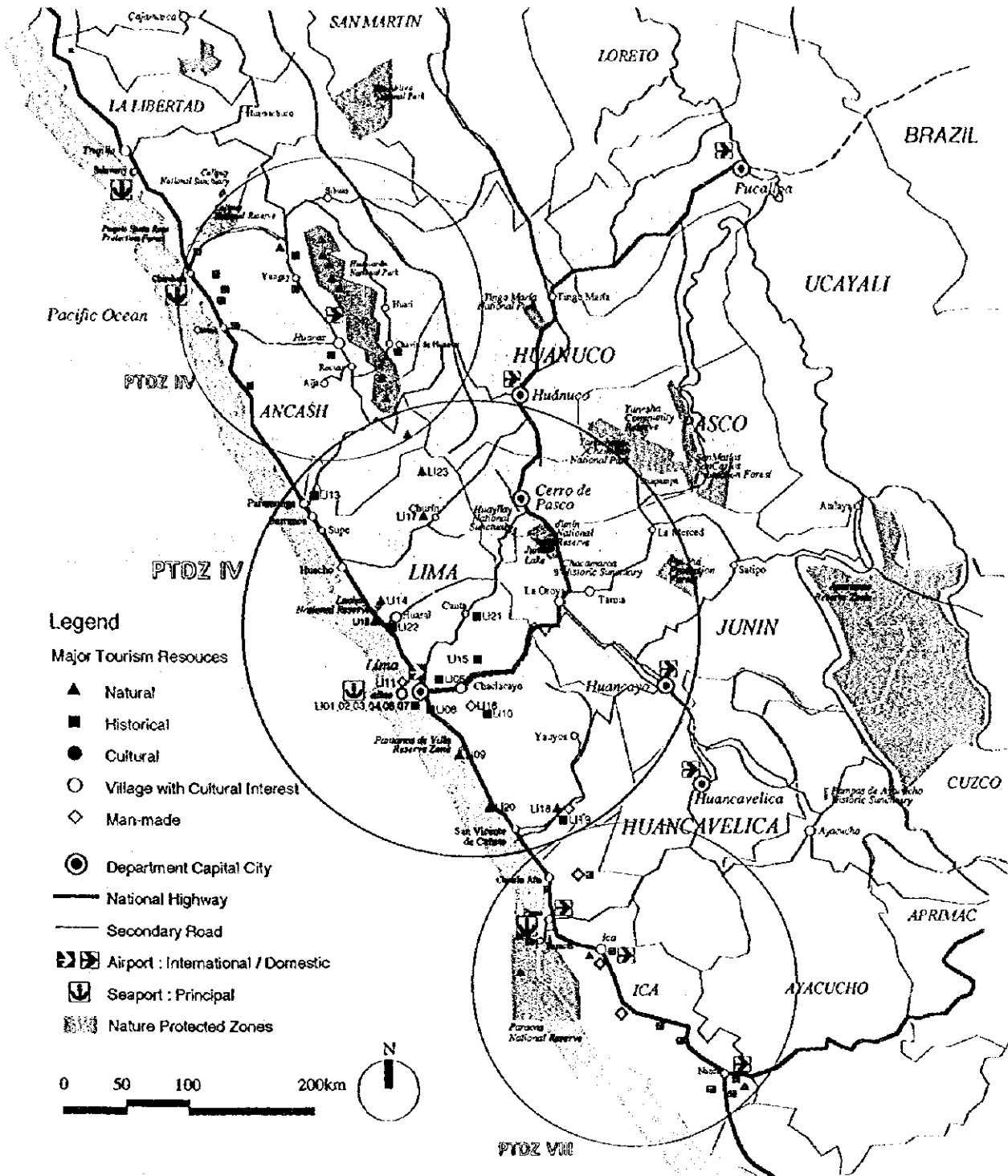
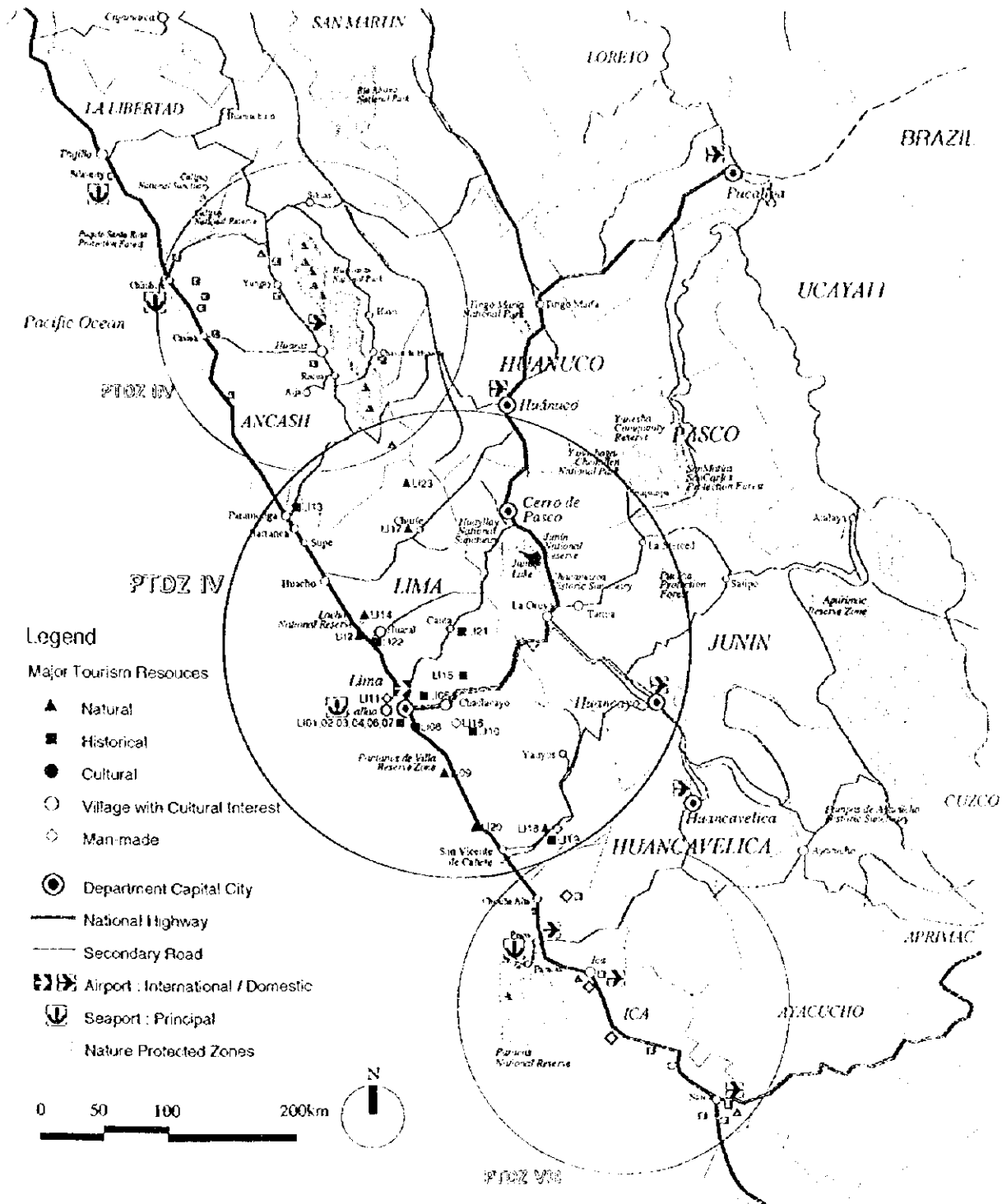


