

**Ministry of Foreign Trade and Tourism
The Republic of Peru**

Pilot Study for Project Formulation

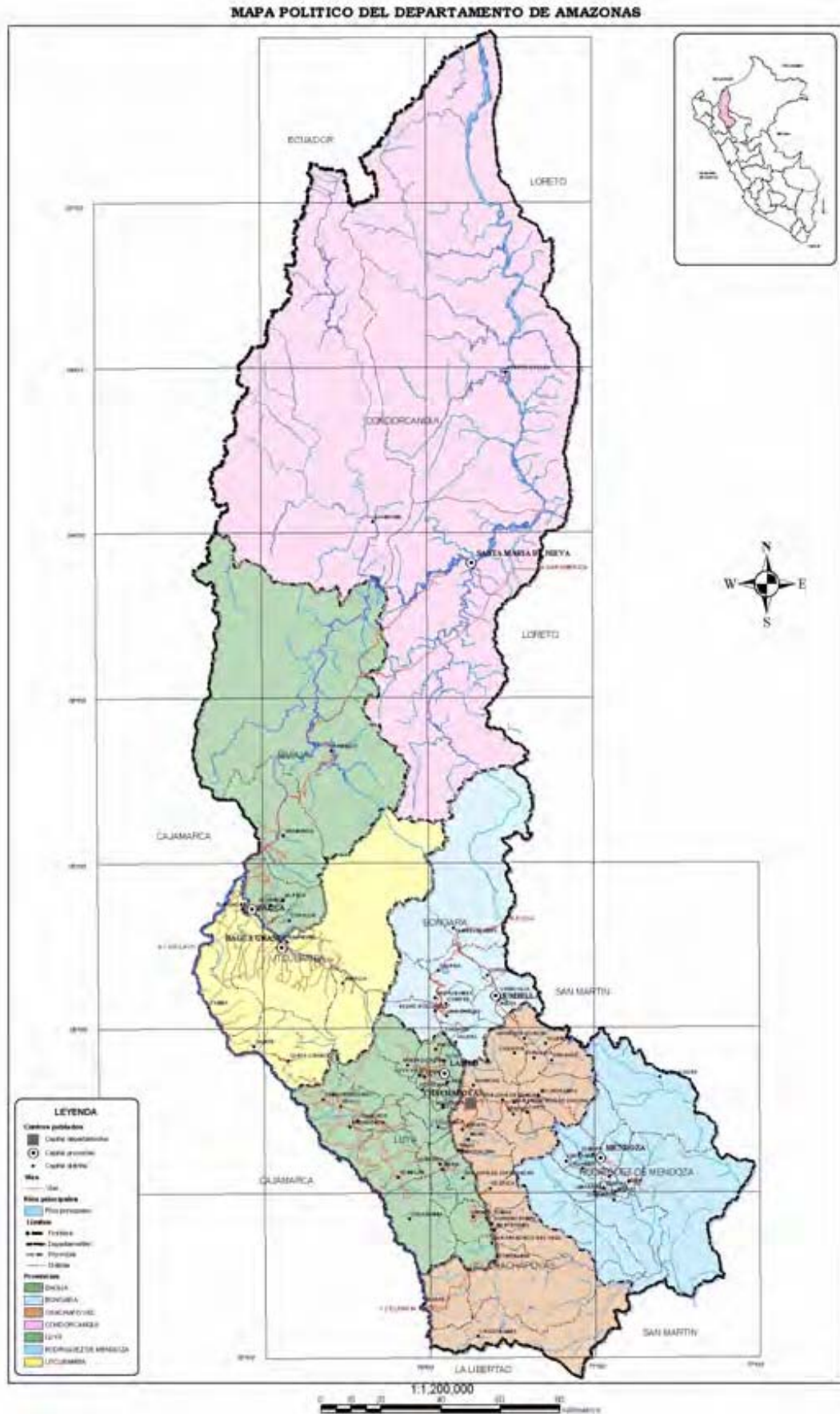
**Rural Development
through Tourism Promotion Project
in
The Republic of Peru**

**Final Report
Summary**

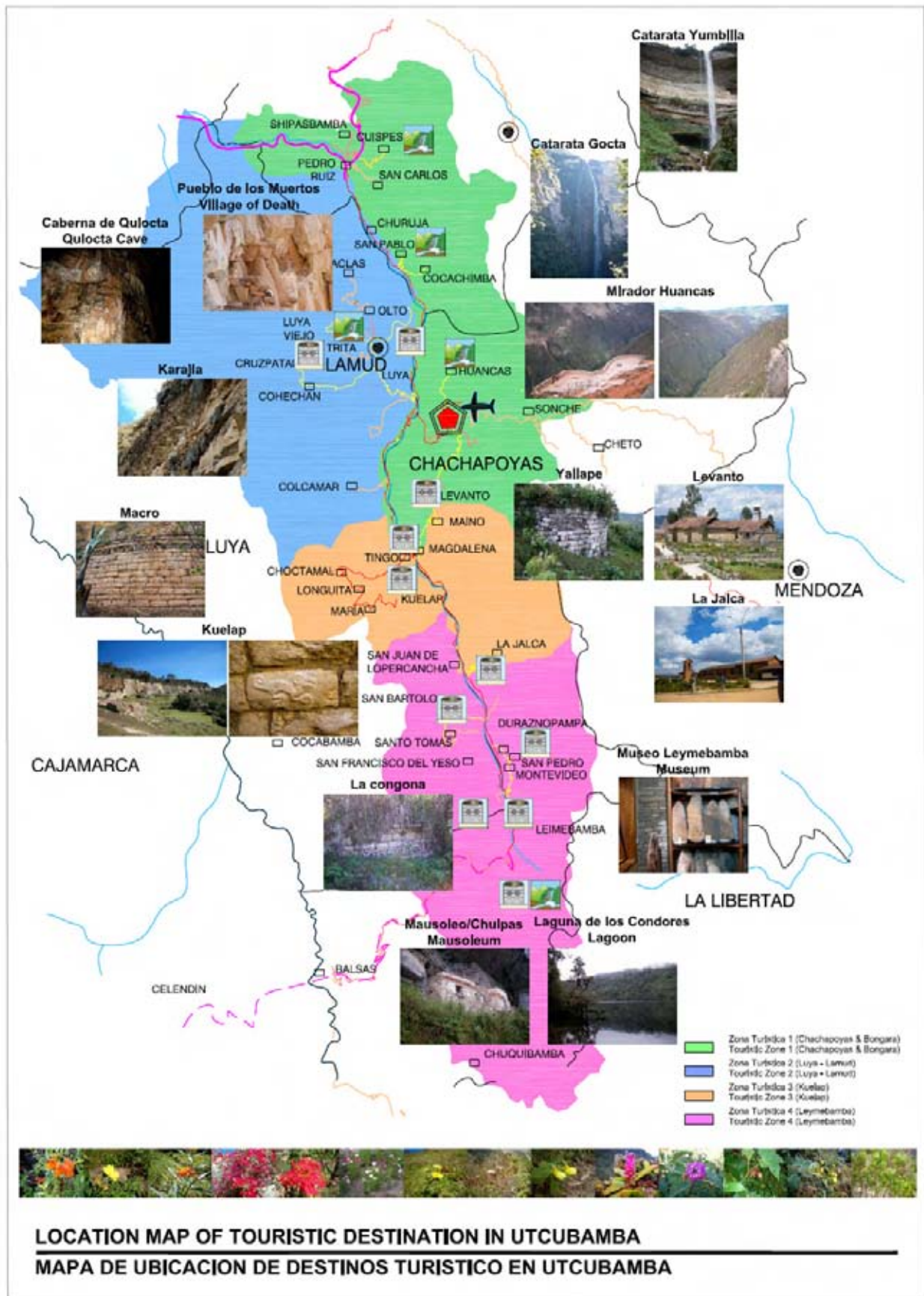
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JAPAN INTERNATIONAL COOPERATION AGENCY

**Nippon Koei Latin America- Caribbean Co., Ltd.
KRI International Corp.**



Location Map of the Study Area in Amazonas



**JICA Pilot Study for Rural Development through Tourism Promotion Project
Final Report**

Summary

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Location Map

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Summary List of Priority Project in the Proposed Program

1. INTRODUCTION

1.1 Background

In Peru, around half the population lives in poverty, where most are living in rural areas of the country. In order to alleviate the plight of the poor and redress regional inequity, the government of Peru ranks poverty alleviation, through economic development, as one of its priority issues.

Considering the needs and urgency for promoting poverty reduction in rural areas, income generating activities, utilizing locally available resources and regional development through infrastructure improvement, are considered essential means.

Tourism is one of the prominent and potential sectors for regional development in Peru. Rural areas of Peru are rich in natural and cultural assets that can contribute towards sustainable tourism development, and can bring about a positive impact on Peruvian socioeconomic conditions. According to the World Tourism Organization, tourism is the third largest foreign currency earning industry, amounting to eight percent of total Peruvian exports in 2004. The Peruvian government has developed the National Tourism Strategy Plan in order to further promote regional development through tourism by means of infrastructure improvement around tourist sites and by taking advantage of potential natural resources.

