



**Strategic Planning and
Environmental and Social
Management in
Sustainable Tourism
Development Projects
A Good Practice Study of the
IDB-Supported Prodetur
Program in Brazil**

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Development Bank**

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1. Executive Summary

Over the past two decades, the Inter-American Development Bank has gained considerable experience promoting sustainable tourism activities in Brazil, particularly in the less developed Northeast. This has entailed a valuable learning process with respect to the environmental impacts and management challenges associated with tourism development, which has led to a significant evolution in the Bank's approach over time. As a result, much of what the Bank is currently doing in connection with its tourism development projects in Brazil can be characterized as good practice. This is especially the case both in terms of its approach to strategic planning at the state and local levels and in terms of the ways in which environmental considerations and components have been "mainstreamed" into project design and implementation. Based on a review of pertinent documents and interviews with Bank staff and selected borrowers, as well as field visits to two of the four active Prodetur projects (in the states of Ceara and Pernambuco), this paper summarizes and illustrates these features of the Bank's present approach to sustainable tourism in Brazil. It also identifies several areas where additional improvements would be useful.

The current Prodetur approach reflects a clear comprehension by the Bank of the fundamental underlying importance of maintaining and enhancing the quality of the environmental and natural resource base, in coastal/marine areas or elsewhere. Local tourism development prospects depend on these resources over the medium and longer term. At the same time, the approach recognizes that expanded tourism opportunities when properly planned and managed represent a significant potential source of regional and local economic growth and development. They can also act as a strong motivating and enabling factor for improved state and municipal governance, as well as for local infrastructure and basic service enhancement. The Bank's earlier Proecotur experience in Amazonia, also reflected in the present approach to the national tourism development program in Brazil, likewise demonstrates how ecotourism in critical natural habitats can provide another key type of "tourism product," as long as the habitats are well protected and administered. This can provide an additional way of expanding local income and employment in an environmentally and socially sustainable manner.

The present approach to strategic planning in Prodetur represents a kind of "nested hierarchy" of such exercises at the state level. This begins with the definition of a sustainable tourism development policy or strategy for a given state, which *inter alia* identifies priority

geographic areas or “poles” within the state. These are locales that are already, or are expected to become, important tourist destinations due to their natural, historical and/or cultural attractions. Each of these areas is then subjected to a strategic tourism development planning process that invites the participation of key local stakeholders. This process is to assess the principal sources and extent of present and possible future tourism demand; the status of the area itself in terms of its socio-economic and environmental characteristics; and the adequacy and quality of its tourism and local development-related infrastructure and basic services. The ultimate objective is to identify priorities in institutional strengthening and the necessary improvements to infrastructure and public services. This is meant to enhance a region’s attractiveness for, and capacity to support, increased tourism in the future.

This process results in the elaboration of an Integrated Sustainable Tourism Development Plan (ISTDP) for each priority tourism area, which includes both a comprehensive diagnostic analysis and a proposed action plan. The latter identifies priority capacity building measures and needed infrastructure, basic service and other pertinent investments. One or more key tourism destinations are then selected within each priority tourism area, after which more detailed destination-specific diagnostic studies and action plans are developed, following a similar participatory process at the local level. Thus, each project “drills down” from the statewide level first to the priority tourism area and then to the more localized priority tourism destination within the area. That Prodetur projects have a clear spatial planning focus and process is in itself an example of good practice.

This occurs, moreover, within a program-wide level regulatory and guidance framework established by the federal Ministry of Tourism and bolstered by strong IDB technical and financial assistance. This takes the form both of the Operating Regulations for the *Prodetur Nacional* Program and the complementary Socio-Environmental Planning and Management Manual, both finalized in 2009. These two key national guidance documents, in short, provide the operational framework and instructions for the preparation, design, implementation, supervision, monitoring and evaluation arrangements for each of the state-specific projects under the Program. The abovementioned Manual requires that each of these operations include a specific environmental management component, with clearly defined outputs, outcomes and performance indicators, and that each comply with national and subnational environmental legislation and regulations, as well as with the Bank’s environmental and social safeguard and

public consultation and information disclosure policies (OP-703, etc.). The Manual also recommends that the state operations undertake one or more Strategic Environmental Assessments (SEAs). This is particularly important because of the often significant adverse indirect, regional (including induced development) and cumulative environmental and social impacts that frequently stem from investments designed to support and/or enhance tourism activity. Increased tourism activity in and of itself often contributes to these adverse effects as well.