Figure 6.4 Existing conditions of the Lima Tourism Region



6.2.2. Spatial Structure Development Directions

(1) Gateways

a. Terrestrial access

There is no international border in the Tourism Region.

b. Air access

The Jorge Chávez International Airport is the hub for both international and domestic flights. Domestic airports are located in Huanuco, Huaraz, Pucallpa, and Tingo Maria, all of which have less than 7 flights per week.

c. Sea access

The Callao Port is the largest seaport of Peru.

(2) Tourism Centers and Corridors

The Lima City, the capital of Peru, is a Tourism Center and the principal international gateway to Peru and the transportation hub to domestic destinations in Peru.

Pucallpa, the capital city of Ucayali Department, and its surrounding areas have started to be developed as an ecotourism destination. The Departments of Huanuco, Pasco, Junin, and Huacavelica abounds in pre-Inca and Inca ruins.

Lima Tourism Region has two major Tourism Corridors connected to the Northern and the Southern Tourism Regions, namely, the Lima – Huaraz – Trujillo Corridors, and the Lima – Nazca Corridor.

The Lima – Pucallpa Tourism Corridor connects Lima with the Amazon Basin. Lima - Ayacucho Corridor would be an alternative link to the Southern Tourism Region.

6.2.3. Tourism Development Strategy for the Lima Tourism Region

(1) Action plan strategy by 2005

Improvement of safety and visitor facilitation in the historical center of Lima has the first priority in the action plan stage. Lima City should designate a "special tourist area" in the historical center, concentrate its efforts to maintain safety, and beautify the historical center. Conversion of historical building to tourism-oriented facilities should be promoted in the area.

Another consideration is to improve visitor facilities along the Lima – Huaraz Corridor and the Lima – Nazca Corridor to improve the linkage to the Northern and Southern Tourism Circuits.

Figure 6.5 shows the action plan strategy for the Lima Tourism Region.

(2) Long-term strategy by 2015

The long-term strategy for Lima Tourism Region should include development of inland tourism corridors. The Lima – Ayacucho Corridor is an important supplement to the Southern Tourism Circuit as an alternative route from Lima to Ayacucho.

The Lima – Pulallpa Corridor is planned to provide one-way travel route to the Amazon Basin. Lima City should start promoting convention tourism to diversify its tourism types.

Figure 6.6 shows the long-term strategy for the Lima Tourism Region.