However, the lack of funds and human resources hinder addressing the issues and problems of the Peruvian tourism sector. This has also caused underdeveloped medium to long-term tourism promotion strategy. Northern Peru which has a high tourist potential, is suffering from economic inequity and poor tourism, which is lagging behind the southern area, where world's famous sites are located, i.e., Machu Picchu, Cusco and Puno. It must also be pointed out that there are only limited chances for local residents to participate in regional development.

Under these circumstances, it is necessary to consider means of providing assistance in view of poverty reduction and regional inequity alleviation. Tourism development and infrastructure improvement can be the means to achieve such objectives, particularly in northern Peru, where regional development and poverty reduction are urgently necessary.

Based on the agreement between the Ministry of Foreign Trade and Tourism (Mincetur) and Japan Bank for International Cooperation (JBIC which is currently Japan International Cooperation Agency as of October 1, 2008) as of June 11, 2008, (please refer to the copy of enclosed Minutes of Understanding at the end of this report) this study is jointly carried out by experts representing relevant parties, from June 2008 to January 2009.

1.2 Objectives of the Study

Various types of development projects/programs have been prepared by the Peruvian government and foreign donors to promote tourism sector as well as socioeconomic development in the Department of Amazonas.

Most of them are, however, not realized so far due to negative conditions such as limited budget, insufficient implementation of planning and lack of local participation.

The existing projects/programs are, thus, reviewed and integrated as a new development package in consideration of the current condition, balance of hard-components and

soft-components, utilization of Japanese experience on tourism development and local involvement in the Study.

In this condition, the objectives of the Study are as follows:

Objective 1 To explicate the necessity and potentials of tourism development projects in northern Peru in relation with poverty alleviation and economic development,

Objective 2 To identify and draw a comprehensive picture for rural development through tourism promotion in Amazonas, and

Objective 3 To prepare an integrated program profile in compliance with the Peruvian National Public Investment System (SNIP).

1.3 Study Area

All the districts in Amazonas, in particular the Utcamba Valley Corridor (Chachapoyas, Luya and Bongara provinces), form part of the study areas which are among the most underdeveloped areas in Peru.

Table 1. Study Area in Amazonas

	Area (km ²)	Population 2005	Population Density	Poverty level*
Amazonas region	39,249	391,705	9.98 / km ²	1.8
- Chachapoyas province	3,312	49,573	14.97 / km ²	1.9
- Bongara province	2,870	24,977	8.70 / km ²	2.0
- Luya province	3,237	49,733	15.36 / km ²	1.7
(3 provinces in total)	9,419	124,283	13.19 / km ²	1.8
All Peru	1,285,220	26,152,444	20.35/ km ²	N/A

* The poverty levels in the Peruvian Poverty Map are divided into 1 (poorer) - 5 (less poor).

Source: INEI, FONCODES

In addition to the fragile socioeconomic condition, social and economic conditions in Amazonas are lagging behind other areas of Peru¹. Considering its rich natural and cultural assets², however, the potential of the region to be an attractive tourism destination in the future is high. Those natural and cultural resources are not adequately developed for tourism purposes and they are not known to public. Therefore, tourism development in Amazonas is strongly expected as a means of rural development to alleviate poverty and to contribute in redressing regional inequality.

The major tourism sites in the Study area are presented in the map at the beginning of this report.

1.4 Execution of the Study

This Study is being conducted by a team of consultants designated by JICA (Nippon Koei Latin America - Caribbean Co. Ltd. / KRI International Corp.), in close collaboration with experts of

¹ Population served for portable water supply in Amazonas: 67% (national average: 73%), electrification rate in Amazonas: 47% (National average: 73%), Population served for public sewage system in Amazonas: 29% (national average: 53%), Percentage of paved road in Amazonas: 6% (national average: 13%)

² Up to the year 2001, 4542 sites are registered as National Cultural Heritage. Among those, 167 sites locate in the target area of this Study (Chachapoyas, Luya and Bongara) out of 179 sites in all Amazonas. However, even those registered heritage sites, state of the sites and level of conservation efforts are not clear. Besides, it is considered that there are more remaining archaeological sites not registered nor excavated in Amazonas.

the Mincetur, the Amazonas Regional Government and local authorities. This study is a result of the collaboration and cooperation between the central and local experts/officers, local stakeholders and the consultants.

The Study in Peru has been executed since 15 June 2008. In addition to the inception meeting held with the Mincetur on 17 June 2008, and a kick-off discussion with regional stakeholders held in Chachapoyas on 30 June 2008, a workshop was also carried out in Chachapoyas on 14 July 2008. It aims to conduct in-depth discussions related to the screening of the tourism development as short-listed projects and to recognize the application of Japanese experience on rural development such as 'Michinoeki' (road station; Tambo in Peru), 'Isson Ippin (One Village One Product) and 'Livelihood Improvement Program' to rural tourism development in Amazonas. Main issues for tourism promotion were identified as follows.

- Improvement of infrastructure related to tourism is a key issue in strengthening tourism promotion in the Amazonas. Especially, it was recognized that road improvement was indispensable for further tourism development.
- Strengthening tourism promotion is vital in attracting domestic and foreign tourists, in order for them to realize the value of tourism in Amazonas. These can be implemented through international website, publicity materials, TV spot, etc.
- Conservation of cultural and natural heritages are to be conducted in cooperation with community participation, as well as public sector including local authorities and technical specialists.
- Capacity building for tourism services such as tourist guide, hotel, restaurant and handicraft, should be strengthened both in terms of quality and in quantity, in cooperation with public and private sectors.
- Tourism facilities such as information center, sign board, safety fence and promenade are to be set up in consideration of safety and tourist friendliness as well as natural and social environments.

Based on further study in Peru from July to September 2008, the Perfil and a Draft Final Report (DF/R) was compiled at the end of September 2008. This was reviewed and discussed at the workshop in Chachapoyas on 5 December 2008, and on 9 December 2008 in Lima. The Final Report (F/R), composed of a main report and supporting discussions, presents all the results of the Study, planning and evaluation of the development program proposed for rural development through tourism promotion in the Amazonas region of Peru.



Workshop in Chachapoyas in September 2008



Workshop in Lima in December 2008

2. CONCLUSION AND RECOMMENDATIONS

2.1 Conclusion

This study has three objectives for rural development through tourism promotion in the Amazonas as described in the Chapter 1.2. The conclusions for the objectives are summarized as follows.

Objective 1 To explicate the necessity and potentials of a tourism development project in northern Peru in relation with poverty alleviation and economic development

From the review of the existing projects/programs to promote tourism sector as well as socio-economic development in the Amazonas and for further studies, the necessity and potentials of tourism development is discussed in this Study. The results are that the northern tourism region, Amazonas in particular, should be given the first priority for public sector intervention for tourism development.

<Socio-economic Aspect>

According to the Peruvian poverty map prepared by FONCODES, Amazonas is one of the most under-developed regions in Peru. In particular, Chachapoyas, Bongara and Luya provinces, where the study area and the important tourism areas are in the Amazonas, are one of the poorest areas in comparison with Amazonas average. Based on the poverty conditions, job and income generation opportunities are quite limited in the Amazonas. Unemployment rates in the three provinces (27.5% in average) are quite high compared with the national average (4.3%)

Social indicators, such as education and health conditions in Amazonas, are also relatively low compared to the national conditions³. Poverty alleviation through improvement of the livelihood conditions is the key issue for the Amazonas Regional Government.

<Tourism>

The southern tourism region in Peru has well-known tourism resources such as Cusco, Machu Picchu, Titicaca Lake and Nasca Lines, and therefore, tourism investment has been initiated in the region to accommodate an increasing number of international visitors⁴. Tourism has already taken off to contribute to the regional economy.

On the other hand, the northern tourism region is still in a premature stage of tourism development despite the potential of its tourism resources. However, even in comparison with the above mentioned sites in Peru, archaeological and natural resources represented by the fortress of Kuelap and the Gocta and Yumbilla Falls in Amazonas have distinctive attractiveness to visitors. In comparison with other well-known tourism areas in Peru, the Amazonas is characterized by the coexistence of the above archaeological and natural resources. Thus, what

³ Completion rate of primary school in Amazonas (2005): 50% (national average: 64%), malnutrition rate in Amazonas (1999): 40% (national average: 28%)

⁴ The monitoring reports (1999/ 2002) by UNEDCO World Heritage Committee, the sanctuary of Machu Picchu, one of the major tourism sites in southern Peru, recommends that detailed studies on carrying capacity of the site should be undertaken as the number of the visitors may exceed the capacity of the site. National Institute of Culture (INC) of Peru estimated in 2001 that the carrying capacity of the site is 2500 people at a time and 3400 people per day. According to Mincetur, the number of visitors to Machu Picchu in 2007 is approximately 800,000. It indicates that an average of 2200 people visit the site per day.

makes Amazonas distinctive would be the variety of experiences it can offer: cultural, adventure and natural. Remains of pre-Inca cultures and idyllic ambience that cannot be experienced in the world famous tourism destinations are also the assets of Amazonas. However, in spite of those merits, the number of tourists, especially foreign tourists is very small compared to the south⁵. The premature infrastructural development is certainly one of the reasons for this. But other issues, such as waste management and the lack of publicity as a tourism destination also have to be improved.