Figure 6.5 Action plan strategy for the Lima Tourism Region

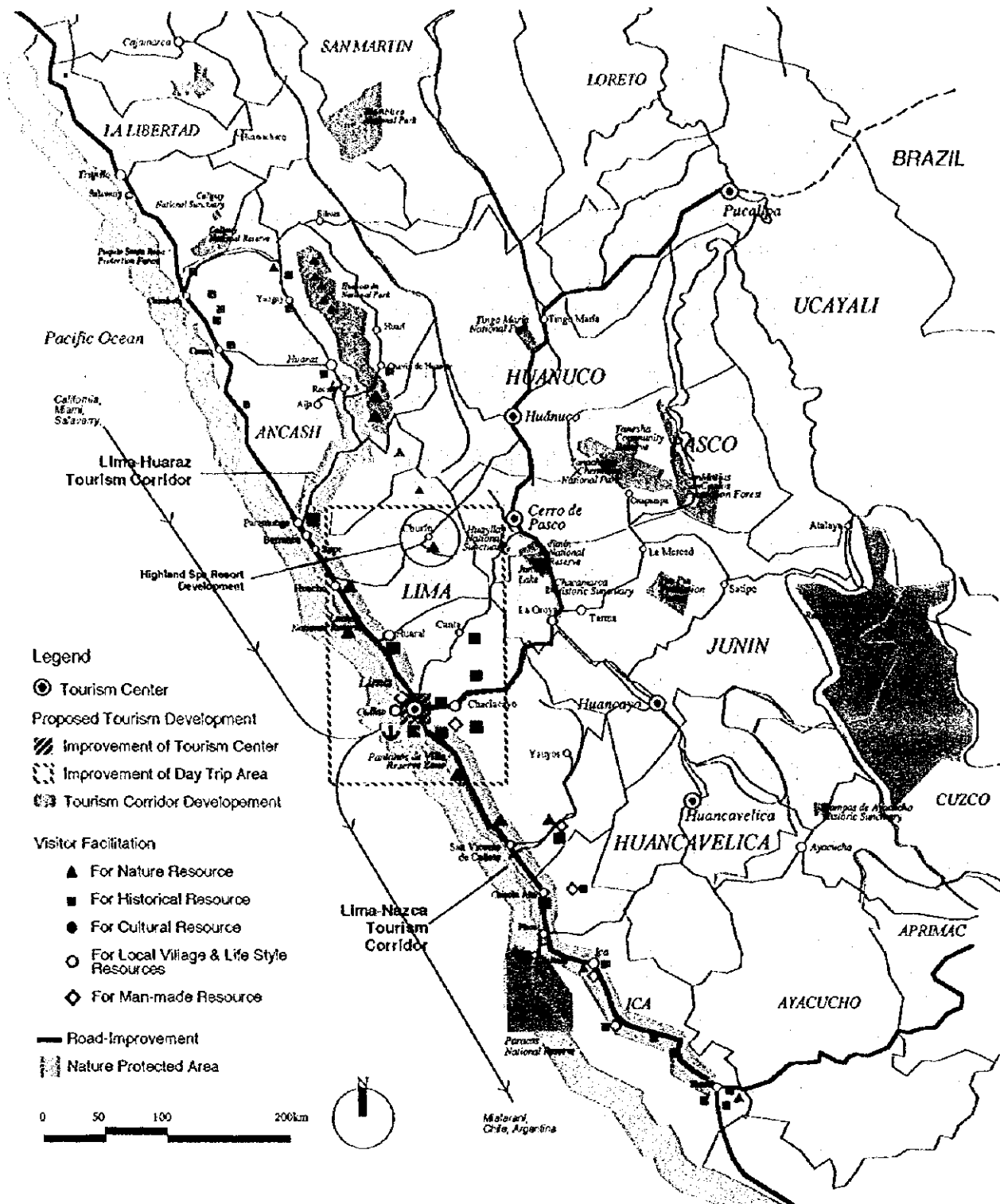


Figure 6.6 Long-term strategy for the Lima Tourism Region

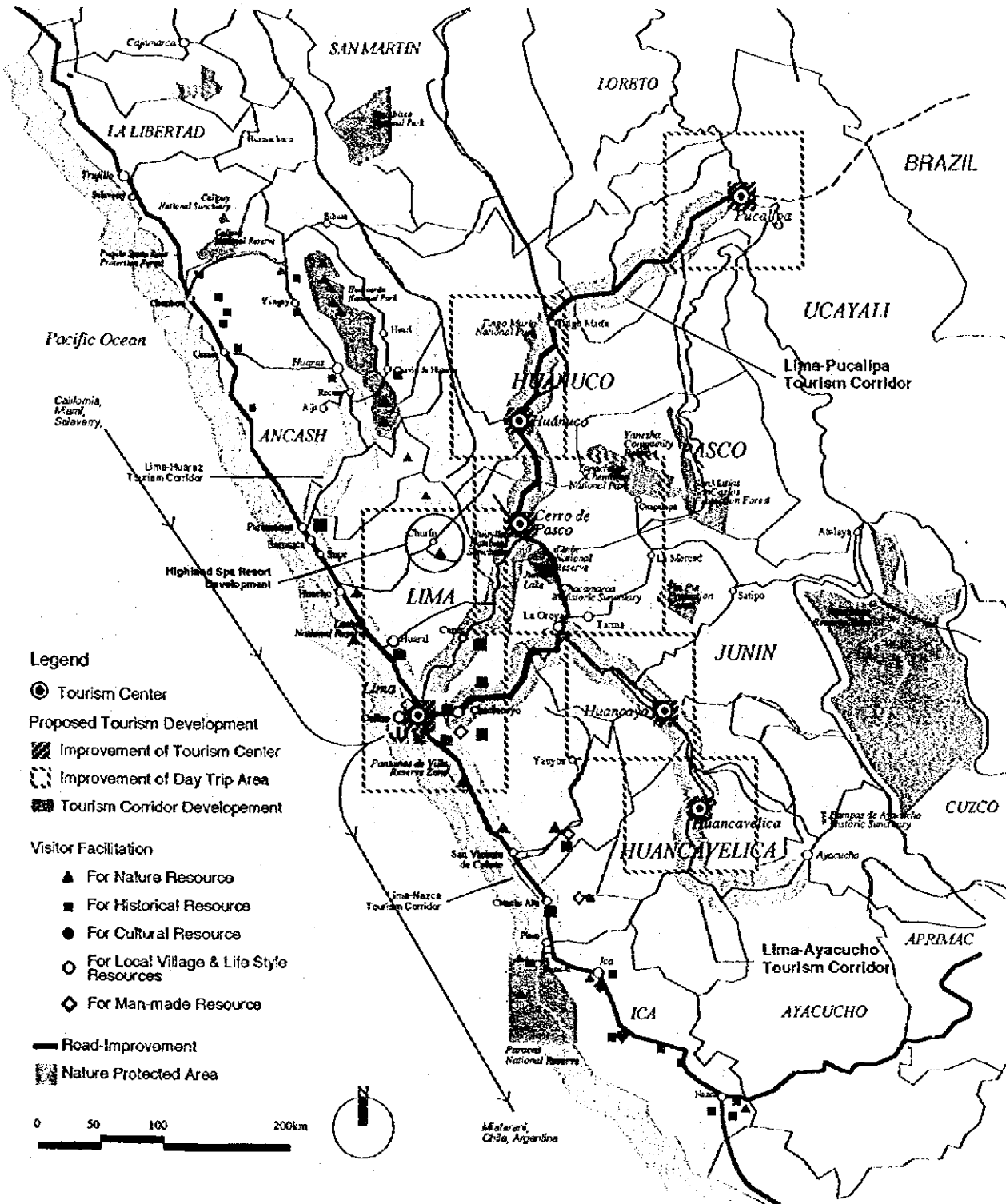
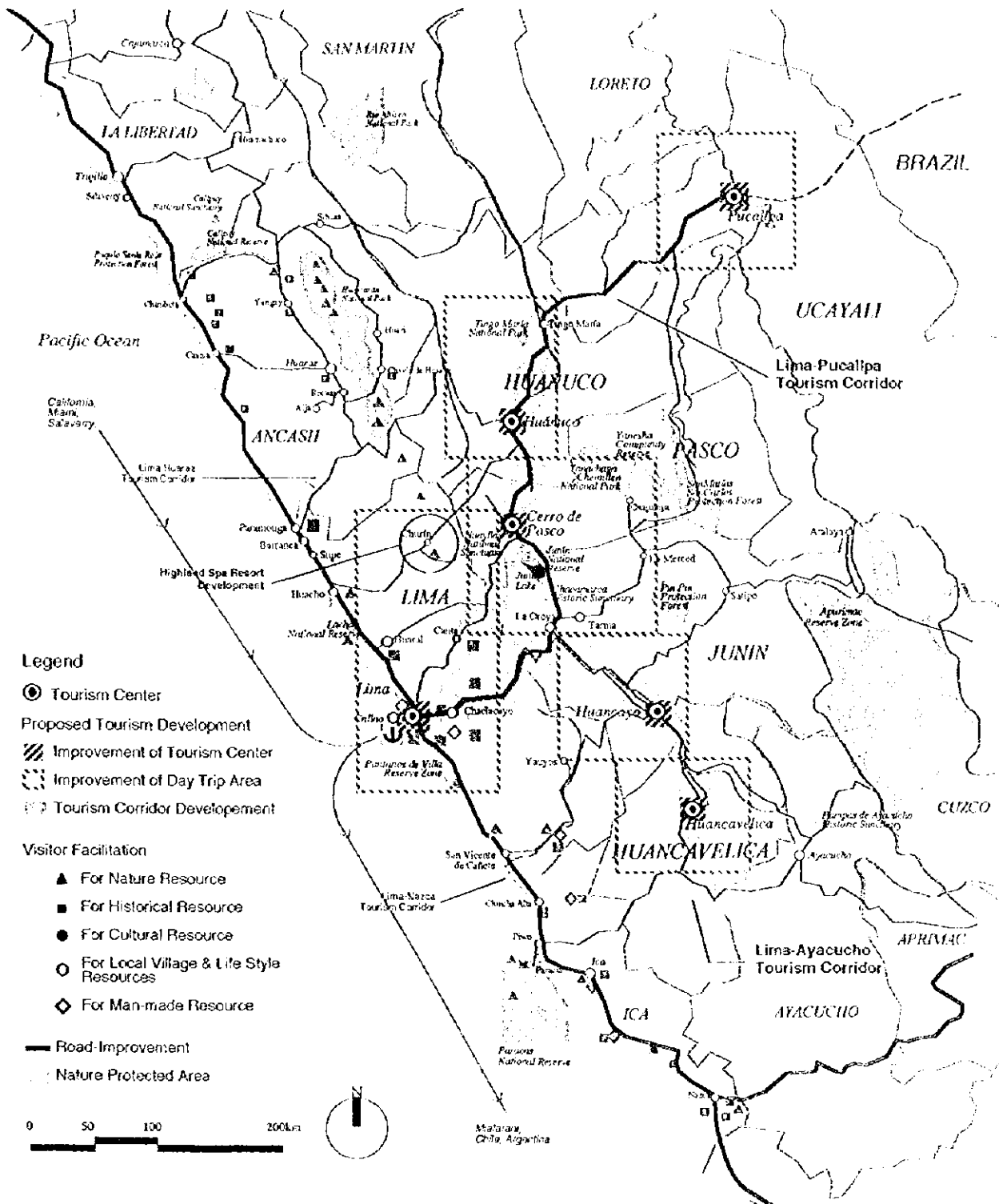