<Infrastructure>

Basic infrastructure in the Amazonas is under-developed. In particular, the conditions of paved roads, electricity and sewerage systems are quite behind compared with the national condition. Improvement of basic infrastructure is one of the urgent issues for regional development as well as tourism promotion in Amazonas.

In the JICA workshop, which was participated in by local authorities such as local governmental officers, private tourism sector, and community people in Chachapoyas, it was pointed out that improvement of infrastructure related to tourism is the key issue to strengthen tourism promotion in the Amazonas.

As of January 2009, there is no regular flight service to Chachapoyas although the improvement of a terminal building of Chachapoyas airport is in progress. Therefore, road transportation is being the only means to get to Chachapoyas. From Chiclayo, one of the major cities in northern coastal area of Peru and which is connected to Lima in 2 hours by a number of regular commercial flights, it takes 10 hours by bus and 8 hours by car. The long travel time from Lima would discourages tourists, especially tourists from abroad, from visiting Amazonas. Thus, it is indispensable to restart commercial regular or charter flights from Lima to Chachapoyas in order to promote tourism in the region as well as to improve the livelihood of local communities. In the meantime, the road transportation remains the only option of reaching Chachapoyas for the moment. As an basis for the movement of tourists as well as for the daily life of local residents, it is therefore necessary to improve the road conditions by paving and the reduction of travel time. The workshop participants recognized that transport improvement was indispensable for tourism development as well as rural and economic development.

It takes continuous efforts in order to tackle above mentioned issues on tourism and infrastructure. However, the improvement of the level of services in tourism and infrastructure can stimulate the untapped potential of tourism in the region, and contribute to the increase in number of tourists and tourism sector in the future.

Objective 2 To identify and draw a comprehensive picture for rural development through tourism promotion in the Amazonas

Based on the analysis of current conditions, a comprehensive picture for rural development through tourism promotion is identified and drawn as described in Chapter 3 of the Main Report. The comprehensive picture has been formulated as a new development package in consideration of community participation and empowerment, capacity building for local government, and

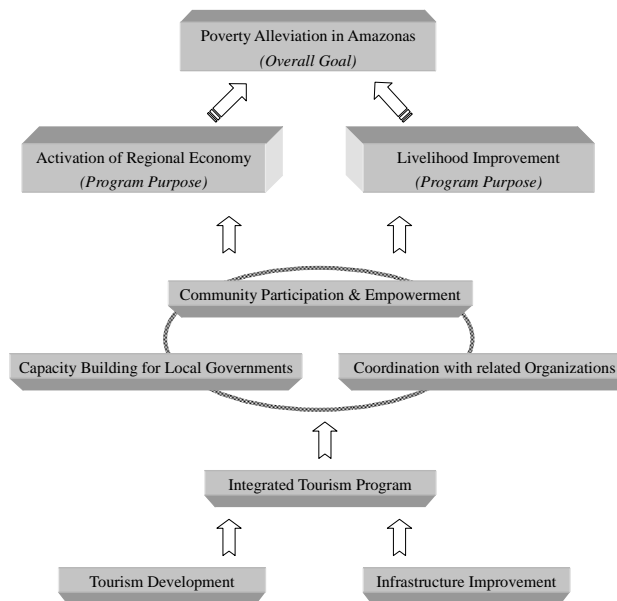
⁵ Statistics on the number of foreign and national tourist in 2007 shows that there were 890,000 foreign and 510,000 national visitors in Cusco, whereas there were 9000 foreign and 160,000 national visitors in Amazonas.

coordination with related organizations.

<Basic Concept and Strategy>

The points taken into account in formulating a comprehensive program for rural development through tourism promotion are presented in Figure 1. It is necessary to promote the improvement of tourism service and facilities as well as infrastructure in parallel in order to contribute to the increase of tourists and improvement of livelihood, as shown in Figure 2.

Figure 1. Conceptual Diagram of Basic Concept/ Strategy for the Proposed Program



Source: JICA Study Team

Figure 2. Issues Regarding Tourism Development and Necessary Actions

<u>Issues</u>	<u>Necessary Actions</u>
<p><u>Information on tourism resources</u> has to be available to tourists</p>	<p><u>Tourism Marketing Promotion</u> Tourism promotion, website on the internet, promotion with tour operators</p>
<p><u>Tourism resources have to be attractive</u> to make potential tourists decide to come</p>	<p><u>Value Enhancement of Tourism Site</u> Conservation, excavation and restoration of archaeological site, museums</p>
<p><u>Basic infrastructure</u> is necessary to attract tourists and to improve the living conditions of local residents</p>	<p><u>Improvement of infrastructure to contribute to increase of tourists and to improve the living conditions</u> Movement (road transportation, signage, commercial flight), rest area, hotel and restaurant, communication, water, waste management.....</p>
<p><u>Cooperation among the stakeholders (the government, private sector, implementing agency and local residents)</u> is indispensable</p>	<p><u>Cooperation among the stakeholders</u> Tourism publicity, promotion for commercial flight operation, cooperation with neighbouring cities, private sector's development (hotel, electricity etc.), community participation, community participation by volunteer basis, formation of associations/ committees on tourism related issues</p>
<p><u>System to guarantee an equitable return from tourism to local communities/ residents</u> to ensure continuous support from them</p>	<p><u>Implementation plans and organizational structure</u> Inclusion of local products and local workforce in tourism, system to ensure an equitable return of benefit to local communities and residents, cooperation of local schools and museum</p>

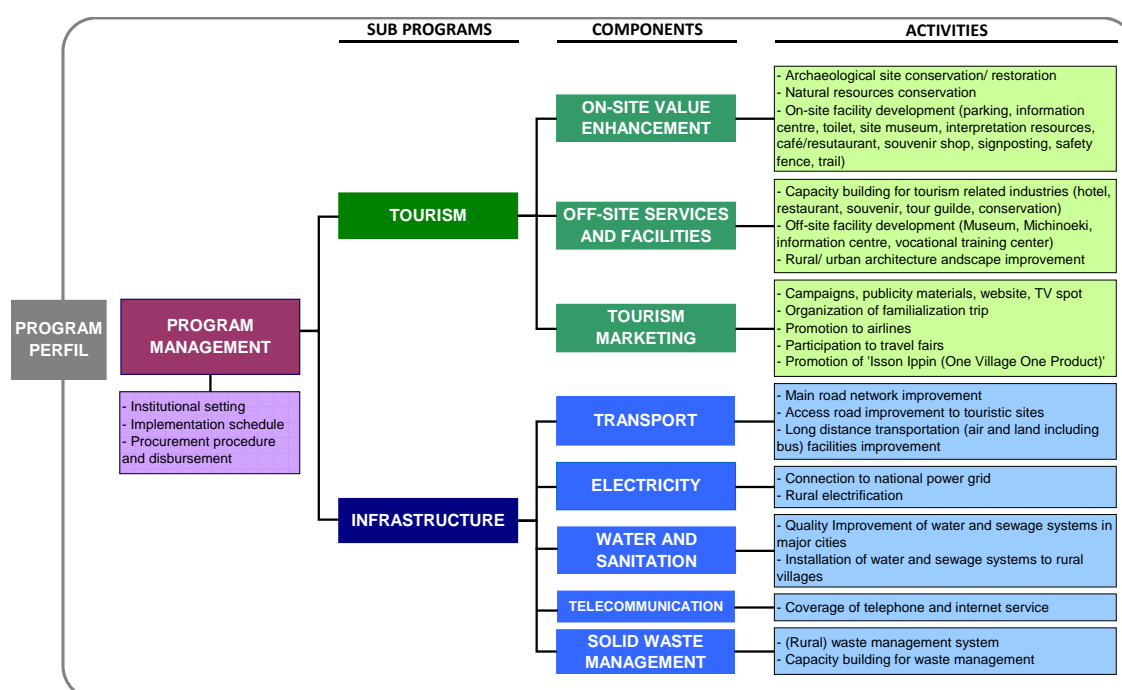
Source: JICA Study Team

It is necessary that above actions are planned and implemented in consideration of diverse factors such as finance, human resources and capacity building. For example, it is possible to start the implementation where the surrounding preconditions are most favorable, and to proceed to other actions in several phases. In that case, the capacity building can be implemented gradually in phases. It would be necessary to formulate a realistic implementation plan considering the circumstances on the ground.

<Structure of Integrated Rural Development>

The basic structure considered in the preparation of the integrated program for rural development through tourism promotion is presented in Figure 3.

Figure 3. Structure of Rural Development through Tourism Promotion



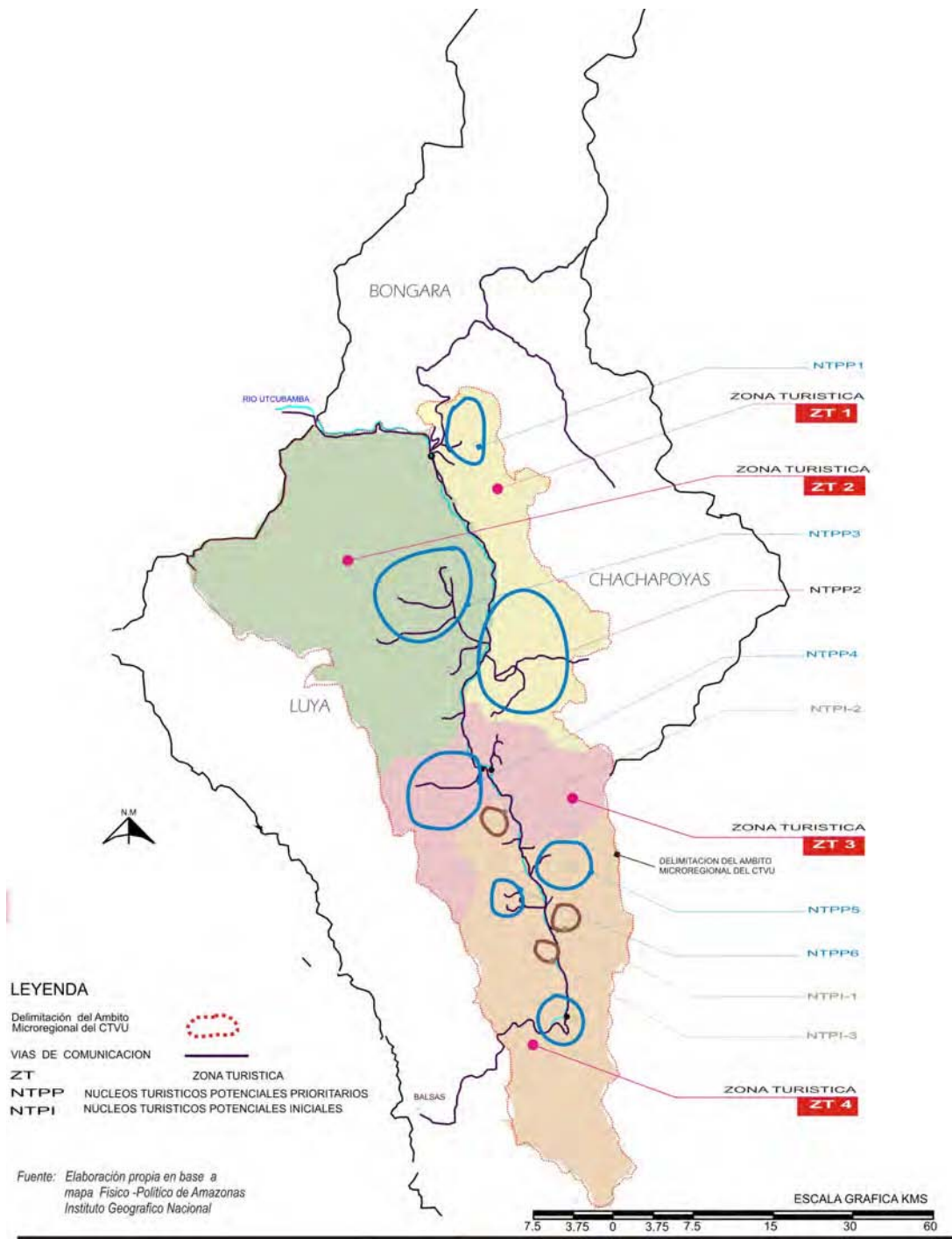
Source: JICA Study Team

<Selected Tourism Cores and Priority Sites>

The Study Team together with Mincetur and the Amazonas Regional Government identified thirteen archaeological sites and five nature sites in seven tourism cores as priority sites in the Utcubamba Valley area, which covers nineteen towns and villages in three provinces.

In particular, Chinata and Yumbilla Falls, Pueblo de los Muertos, Kuelap and Olan are selected as first priority sites, considering their archaeological value, needs for emergency conservation works as well as scale and name recognition of the site. Those four sites include natural and archaeological resources, which represent the variety of archaeological resources in Amazonas.

Figure 4. Selected Tourism Cores in Each Tourism Zone



Source: JICA Study Team

Table 2. Selected Tourism Cores and Priority Sites

Zone	Tourism Cores	Identified Priority Sites: Archaeological (Ar) / Nature (Na)	Description of the site	Towns/ Villages	Provinces
1	TC-1	GOCTA (Na)	Each waterfalls is recognized as one of the world tallest waterfalls (Gocta is the third tallest and Yumbilla is the fifth). Good trekking way to get to the falls from nearby village observing fauna & flora of the area.	Cocachimba San Pablo	Bongará
		<u>YUMBILLA (Na)</u>		Cuispes Pedro Ruiz	
		<u>CHINATA (Na)</u>		San Carlos	
	TC-2	CAÑON DEL SONCHE (Na)	Grand canyon along the Utcubamba River. Magnificent view from the viewpoint on the cliff.	Chachapoyas Huancas	Chachapoyas
		YALAPE (Ar)	Ruin of housing complex of Chachapoyas Culture. There are some rectangular structure while typical Chachapoyan structures are circular.	Levanto	
CAPAQ NAM (Ar)		Ruin of a road network in Inca culture, known as the 'Inca Road'.			
2	TC-3	KARAJIA (Ar) CHIPRIC (Ar)	Ancient funerary site where there are sarcophagi in the form of human. Sarcophagi in Karajia are well known in Peru, sometimes referred as 'Moai in Peru'	Cruzpata	Luya
		<u>PUEBLO DE LOS MUERTOS (Ar)</u>	Ancient funerary and residential site. Sarcophagi and ruin of house-shaped residence remain.	Lámud	
		QUIOCTA (Na)	A limestone cave with 700 meters of stretch, covered in calcareous formations. Potential to be a tourism attraction if the presentation is improved by proper lighting.	Luya	
3	TC-4	TELLA (Ar) MACRO (Ar)	Ruin of stone dwellings of Chachapoyas culture. Macro site stretches along the ledge of a cliff.	Magdalena	Chachapoyas
		<u>KUELAP (Ar)</u>	Largest ruin of Chachapoyas culture. Beside dwellings, a larger structure, which is now considered to have had religious importance is excavated. Academic research is in progress.	Tingo, Choctamal Lónguita, Maria	Luya
4	TC-5	OLLAPE (Ar)	Ruin of circular dwellings and a defensive tower. Intricate decorations, typical in Chachapoyas culture is well preserved.	La Jalca	Chachapoyas
		<u>OLAN (Ar)</u>	Ruin of circular dwellings, which is supposed to be one of the largest in scale in Chachapoyas culture. Decorative ornaments of the structure are well preserved.		
	TC-6	REVASH (Ar)	Ancient funerary site. House-shaped funerary buildings and some wall paintings remain intact.	San Bartolo	Luya
4	TC-7	LA CONGONA (Ar)	Ruin of circular and rectangular dwellings of Chachapoyas culture.	Leymebamba	Chachapoyas
		LAGUNA DE LOS CONDORES (Ar)	Several funerary sites which were used from pre-Inca to Spanish era remain overlooking the lake. Number of mummies are discovered in recent years. It takes more than 6 hours to get there on a horseback from Leymebamba, but changing fauna and flora according to the altitude and some waterfalls can be observed on the way.		
4 Zones	7 Cores	13 Archaeological Sites + 5 Nature Sites		19 Towns/ Villages	3 Provinces

*Underlined tourism sites (archaeological/ natural) in this table show first priority sites in the proposed program.

*Considering the waterfalls without section in the middle, Gocta is recognized as the world third highest waterfalls. Considering waterfalls with several sections, Yumbilla, which has two sections, is the world fifth highest.

Source: JICA Study Team

<Concept and Strategy on Poverty Alleviation>

To realize the overall goal of the proposed program, i.e. “to contribute to poverty alleviation in the Amazonas”, the following points are taken into account in the formulation of the rural development program to tackle with poverty issues in the Amazonas.

- Community-driven approach
- Livelihood improvement approach
- Empowerment of rural women
- Japanese experience in rural development

As a means of improvement of tourism services and rural development, Michinoeki is evaluated to be suitable in the Study Area because facilities for tourists such as tourist information, rest areas and souvenir shops are very limited in spite of the number of tourism resources along the road. Michinoeki located along the road can be an efficient station to provide services than creating smaller facilities on each tourism site. It is also beneficial to local communities as it can be an outlet to sell local products.