Figure 6.6 Long-term strategy for the Lima Tourism Region



6.3. Southern Tourism Region

6.3.1. Existing Conditions

Table 6.7 shows major socioeconomic indices for the Southern Tourism Region. It shows that Apurimac, Ayacucho, and Puno are the poorest Departments in Peru.

Table 6.7 Major socioeconomic Indices of the Southern Tourism Region

Department	PTDZ	Area(km ²) 1997	Population 1996	GRDP 1996	
				per capita (US\$)	GRDP (m/n US\$)
CUSCO	V	72,104	1,103,536	1,085	1,197.1
ICA	VIII	21,328	607,630	1,759	1,068.7
PUNO	IV	71,999	1,143,354	712	814.1
AREQUIPA	X	63,345	999,026	2,999	2,996.0
APURIMAC		15,668	409,506	470	192.4
AYACUCHO		43,815	517,772	582	301.5
MADRE DE DIOS		85,183	74,129	2,181	161.7
MOQUEGUA		15,734	137,735	5,950	819.5
TACNA		16,076	246,076	1,909	469.7
Sub-total / regional average		406,250	5,238,764	1,359	8,020.8
Total / national average		1,223,282	23,946,779	2,143	49,927

Source: INEI statistics data/ MITINCI compiled by JICA Study Team

Table 6.8 shows major tourism indices in the Southern Tourism Region. The number of hotel arrivals to the Southern Tourism Region is 1.78 million, of which domestic arrivals account for 76.7%. The percentage of the domestic arrivals is the lowest among the three Tourism Regions, which implies Region's popularity in the international tourism market. Cusco has the largest number of visitor arrivals (464,173), followed by Ica (353,659) and Arequipa (301,995). The Tourism Region has 19,364 hotel rooms.

Table 6.8 Major tourism indices for the Southern Tourism Region

Department	PTDZ	Hotel arrivals 1996			Hotel 1996	
		Total	Internationa	Domestic	Hotel	Room
CUSCO	V	464,173	216,758	247,415	253	4,624
ICA	VIII	353,659	59,511	294,148	163	3,506
PUNO	IV	177,949	63,683	114,266	81	1,533
AREQUIPA	X	301,995	57,522	244,473	270	4,724
APURIMAC		93,387	505	92,882	19	419
AYACUCHO		54,012	1,927	52,085	36	600
MADRE DE DIOS		87,807	11,236	76,571	39	877
MOQUEGUA		70,146	2,266	67,880	56	962
TACNA		172,733	18,881	153,852	119	2,119
Sub-total / regional average		1,775,861	432,289	1,343,572	1,036	19,364
Total / national average		8,680,934	1,022,957	7,657,977	4,050	81,752

Source: INEI statistics data/ MITINCI compiled by JICA Study Team

Table 6.9 shows major tourism resources in the Southern Tourism Region. Underlined tourism resources are evaluated to have special importance based on the results from the questionnaire survey conducted by the JICA Study Team.