In order to successfully introduce the Michinoeki, it is necessary to undertake a wide variety of activities such as product development, collaboration with production groups and formulation of operation and management plans, to name some. Japanese experience in rural development through Michinoeki, Isson Ippin (one village one product) and livelihood improvement program will contribute to activate the regional economy and improve livelihood conditions as well as to promote the tourism sector in the Amazonas.

Objective 3 To prepare an integrated program profile in compliance with the Peruvian National Public Investment System (SNIP).

Based on the analysis of current conditions and identification of the comprehensive picture for rural development through tourism promotion in the Amazonas, an integrated program profile (Perfil) is formulated in compliance with the Peruvian National Investment System (SNIP). The program profile is presented in detail in the Annex report with supporting sector reports.

SNIP requires the following procedures for tourism development projects.

- 1) Implementing agency (Mincetur, the Amazonas Regional Government etc.) prepares an integrated tourism development program. Approval from the Ministry of Economy and Finance (MEF)
- 2) Implementing agency (Mincetur, the Amazonas Regional Government etc.) undertakes pre Feasibility Study for the program. Approval from the MEF.
- 3) Implementing agency (Mincetur, the Amazonas Regional Government etc.) undertakes Feasibility Study for the program. Approval from MEF.

All the above steps are cleared and approved by the Ministry of Economy and Finance, the fund for the program is to be secured and the program can be implemented.

<Short Listed Projects>

Through the evaluation of long- and intermediate-listed projects, short listed projects are selected as priority projects in every component with estimated cost, expected executing agency, and implementation schedule in Chapter 4 of the Main Report .

<Implementation Plan>

The implementation plan and organization for the proposed program is described in Chapter 5 of the Main Report.

The program executing agency would be the Amazonas Regional Government (ARG). In connection with the implementation of the proposed program, ARG would coordinate all activities of the relevant government agencies and regional organizations. The implementing units of ARG are the various regional directors' offices for respective field of the works. A coordination committee is to be set up, headed by the Mincetur, in order to administratively and technically support the program. In addition, it is recommended to establish the Utcubamba Valley Special Project Unit, which assumes direct responsibility for the program implementation as a program management unit, under the ARG in Chachapoyas.

<Estimated Costs for the Proposed Program>

The total costs required of the proposed program will amount to S/. 309,970,792 or US dollar 103,406,630 as presented in the table below.

Table 3. Estimated Cost of Proposed Program by Component

Component	Amount (S/.)	Amount (US\$)
Tourism sector Sub-Program	123,890,165	41,996,665
- On-Site Value Enhancement	71,204,042	24,136,963
- Off-Site Services and Facilities	45,756,123	15,510,550
- Tourism Marketing	6,930,000	2,349,152
Infrastructure Sub-Program	122,553,381	41,543,519
- Transport	48,012,761	16,275,512
- Electricity	23,728,708	8,043,630
- Water and Sanitation	27,133,983	9,197,960
- Telecommunications	18,503,629	6,272,417
- Solid Waste Management	5,174,300	1,754,000
(Tourism sector + Infrastructure Sub-Program)	246,443,546	83,540,184
Vehicles & Equipment	2,181,000	739,000
Management Consultant	17,302,813	5,865,360
Program Administration Costs	7,415,491	2,513,726
(Sub-Total)	273,342,850	92,658,270
Escalation *	9,293,657	1,482,532
Physical Contingencies **	27,334,285	9,265,827
Total	309,970,792	103,406,630

* Price escalation assuming 1.6% in foreign currency and 3.4% in Peruvian New Soles

** Contingencies: 10%

Note: US\$ 1.00= S/.2.95, Tax and duties are included.

Source: JICA Study Team

<Program Evaluation>

The proposed program is evaluated socially, environmentally and economically in Chapter 6 of the Main Report. The expected number of new employment opportunities and the economic internal rate of return (EIRR) are calculated based on the demand estimate and the data on tourists' spending⁶ used in the Feasibility Study by Mincetur.

⁶ Based on a Feasibility Study by Mincetur: Annual demand growth rate 16%, 'With' case accounts for 125% of 'Without' case (based on the data comparing before and after the development of Machu Picchu, which was 130%), foreigners account for 4% of total number of tourists. Tourist spending is calculated based on the same source: 240 soles/day for foreign tourists and 75 soles/day for Peruvian tourists.

Through the implementation of the whole proposed program, the expected number of beneficiaries in terms of new employment opportunities, who live in Chachapoyas, Bongara and Luya provinces, is more than 2,700. From a qualitative standpoint, the expected impacts include (i) poverty alleviation, (ii) livelihood improvement, (iii) improvement in small-scale farmers' income level, (iv) women's empowerment, and (v) local stakeholder capacity building, especially local government officers. In addition, as endorsed by the proposed program execution, collaboration among local stakeholders would contribute to the promotion of an integrated rural development in the Amazonas.

Environmentally speaking, a major negative impact is not predicted in the proposed program, and a detailed environmental impact assessment (EIA) is not needed to implement the proposed program.

The economic internal rate of return (EIRR) is evaluated to be 25.7%. This EIRR is high enough to justify the program implementation. However, it would be necessary to carry out more detailed analysis in the process of feasibility study. Project planning should be based on the analysis including factors such as the number and percentage of foreign visitors and demand sensitivity. It is also necessary to consider a case where the growth of demand is stagnant, especially in planning the operation and maintenance.

<Risks>

Anticipated risks to be taken into account for the proposed program are described in Chapter 6:

- No Regular Airline flights
- Passive Disposition of the Private Sector
- Damages to Cultural Heritage
- Damages to Natural Resources
- Limited Coordination among the Related Authorities

Other anticipated risks include insufficient collaboration with local communities and the discrepancy in estimated and actual demand.

<Alternatives of Development Package>

To realize comprehensive rural development through tourism promotion, it is indispensable to conduct the full-scale implementation of the proposed program. There are, however, various constraints such as lack of development funds, limited human resources and poor coordination of the related agencies to implement the full-scale program simultaneously in the near future. The following two development packages are proposed.

- Development Package for Basic Projects
- Development Package by Tourism Area

Table 4. Summary of Development Packages

Project	Package
Shortlisted Projects (70 projects) ※including projects proposed by JICA Study Team Infrastructure + Tourism development in 7 Tourism Core	Development Package for Basic Project (11 projects) Infrastructure + First Priority 4 sites
	Development Package by Tourism Area (41 projects) Priority Projects in 7 Tourism Cores
	Other projects (18 projects)

Source: JICA Study Team

<Development Package for Basic Projects>

This development package is composed of basic components for rural tourism development. The projects in the package are indispensable for realizing the tourism promotion image in the Amazonas as well as the basic concepts and strategies. Development in the first priority sites are prioritized, thus, this package is to be included in any development package as a basic project.

- Number of Projects: 11 Projects
- First Target Areas: 4 areas <Chinata and Yumbilla Falls Sites Area>, <Pueblo de los Muertos Site Area>, <Kuelap Site Area>, <Olan Site Area>
- Grand Total Costs: S/.89,806,040 (US\$ 30,442,725)

<Development Package by Tourism Area>

In accordance with the program purposes as well as the overall goal, the development packages include almost all components of the proposed program as a comprehensive tourism development in a regional tourism area.

- Number of Development Package: 7 Packages
- Target Areas: 7 tourism cores <Gocta Area>, <Cañon del Sonche, Yalape, Capaq Nam Area>, <Karajia, Chipric, Quiocta Area>, <Tella, Macro Area>, <Ollape Area>, <Revash Area>, <La Congona, Laguna de los Condores Area>
- Grand Total Costs: S/. 83,471,516 (US\$ 28,295,429)

<Integrated Development Package>

Based on alternatives of the development packages above-mentioned, the development packages are integrated as a priority package. Cost of the integrated development packages are summarized in the following table.

Table 5. Estimated Cost of Integrated Development Package

No	Proposed Package	Direct Cost	Total Cost
1	DPBP	S/.89,806,040 US\$30,442,725	S/.114,497,308 US\$38,196,213
2	DPBP + DPTA	S/.173,277,556 US\$58,738,155	S/.200,176,860 US\$67,856,241
3	DPBP + DPTA + Other Short Listed Projects	S/.246,443,546 US\$83,540,184	S/.309,970,792 US\$103,406,630

Source: JICA Study Team

In consideration of the integrated development packages proposed in the above table, the Amazonas Regional Government is to select a development package for comprehensive tourism development in consultation with Mincetur, the central and local authorities, and international donors.

<Preliminary Implementation Schedule for Development Package>

The implementation schedules and periods of every component are described in detail in Chapter 4 of the Main Report. To design an implementation schedule of the integrated development packages, the following points are to be considered:

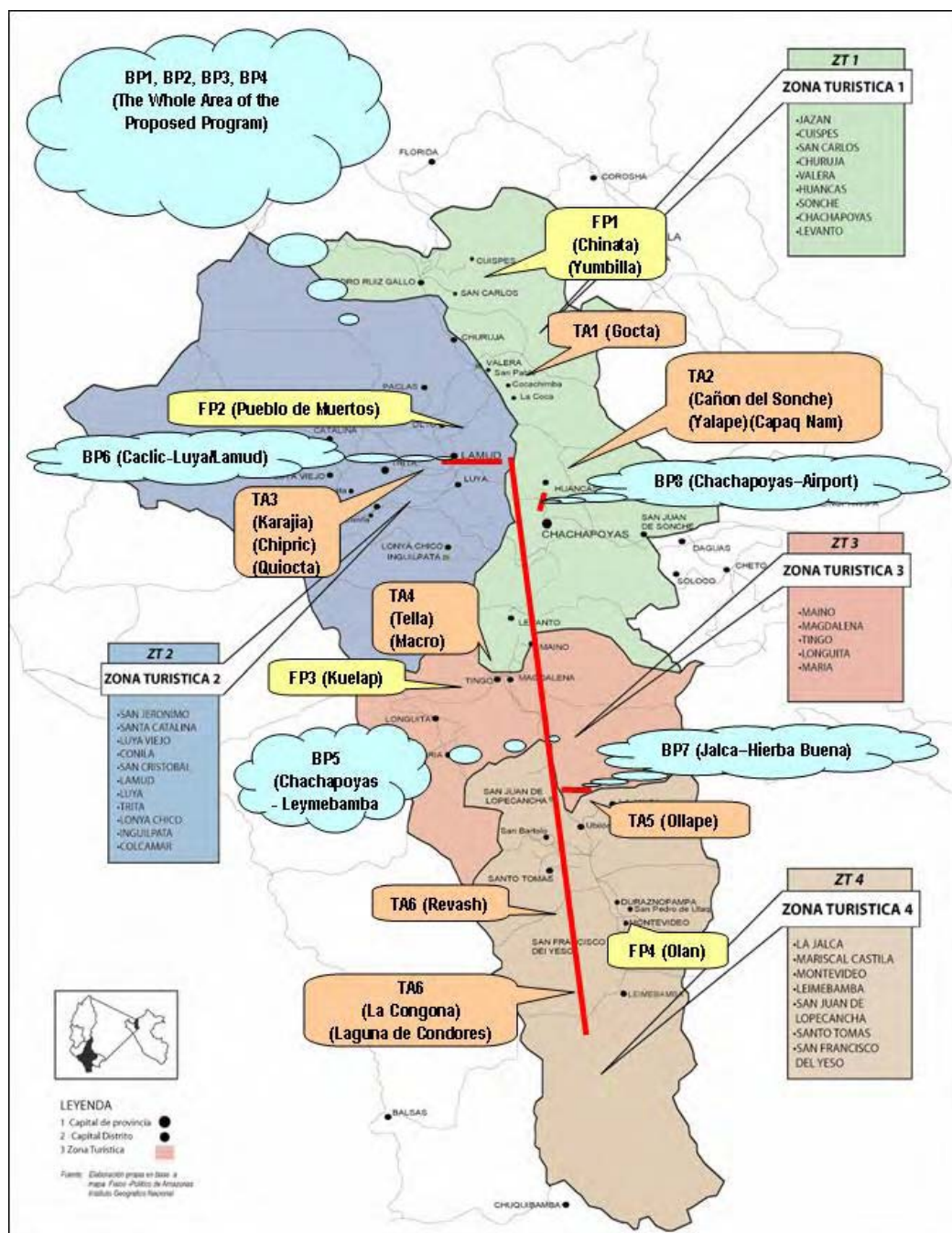
- Every component of the Development Package for Basic Projects (DPBP) is to be implemented in the first stage (around three years).
- Almost all the components of the Development Package by Tourism Area (DPTA) are to be implemented in the late first stage and in the second stage (2 years).

Table 6. Current Conditions and Countermeasures

Sub Program	Current Condition	Countermeasures (Priority Projects)	Package (BP: Basic Projects ,TA: Tourism Area, OP: Other Projects)
Tourism	<On site value enhancement> - Many of the sites are left in nature and lack of maintenance and management is causing deterioration of archaeological sites - There are very little or no facilities for visitors - Some archaeological/ natural sites are not safe for visitors	- Comprehensive archaeological site preservation works including investigation, and preventive conservation works - Establish/ improve facilities for visitors (ticket office, restroom, cafeteria etc.) - Establish/ improve safety measures such as fence and improved walkways inside the site	BP: Conservation and excavation of four first priority archaeological sites, improvement of tourist facilities (ticket office etc.) in Kuelap, Ollape and Chinata & Yumbilla TA: Conservation and excavation of other priority archaeological site, improvement of tourist facilities OP: None
	<Off-site Services and Facilities> - Tourism facilities are not sufficient in number and quality - Lack of variety of tourism services - Limited participation of local residents	- Establish tourism facilities such as information center, museum and 'Michi no Eki (roadside station)' - Capacity development of tourism related services and products, targeting local residents	BP: Construction of Michinoeki, training of tourism related services TA: Construction of a museum in Chachapoyas, conservation of historical center (architecture and landscape) OP: Remaining historical conservation and land use planning
	<Tourism Marketing> - Limited national/ international recognition due to limited marketing activities - Limited means of access from Lima - Limited awareness for the need of marketing activities - Lack of tourism development strategy and plans	- Marketing activities utilising media such as internet, TV, magazines etc. - Promotion activities involving related private sector companies such as tour operators and airlines companies - Formulation of a tourism marketing strategy (short term/ long term) - Participatory projects such as Isson Ippin (One Village One Product) for local awareness raising and livelihood improvement - Support Kuelap's inclusion to the World Heritage list in order to achieve more recognition	BP: Formulation of long and short term marketing strategy, marketing activities, Isson Ippin, Support for Kuelap's inclusion to the World Heritage list TA: None OP: None
Infra-structure	<Land and air transport> - No commercial flights available from Lima to Chachapoyas - Land access takes 6 -10 hours from principal airports nearby - Roads in the study area are unpaved except the section from Pedro Ruiz to Chachapoyas	- Asphalt pavement in the principal access between Pedro Ruiz, Chachapoyas, Leymebamba and Luya/Lamud so that tourists are able to travel at 60km/h speed - Promotion on attracting commercial flight to Chachapoyas is emphasized - Accesses to principal tourist destinations are prioritized	BP: Improvement of main access road TA: Construction/ improvement of access road to priority sites OP: None
	<Energy> - Independent CACLIC system is not stable and will suffer from supply shortage to attend rapidly increasing demand - Some localities (not district centers) are not electrified	- Connection of CACLIC to national energy grid by connecting with Bagua-Jaen system is progressed and the F/S approval is obtained. Electricity company is expected to commence the work before 2010 by own finance. Approximately half of the total cost is secured, but there's a possibility of public finance. - Another connection with National Grid (SEIN) is expected at 2014 through Cajamarca - Rural electrification is not considered in this Study	BP/TA/OP: None (Plans of improvement by private sector: only some works for which the finance is not secured are included in the shortlist.)
	<Telecommunication> - Very limited capacity and quality of internet and telephone services are available in the study area - There is no way to communicate in case of emergency at remote tourist destinations - Mobile phone companies are entering to the study area slowly	- Broadband internet service in the target area is provided - Telephone service in the target area can be provided from the same broadband network meanwhile mobile phone coverage reaches an acceptable area - Emergency communication system is installed along and at the remote tourist destinations	BP/TA/OP: None (Connection along the main road will be done by private sector)
	<Water and Sanitation> - In the study area, coverage of water supply is relatively high although it is not always treated appropriately. - Waste water is not treated in most of the districts in study area and it is not even collected in some places.	- By implementing projects recommended in the study, coverage of adequately treated water will reach 100% and waste water also be collected and treated at 100% in selected districts	BP: Part of tourism cores TA: Remaining tourism cores OP: None
	<Solid Waste Management> - Practically, there is not well organized management system - Most of solid waste is dumped at bank of river - Only some cases residents pay for solid waste collection	- Appropriate landfill is constructed and operated - Capacity building of person in charge is carried out - Diffusion of culture of payment to solid waste management service	BP: Part of sub systems on tourism cores TA: Remaining sub-systems on tourism cores OP: Remaining system