Table 6.9 Potential tourism resources in the Southern Tourism Region

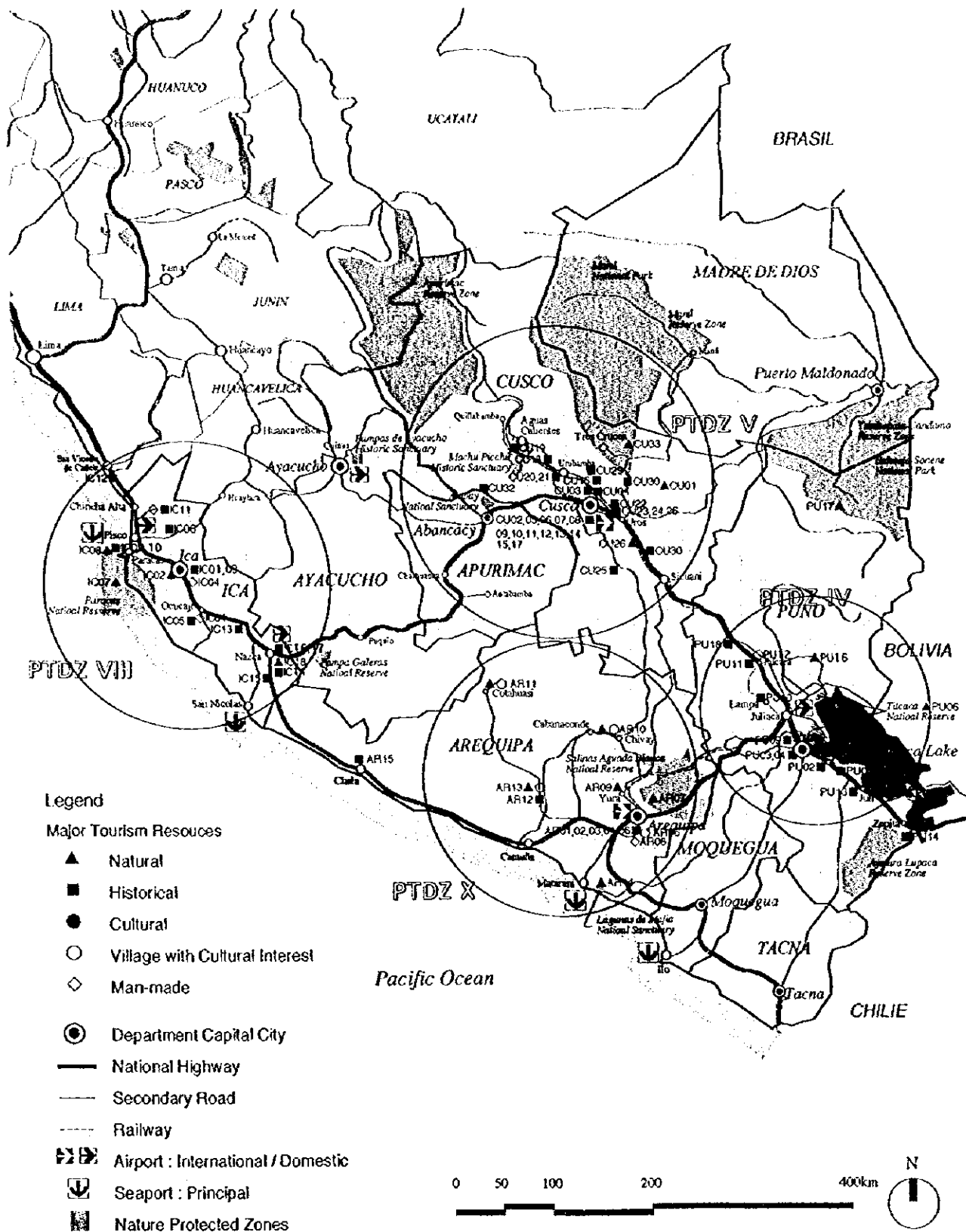
Attractions	Costa Zone	Sierra Zone	Selva Zone
Natural	<ul style="list-style-type: none"> - <u>Lagunas de Mejía National Sanctuary</u> - <u>Paracas National Reserve</u> 	<ul style="list-style-type: none"> - <u>Salinas y Aguada Blanca National Reserve</u> - <u>Vicuña sanctuary in Pampa Geletras</u> - <u>Barbara de Achille National Reserve</u> - <u>Titicaca National Reserve</u> - <u>Valleys (Colca, Cotahuasi)</u> - <u>Hot springs in Yura, Chivay</u> - <u>Sand dunes in Ica</u> 	<ul style="list-style-type: none"> - <u>Manu National Park</u> with diverse flora & fauna - <u>Bahuaja-Sonene National Park</u>
Historical	<ul style="list-style-type: none"> - <u>Pre-Inca ruins (Nazca, Paracas, Pucara, Toro Muerto, other ruins)</u> - <u>"Haciendas" colonial buildings (San Jose, Ocucaje)</u> 	<ul style="list-style-type: none"> - <u>Machu Picchu Historic Sanctuary (World Patrimony)</u> - <u>Cusco historical center (World Heritage)</u> - <u>Pampa de Ayacucho Historic Sanctuary</u> - <u>Inca ruins (Ollantaytambo, Sacsayhuaman, Pisac, Tambo Colorado, Huaytara, Sillustani) and Inca routes</u> 	
Cultural	<ul style="list-style-type: none"> - <u>Chincha with specific music</u> 	<ul style="list-style-type: none"> - <u>Cusco historical city</u> - <u>Arequipa historical city</u> - <u>Ayacucho historical city</u> - <u>Cultural and religious festival in major cities</u> 	
Villages and local lifestyle		<ul style="list-style-type: none"> - <u>Rituals in relation with village life in Cusco, Puno, Ayacucho Dpts.</u> - <u>Rituals in relation with Vicuna sanctuary in Arequipa and Puno Dpts.</u> 	<ul style="list-style-type: none"> - <u>Cultural and religious festival in Paucartambo</u> - <u>Machiguenga natives</u>
Man-made	<ul style="list-style-type: none"> - <u>Winery in Ica</u> - <u>Artificial canals</u> 		<ul style="list-style-type: none"> - <u>Zoological park</u>

Note: Tourism resources with special importance are underlined.

Source: JICA Study Team

Figure 6.7 shows the existing conditions of the Southern Tourism Region.

Figure 6.7 Existing condition of the Southern Tourism Region



6.3.2. Spatial Structure Development Directions

(1) Gateways

a. Terrestrial access

There are 2 terrestrial access routes from Bolivia through Yunguyo crossing over the Lake Titicaca, and Desguadero via road. Concordia is the terrestrial access from Chile.

b. Air access

Arequipa Airport is the gateway to the southern part of Peru, and receives international flights from Chile. Cusco Airport also receives international flights. There are 7 airports in the Tourism Region that operate domestic flights as follows:

- Arequipa,
- Cusco,
- Tacna,
- Juliaca,
- Puerto Maldonado,
- Ayacucho, and
- Nazca.

c. Sea and river access

The followings are major seaports in the Tourism Region.

- Matarani
- San Nicolás
- Paracas

Paracas is reported to have cruise ship calls from the USA.

(2) Short Southern Tourism Circuit

Southern Tourism Region has relatively developed and well-known tourism sites such as Cusco, Puno, and Ica/Nazca. Cusco is an old town since the Inca time. It is closely linked with Machu Picchu. Puno is an old town on the Titicaca Lakeshore.

Visitors tend to concentrate in Tourism Corridors of Lima - Nazca and Cusco - Puno.

Nazca-Arequipa Tourism Corridor is less used compared with the above Tourism Corridors probably due to lack of tourism attractions.

Avancay – Nazca Tourism Corridor is also less used though it is evaluated to be a scenic travel route. Planned road improvement project would increase tourist traffic in the future.

Cusco – Ayacucho – Pisco Tourism Corridors and Arequipa - Puno Tourism Corridor would also make scenic travel routes in the Sierra. Ayacucho is a historical city with colonial buildings in the historic center and archaeological sites of the Wari culture and nature areas in the surrounding area.

Arequipa is also an old town with many historical buildings. Colca Valley, which is located between Arequipa and Puno, can be a stopover for nature tourism.

(3) Supplementary Tourism Corridors

a. Puno-La Paz Tourism Corridor

This is an existing Tourism Corridor connecting to Bolivia. It is a scenic route with relatively developed infrastructure. It would play an important role to promote multi-country trip, and to attract Bolivian visitors to Peru.

b. Cusco-Puerto Maldonado Eco-Corridor

Madre del Dios Department has various natural tourism resources including Manu National Park, and Tambopata and Candamo National Reserves. Establishing the Cusco Puerto Maldonado Corridor will create a new product mix of rain forest, history, and archaeology in the Southern Tourism Region.

c. Lima - Ayacucho Tourism Corridor

Lima - Ayacucho Tourism Corridor could be an alternative travel route that connects the Southern Tourism Region with Lima.

d. Railway

The railway transport between Cusco and Aguas Calientes, which is the closest station to the Machu Picchu historical sanctuary, is frequently used by tourists as there is no alternative transportation method. The rail transport between Cusco and Puno could be acceptable for tourists by improving amenity, travel time, and punctuality.

Rail transport between Arequipa and Puno may have less possibility for tourism use.

6.3.3. Tourism Development Strategy for the Southern Tourism Region

(1) Action plan strategy by 2005

Like the Northern Tourism Region, formulation of the Short Tourism Circuit has the first priority for the spatial development in the Southern Tourism Region. The sections that currently hinder the formulation of Long Tourism Circuit are the Arequipa – Puno section and Avancay - Ayacucho. Although the former section is under improvement and will be completed by 2005, the pavement of the Avancay – Ayacucho section will not be completed during the action plan stage due to the difficulty and a large cost for the construction. Nevertheless, tourists would be able to make overland trip from Lima to Cusco visiting Ica, Nazca, Arequipa, and Titicaca Lake along the travel route. They would even continue back to Nazca over the Andes. Combination of flights and surface trip between Arequipa and Cusco will be another possibility to appreciate the most attractive part of the Tourism Circuit.

Establishing the Southern Tourism Region Development Corporation is an urgent necessity to initiate the visitor facilitation program for the Southern Tourism Region. Arequipa and Cusco should introduce measures to promote wise use of their historic centers. Adequate visitor management system should be introduced to major archaeological and nature tourism sites near Cuzco including Machu Picchu to control negative impacts.

Increase of accommodation capacity is an important issue in the Southern Tourism Region. Puno should start developing tourism facilities and accommodations to convert the city into a lake side resort. To build more tourist accommodations outside the Cusco City proper is necessary as Cusco has limitation in space to build hotels.

Figure 6.8 illustrates the action plan strategy for the Southern Tourism Region.

(2) Long-term strategy by 2015

By the year 2015, pavement of the Cusco – Avancay section will be completed, which enables overland trip of the whole Southern Tourism Circuit. Ayacucho would revive as an important tourism center with the completion of the circuit. Arequipa – Tacna Corridor would lure out more Chileans to Arequipa – Puno areas. The establishment of the Cusco – Puerto Maldonado Corridor would provide opportunities to combine nature tourism in the Selva with cultural/archaeological tourism in Selva and Costa.

Nature tourism elements will increase presence in the Tourism Region due to improved link with the Amazon Basin, and integration of nature tourism with archaeological tourism.

Figure 6.9 shows the long-term strategy for the Southern Tourism Region.

Figure 6.8 Action plan strategy for the Southern Tourism Region

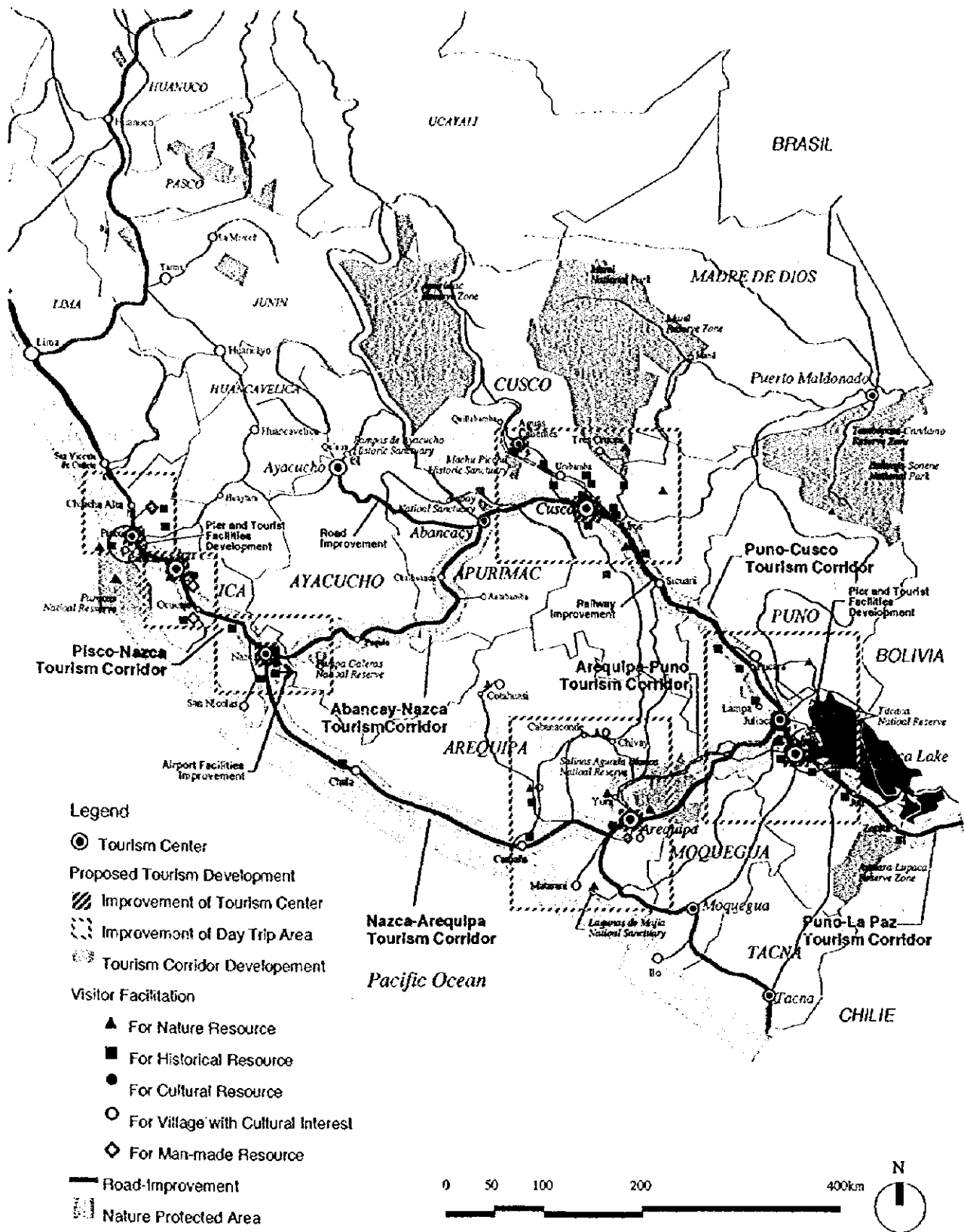
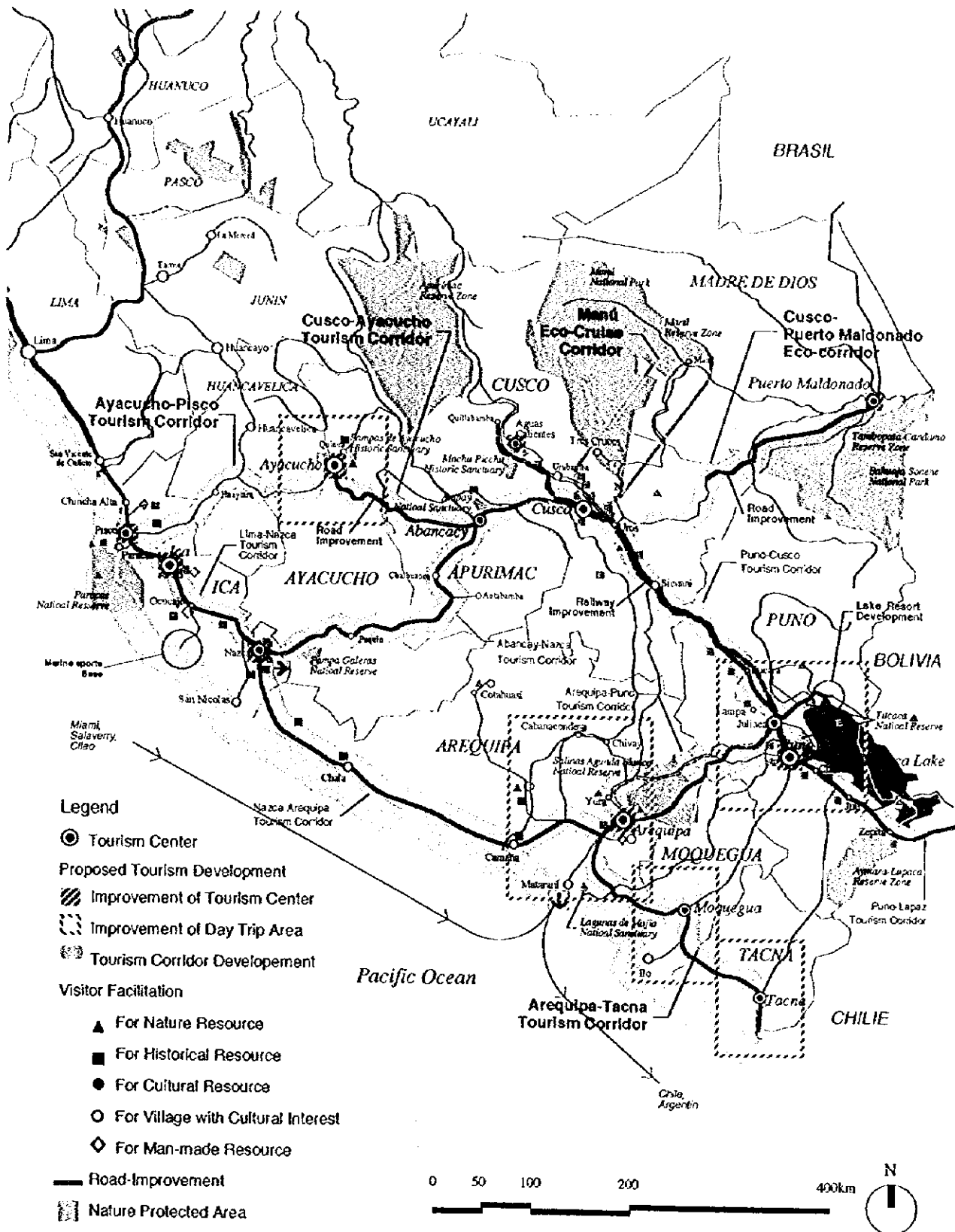