Source: JICA Study Team

Figure 5. Location of the Development Packages

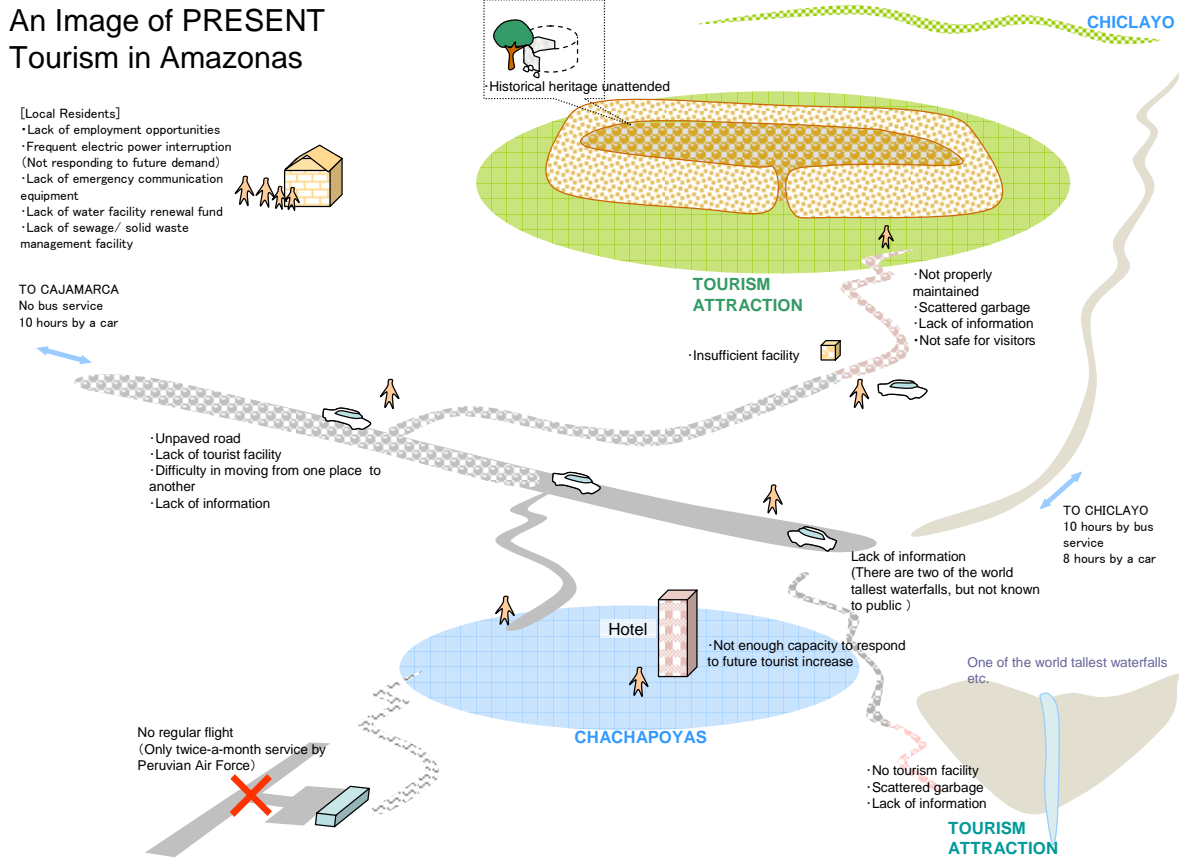


Source: JICA Study Team

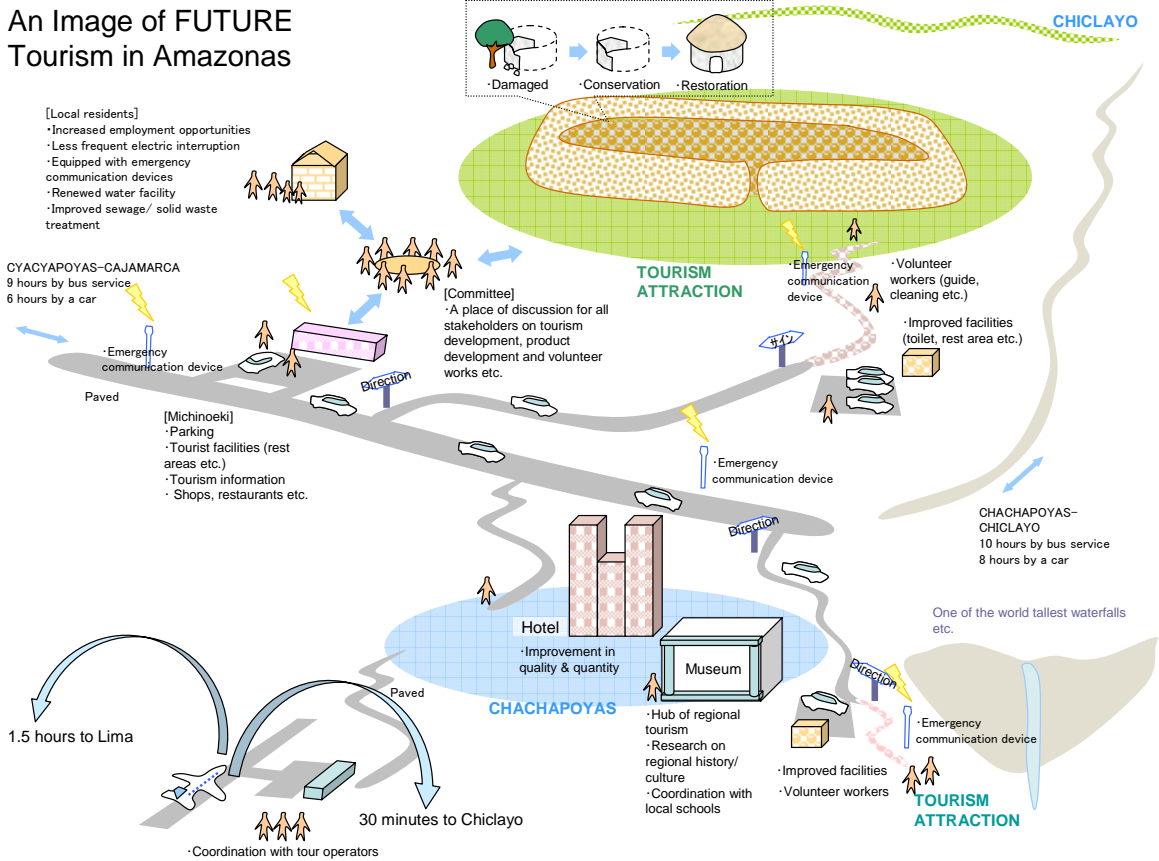
- ※ BP : Development Package for Basic Projects (First priority sites and infrastructure)
- ※ TA : Development Package by Tourism Area
- ※ ZT : Tourism Zone
- ※ The red line in the map shows the road which is to be paved in one of the projects in Development Package for Basic Projects.

Figure 6. Image of Improvement by Tourism Development and Related Actions

**An Image of PRESENT
 Tourism in Amazonas**



**An Image of FUTURE
 Tourism in Amazonas**



Source: JICA Study Team

Table 7. Chronological Image of Program Implementation and Related Actions

Year	<-3	-2	-1	0	Commencement	2	3	4	5	6
Government Level	-Completion of JICA Study -Visit of Minister (Mincetur) to Japan	-Perfil approval -Pre-FS implementation	-Approval of project - Budget allocation and fund raising (ex. application to donors etc.)				- Budget allocation and fund raising for Phase II		- Evaluation of Phase I	
Regional/ Local Government Level		-Pre-FS implementation -Marketing Activities -Formulation of implementing organization	- Marketing Activities	- Selection of constructor/ consultant etc. - Marketing Activities	-Commencement of Phase I - Marketing Activities	-Implementation of Phase I - Detailed review of Phase II - Marketing Activities	- Completion of Phase I - Marketing Activities	-Commencement of Phase II -Marketing activities	- Completion of Phase II - Monitoring and improvement plans Marketing activities	- Monitoring and improvement activities - Marketing activities
Tourism On-site			- Training of personnel	- Training of personnel	- Conservation, excavation and facility improvement in 3 archaeological sites - Facility improvement in 1 nature site	- Conservation, excavation and facility improvement in 3 archaeological sites - Facility improvement in 1 nature site	- Conservation, excavation and facility improvement in 3 archaeological sites	- Conservation, excavation and facility improvement in 10 archaeological sites - Facility improvement in other nature sites	- Conservation, excavation and facility improvement in 10 archaeological sites - Facility improvement in other nature sites	-Further onsevation and research works
Tourism Off-site		- Facility design - Operational planning		-	- Conservation of Michinoeki - Training of tourism related services	- Michinoeki opens - Training of tourism related services - Museum planning and preparation	- Museum planning and preparation	- Construction of museum - Training of personnel - Preparation for opening	- Construction of museum - training of personnel - Museum opens -Conservation of historical center (architecture/ landscape)	-Conservation of historical center (architecture/ landscape)
Tourism Marketing		- Market Study - Formulation of preliminary marketing plans	-Formulation of short term marketing strategy - Product development - HP/ materials development - Marketing activities - Promotion for restarting of flights to Chachapoyas	-Review of short term marketing strategy - Marketing activities (continued)	-Formulation of long term marketing strategy - Marketing activities (continued)	- Marketing activities (continued)	- Marketing activities (continued) - Support for Kuelap's inclusion to the World Heritage	- Review and improvement of operational plans - Marketing activities (continued) - Support for Kuelap's inclusion to the World Heritage	- Marketing activities (continued) - Support for Kuelap's inclusion to the World Heritage	- Review and improvement of operational plans
Infrastructure					- Road improvement	- Road improvement - Access road improvement/ water supply/ sewage system in 2 tourism cores - Solid waste management system in 7 tourism cores	- Access road improvement in 4 tourism cores - Water supply/ sewage system in 6 tourism cores - Solid waste management system in 7 tourism cores	- Solid waste management system in 7 tourism cores	- Solid waste management system in 7 tourism cores	
Infrastructure (other)					-Connection to national electricity grid (by private sector) - Improvement of communication					
Implementing Organization		- Preliminary plans for organizational structure	-Consensus building amonth the stakeholders - Selection and procurement of PMU	- Necessary arrangements for implementation	- Program Implementation	- Program Implementation	- Program Implementation	- Program Implementation	-Confirmation on operation and maintenance organization	-Handover to operation and maintenance organization
Community Organization		- Preliminary plans for organizational structure	- Consensus building among the stakeholders	- Consensus building among the stakeholders						