Figure 6.9 Long-term strategy for the Southern Tourism Region



7. Evaluation and Conclusions

7.1. Financial and Economic Evaluation of the Projects

7.1.1. Development Costs

The following is the summary of the development cost for the proposed projects.

Table 7.1 Development costs of the proposed projects

Category of sub-project	Northern Tourism Region			Lima Tourism Region			Southern Tourism Region			Whole Country		
	Short-term 1998-2005	Long-term 2006-2015	Total 1998-2015	Short-term 1998-2005	Long-term 2006-2015	Total 1998-2015	Short-term 1998-2005	Long-term 2006-2015	Total 1998-2015	Short-term 1998-2005	Long-term 2006-2015	Total 1998-2015
A. Transportation												
(a) Road improvement	153,400	726,586	879,986				358,956	309,014	697,970	512,356	1,065,600	1,577,966
(b) Railway rehabilitation								194,964	194,964	0	194,964	194,964
(c) Airport improvement		30,000	30,000				2,000		2,000	2,000	30,000	32,000
(d) Sub-total	153,400	756,586	909,986				360,956	503,978	894,934	514,356	1,290,564	1,804,920
	18.3%	51.5%	39.4%	0.0%	0.0%	0.0%	37.9%	34.7%	35.9%	19.5%	36.1%	29.0%
B. National Archeological Park	16,200	10,850	27,050							16,200	10,850	27,050
C. Land development for resort hotel	7,375	40,482	47,857					10,656	10,656	7,375	51,138	58,513
D. Visitor Facilitation												
(e) Wayside amenity	3,450	490	3,940	1,160	994.5	2,154.5	2,320	3,190	5,510	6,900	4,675	11,605
(f) Tourist facilitation	30,767	6,208	36,975	7,250	950	8,200	8,999	1,790	10,789	47,015	8,948	55,963
(g) Tourism facility dev.	1,250	52,394	53,644			0	800		800	2,050	52,394	54,444
(h) Tourism center imprv.	29,808	8,100	37,908	26,855	18,800	45,655	13,731	20,87.7	34,608	70,394.3	47,776.7	118,171
(i) Prehispanic Route	370	93	463	185	1,335	1,520	586	62	648	1,141	1,489	2,630
(j) Tourist pier	360	1,120	1,500			0	3,180	5,000	8,180	3,560	6,120	9,680
(k) Training facilities	652	350	1,012	3,100		3,100	996	532	1,528	4,748	892	5,640
(l) Others				500		500				500		500
(m) Sub-total	66,677	68,765	135,441	39,050	22,080	61,130	30,612	31,450	62,062	136,338	122,294	258,633
E. Total except transport development (B+C+D)	90,252	120,097	210,348	39,050	22,080	61,130	30,612	42,106	72,718	159,913	184,282	344,196
	10.8%	8.2%	9.1%	4.6%	3.9%	4.3%	3.2%	2.7%	2.9%	6.1%	5.2%	5.5%
F. Hotel development	594,060	593,380	1,187,440	810,810	544,480	1,355,290	559,930	982,820	1,522,750	1,964,800	2,100,680	4,065,480
	70.9%	40.4%	51.5%	95.4%	96.1%	95.7%	58.8%	62.6%	61.1%	74.5%	58.8%	65.4%
G. Grand Total (A+E+F)	837,712	1,470,063	2,307,774	849,860	566,560	1,416,420	951,498	1,538,904	2,490,402	2,639,069	3,575,526	6,214,596
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
H. Total except hotel development (A+E)	243,652	873,683	1,120,334	39,050	22,080	61,130	391,568	576,064	967,652	674,269	1,474,845	2,149,116
	29.1%	59.6%	48.5%	4.6%	3.9%	4.3%	41.2%	37.4%	38.9%	25.5%	41.2%	34.6%

Source: JICA Study Team

A financial and economic evaluation of the project was carried out in order to assess its feasibility. Three indicators, both for the financial and economic evaluation, were calculated: IRR (Internal rate of return), NPV (Net Present Value), and B/C (Benefit-Cost Ratio).

7.1.2. Economic Feasibility of the Project

The project was evaluated for a project life cycle of 25 years (2000-2025). The results for each region and for the country as a whole are shown in Table 7.3.

Table 7.2 Summary of economic feasibility indicators

	Northern Region	Lima Region	Southern Region	Whole Country
EIRR (%)	14.7	30.9	19.9	22.2
NPV (Million US\$)	164,395	1,079,224	448,845	1,578,732
B/C	1.07	1.39	1.18	1.21

Source : JICA Study Team

Sensitivity analysis for the economic rate of return (EIRR)

Results of the sensitivity analysis was carried out as shown below:

Table 7.3 Sensitivity Analysis of EIRR

	Northern Region	Lima Region	Southern Region	Whole Country
Base Case	14.7	30.9	19.9	22.2
Increase of Costs (+10%)	11.4	26.3	16.0	17.0
Decrease of Benefits (-10%)	11.0	25.7	15.5	16.4
Combination of Both Cases	6.8	20.4	10.7	11.4

Note: Unit: %

Source : JICA Study Team

7.1.3. Financial Feasibility of the Project

In the same way as in the economic evaluation, a financial evaluation was carried out but considering market prices instead of economic prices for costs. The results for each region and for the country as a whole are summarized in Table 7.4.

Table 7.4 Summary of Financial Feasibility Indicators

	Northern Region	Lima Region	Southern Region	Whole Country
FIRR (%)	13.8	24.0	15.8	18.4
NPV (Million US\$)	285,477	1,592,388	592,456	2,692,184
B/C	1.07	1.33	1.13	1.21

Source : JICA Study Team

Sensitivity analysis for the financial rate of return (FIRR)

A sensitivity analysis was carried out as shown below:

Table 7.5 Sensitivity Analysis of FIRR

	Northern Region	Lima Region	Southern Region	Whole Country
Base Case	13.8	24.0	15.8	18.4
Increase of Costs (+10%)	11.3	20.2	12.9	15.1
Decrease of Benefits (-10%)	11.0	19.7	12.6	14.8
Combination of Both Cases	8.3	15.7	9.6	11.7

Note: Unit: %

Source : JICA Study Team

7.1.4. Comments on the Results of the Financial and Economic Evaluation

In general terms, the EIRRs and FIRRs for all regions and for the country as a whole show a strong degree of feasibility of the Project. The sensitivity analysis also shows the robustness of the project in the sense that the EIRRs and FIRRs show adequate levels in spite of being subject to combined conditions such as a decrease of 20% of benefits and 20% increase of costs.

7.2. Environmental Evaluation

Large-scale physical development projects such as road improvements, resort developments have to conduct Environmental Impact Assessment (EIA) at their implementation stage, and needs measures to reduce negative impacts as necessary. It is noted that considerations for social impacts are relatively important for tourism development. As has been proposed in this study, establishing adequate guidelines for tourism that visit socially sensitive areas like visits to natives and indigenous villages is recommendable.

7.3. Conclusions

7.3.1. Development Priority to Tourism Regions

The Southern Tourism Region has many well-known tourism products such as Cusco, Machu Picchu, Nazca Lines, and Titicaca Lake, and therefore tourism investment has been initiated in the Tourism Region to accommodate a increasing number of international visitors. Tourism has already taken off to contribute to the regional economy.

The Northern Tourism Region, however, is still in a premature stage of tourism development despite the potential of its tourism resources, which is evaluated to be comparable to that of the Southern Tourism Region. Tourism could contribute to the development of the Tourism Region, in particular, in economically marginalized rural areas.

The Lima Tourism Region is also premature in terms of tourism except the Lima City. The Tourism Region, however, is anticipated to be developed by the private sector without intensive governmental intervention, thanks to its proximity to a market that is one of the most populous city in South America.

Therefore, the Northern Tourism Region should be given the first priority for public sector intervention for tourism development.

7.3.2. Issues to be solved

Tourism development of Peru still has many of constraints to be solved. The followings are the issues found through the study process. Some solutions have been proposed in this report, but further studies would be necessary to elaborate the proposals.

(1) Tourism Administration

- 1) MITINCI should coordinate with the Peruvian Government to establish the Sub-council of Tourism Affairs to achieve smooth coordination among the agencies concerning tourism, in particular, PROMPERU and the Tourism Projects Office in the Ministry of Presidency, which are directly related to tourism development.
- 2) MITINCI should coordinate with local governments, and support them to establish Tourism Region Development Corporations (TRDC) in the Northern and Southern Tourism Regions as part of the process for decentralization. The TRDCs should be organizations that are capable of development and operation of tourism-related infrastructure and facilities. Their establishment is urgently required to implement proposed projects for the Action Plan.
- 3) MITINCI should coordinate with INRENA, INC, PROMUDEH, and appropriate NGOs to establish the National Ecotourism Council to encourage development of ecotourism and alternative tourism.
- 4) MITINCI should coordinate with PROMPERU to establish a plan to reinforce tourism promotion activities, in particular, in the international markets.
- 5) MITINCI should coordinate with PROMPERU to conduct various marketing researches continuously, and utilize the data to establish development and promotion strategies.

- 6) MITINCI should make efforts at improving the quality of services of the tourism sector with reinforcement of tourism education and capacity building.
- 7) MITINCI should coordinate with the Ministry of Interior, Departments and Municipalities to secure tourists' safety, and coordinate with PROMPERU to publicize the improving situation to overseas to eliminate the unfavorable images.

(2) Environmental and social considerations

- 1) MITINCI should establish the Environmental Unit in the Vice-Ministry of Tourism to reinforce its capability for environmental management and its influence on the national environmental policy.
- 2) MITINCI should establish measures to encourage local participation in tourism including licensing for local guides, supports for handicraft producers, and introduction of community-based tourism development.
- 3) MITINCI should introduce measures to incubate tourism SMEs including provision of education and training for capacity building and supports for marketing and tourism promotion, and coordinate with COFIDE to introduce a microfinancing system for Tourism SMEs.
- 4) MITINCI should coordinate with the National Ecotourism Council to establish ecotourism operation guidelines and an ecotourism certification system based on the guidelines.

(3) Tourism development

- 1) MITINCI should make efforts to diversify tourism products and markets, in particular, through inducement of product mixes such as archaeological tourism combined with beach resort tourism, highland resort tourism, and the Amazon Cruise.
- 2) MITINCI should coordinate with Ministry of Transport, Communication, Housing, and Construction for the improvement of tourism network such as road, ports, and airports.
- 3) MITINCI should coordinate with INC and INRENA to establish a National Archeological Park System, which envisages coexistence of archaeological site, local community, and surrounding nature area.
- 4) MITINCI should coordinate with Tourism Region Development Corporation to implement visitor facilitation programs that include all the necessary improvements to facilitate visitors to travel Peru comfortably, such as access road improvements, wayside amenity development, installation of signs and interpretation boards, development of tourist information centers, and sense of arrival improvement.
- 5) MITINCI should introduce measures to control disorderly development by the private sector, which would include resort estate developments with development guidelines.
- 6) MITINCI should implement pilot projects of different tourism development types, which aims at providing archetypes for future tourism development projects.

7.3.3. Necessity of a review of projects and programs

It is noted that the proposed programs and projects in this study should be reviewed and corrected by Peruvian side, since, JICA Study Team could not conduct site surveys in many of anchor tourism destinations in Peru.

JICA