* This table only shows hypothetical image of program implementation and other related actions. It is necessary to reconsider the detailed plans according to other factors such as the results of further study and the procurement requirements.

Source: JICA Study Team

2.2 Recommendations

This Study recommends the following:

(1) Approval of Perfil and Earliest Implementation of F/S

In order to tackle poverty alleviation, it has been urged to promote tourism sector in the Amazonas. However, tourism promotion has been limited to a small scale and partial development. Since there is a large portion of unemployed population, around 28 percent of the working population in the Utcubamba Valley area have long been waiting for socio-economic development, and are willing to find job opportunities as quickly as possible; thus, the earliest implementation of the proposed program is recommended.

First of all, the Investment Program Office (OPI) of the Amazonas regional government should promote and follow-up to get an approval of the proposed profile (Perfil) with support of Mincetur and the Ministry of Economy and Finance (MEF) under the Peruvian Public Investment National System (SNIP). In particular, the following points are to be considered.

- Number of the program profile for comprehensive development, which was covered with multi-sectors and approved under the SNIP, was quite limited in Peru. Not a few program profiles were divided as a sector project due to the difficulty of the approval as a comprehensive development program. However, the Amazonas Regional Government should emphasize the strong points of comprehensive tourism development.
- Based on the proposed implementation plan, the institutional set-up is to be re-considered in detail to realize smooth implementation of the proposed program. In particular, responsibilities of the related units in the Amazonas Regional Government are to be made clear for the program implementation.

Secondly, a pre-feasibility study (Pre F/S) and/or a feasibility study (F/S) for the proposed program are to be quickly conducted in accordance with SNIP after the approval of the Perfil for early implementation of the proposed program.

No doubt the proposed program will improve livelihood through tourism promotion. It is recommended that the Amazonas Regional Government requests an international donor, as well as the central government to fund the Pre-F/S and/or F/S for the proposed program.

(2) Coordination among the Relevant Institutions

Coordination among the related stakeholders, especially various government offices at the central, regional, municipality and local levels, is very important to maximize the program benefits and improve livelihood conditions in the Utcubamba Valley area. To this end, it is recommended to establish the Utcubamba Valley Special Project Unit as a project management unit in the Amazonas Regional Government to initiate this coordination as soon as possible. It is also recommended to organize the Coordination Committee under the chairmanship of the Mincetur for smooth program implementation .

(3) Operation and Maintenance Costs

After the completion of the proposed program, it is pointed out that the local authorities have to ensure availability of operation and maintenance costs for sustaining better services and activities. In this context, it is recommended to study in detail in the operational and

maintenance costs in a pre-feasibility study (Pre F/S) and/or a feasibility study (F/S). In particular, it is to be elaborated how to conserve tourism resources including natural and cultural assets as mentioned in the Chapter 2.3, 3.5 and 6.4 of the Main Report. For example, it is a model system for the INC-Amazonas to adopt the INC-Cusco system, which manage their revenue and expenditure apart from the INC headquarters.

(4) Community-Oriented Participatory Approach

In the implementation of rural development in Amazonas, it is pointed out that the dependent syndrome had been prevalent among local beneficiaries. This syndrome should be avoided in the implementation of the proposed program by encouraging awareness of self-reliance and self-dependence, and strengthening community-based organizations, so that future operation and management of the activities under the proposed program could be carried out by community-based organizations by themselves.

In order to realize this concept, awareness-raising of stakeholders, especially local government officers and beneficiaries, and formulation of system to ensure an equitable return from tourism to local communities are indispensable. In this context, it is recommended to carry out awareness programs on this concept repeatedly such as the 'Community-driven Approach', 'Livelihood Improvement Approach', 'Empowerment of Rural Women' and 'Japanese Experience of Rural Development'.

Attachment: Summary List of Priority Projects in the Proposed Program

Sub program	Components	Activities	All Area	Cost (\$/.)	TC-1 Area (Fallas) (Major Project)	Cost (\$/.)	TC-2 Area (Chachapoyas) (Major Project)	Cost (\$/.)	TC-3 Area (Laya/Lamud) (Major Project)	Cost (\$/.)	TC-4 Area (Kuelap) (Major Project)	Cost (\$/.)	TC-5 Area (La Jaka) (Major Project)	Cost (\$/.)	TC-6 Area (Revash) (Major Project)	Cost (\$/.)	TC-7 Area (Leymebamba) (Major Project)	Cost (\$/.)	
Tourism	On-site value enhancement	● Archeological site conservation/ restoration				Yallape - Topography/planimetry survey - Delimitation of the protected area - Excavation and recording - Reinforcement of structures - Vegetation control	6,472,500	Kamija - Topography/planimetry survey - archaeological survey and excavation - reinforcement of structures	643,000	Tella - Topography/planimetry survey - Delimitation of the protected area - Excavation and recording - Reinforcement of structures - Vegetation control	3,872,500	Ollape - Topography/planimetry survey - Delimitation of the protected area - Excavation and recording - Reinforcement of structures - Vegetation control	5,472,500	Revash - Topography/planimetry survey - archaeological survey and excavation - reinforcement of structures	887,200	La Congona - Topography/planimetry survey - Delimitation of the protected area - Excavation and recording - Reinforcement of structures - Vegetation control	5,472,500		
					Capas Nam - Topography/planimetry survey - Delimitation of the protected area - Excavation and recording - Reinforcement of structures - Vegetation control	662,000	Chipric - Topography/planimetry survey - archaeological survey and excavation - reinforcement of structures	468,000	Macro - Topography/planimetry survey - Delimitation of the protected area - Excavation and recording - Reinforcement of structures - Vegetation control	2,913,000	Olan - Topography/planimetry survey - Delimitation of the protected area - Excavation and recording - Reinforcement of structures - Vegetation control	5,472,500		Laguna de los Condores - Topography/planimetry survey - archaeological survey and excavation - reinforcement of structures	1,075,000				
							Pueblo de los Muertos - Topography/planimetry survey - archaeological survey and excavation - reinforcement of structures	643,000	Kuelap - Excavation and recording - Reinforcement of structures - Vegetation control	18,472,500									
	On-site facility development (parking, information center, toilet, site museum, interpretation resources, cafe/restaurant, souvenir shop, signposting, safety fence, trail)	● Natural resources conservation			Grota Falls - Tourism facilities : Ticket office, rest area, toilet, shops - Walkway improvement	2,136,396	Canon del Sonche - Tourism facilities : Ticket office, rest area, toilet, shops	1,418,447	Quiccia Caves - Zoning, topography and planimetry survey - Walkway improvement, lighting instalment	420,000									
					Chinata and Yumbilla Falls - Tourism facilities : Ticket office, rest area, toilet, shops - Walkway improvement	780,000													
	Off-site services and facilities	● Rural/urban architecture landscape improvement																	
Tourism marketing	● Capacity building for tourism related industries (hotel, restaurant, souvenir, tour guide, conservation)																		
	● Off-site facility development (Museum, Michinoeki, information center, vocational training center)																		
	● Utcubamba Valley Tourism General Strategy formulation and Marketing Promotion Activities																		
Transport	● Main road network improvement																		
Electricity	● Access road improvement to touristic sites																		
Water and Sanitation	● Connection to national power grid																		
	● Quality improvement of water and sewage systems in major cities																		
● Installation of water and sewage systems to rural villages																			
Telecommunication	● Coverage of telephone and internet service																		
Solid waste management	● Waste management system																		
● Capacity building for waste management																			
TOTAL				47,600,592		6,631,359		34,103,238		20,843,185		31,202,850		17,569,205		4,047,279		9,609,440	

Source: JICA Study Team

Legend: Development Package for Basic Projects (DTBP)
 Development Package by Tourism Area (DPTA)