Current Prodetur project environmental components include new investments in environmental protection, in order, for instance, to help create and/or strengthen the management of conservation units and other protected areas or to more systematically address solid waste management problems. They also provide resources to carry out environmental assessment studies (e.g., SEAs), fortify environmental supervision of investment subprojects and undertake periodic independent environmental audits of such subprojects. They thus combine activities to strengthen application of, and borrower compliance with, the “do no harm” aspects of the Bank’s environmental safeguard policies. They also strengthen efforts to “do good” by improving local environmental management and quality through the use of new investments with Bank loan and local counterpart resources. This should promote and achieve greater environmental sustainability in key tourism destination areas. This, together with the incorporation of the aforementioned SEAs, represents an important example of good practice in the program’s approach to environmental quality and sustainability, for which the Bank appears to be largely responsible. Also good practice is an increasing concern in recent years with social inclusion and protecting vulnerable groups from the possible adverse effects of increased tourism activity, such as rising crime and sexual exploitation of minors.

All of the above positive elements should be replicated in IDB-supported global works operations more generally. Nevertheless, the Bank could also take further steps to strengthen the environmental and social sustainability of present and future Prodetur projects, specifically:

- **Project Preparation: Availability and Quality of Environmental and Social Baseline Data.** The existing environmental and social information on which project design should be based is not always available and/or of good quality. Thus, it may be of limited completeness and reliability. Improving this information base should therefore be a key part of the project preparation process, with the provision of external technical assistance

if needed, possibly supported by a Bank Technical Cooperation (TC) grant. Based on project experience to date, it would be helpful if the Bank staff and consultants involved in project preparation could, perhaps with ESG's support, prepare a list of the essential baseline information required for the preparation of environmentally and socially sensitive tourism development projects in Brazil and elsewhere.

- **Project Preparation: Assessing, Managing and Mitigating Potential Indirect and Cumulative Environmental and Social Impacts of Tourism-related Investments.** Even when their direct construction-related impacts are relatively minor and manageable, tourism projects can have significant adverse indirect environmental and/or social impacts through their effects on property values, land tenure and land use and the possible undesirable impacts of these changes on the natural environment and local vulnerable populations within their respective areas of influence. The cumulative impacts of multiple investments in different sectors in specific tourist destinations and/or poles can also be significantly greater both in positive and negative terms than the direct impacts of each individual investment. Both SEAs and ISTDPs thus should give special attention to such impacts and risks. It is recommended that the existing Socio-Environmental Planning and Management Manual for *Prodetur Nacional* be modified to give greater explicit attention to this. The Bank, through its Environment and Safeguards Compliance Group (ESG), should likewise clarify what is required under OP 703 in this regard and provide the appropriate guidance and training to Bank operational staff and local project coordination teams.
- **Project Preparation: Timing of Strategic Environmental Assessments.** Properly designed SEAs should be a mandatory part of project preparation, particularly at the priority tourism area level at which project infrastructure and other investments will actually occur. They should be undertaken early in the process of project planning, closely in tandem with ISTDPs (for which a draft SEA should serve as an input), even if the definitive assessment is not finalized until after the investment matrix is fully determined. Therefore, the existing Socio-Environmental Planning and Management Manual, which states that SEAs “can” be carried out, should also be modified to affirm that SEAs “should” be carried out as part of the process of preparing the individual

Prodetur projects and the ISTDPs for each priority tourism area. The Bank, with ESG's assistance, should provide additional guidance to the state project management teams based on the lessons learned from program experience with SEAs to date. This will ensure that they are of good quality and include *inter alia* assessment of potential indirect and cumulative impacts, as well as elaboration and budgeting of the corresponding environmental and/or social management, monitoring and mitigation measures. It is thus also recommended that independent evaluations of ISTDPs and SEAs within Prodetur be undertaken to systematically assess experience to date and identify best practice in order to update the guidance currently provided to local project coordination teams and the firms contracted in the future to carry out such exercises under the Program.

- **Project Implementation: Environmental Performance Monitoring and Control of Contractors.** The Bank's legal agreements for the current generation of Prodetur projects correctly require that all contracts with executors of civil works contain specific environmental management conditions and supervision arrangements. However, the Program would also benefit from the adoption of improved environmental monitoring and control of all such contractors. An interesting example of such a system is presently being utilized in one of the projects in the Bank's other major multi-sectoral subnational program in Brazil, namely Procidades. It is therefore recommended that the contractor environmental performance monitoring and control methodology developed and applied in *Procidades Curitiba* be presented both within the Bank in Brazil and elsewhere. They should also be presented to the state PGUs/PCUs for the Prodetur projects presently being implemented and prepared for possible adoption and use in these operations.
- **Project Implementation: The Need for Ongoing Institutional Capacity Building.** During execution, problems may arise due to the differing degrees of environmental and social knowledge and priorities among the different institutions involved in the project. These often include a substantial number of municipalities, as well as various state government agencies in different sectors (e.g., roads, sanitation, etc.). It thus behooves the project coordination unit, together with the management firm that supports it, to provide adequate guidance and training with respect to project environmental and social management, as well as other aspects, not only at the outset but throughout the course of

implementation. This is especially necessary when there are changes in state and municipal administrations that often involve significant turnovers in key executives and technical staff. Indeed, those coming in frequently possess little prior familiarity with the project and the environmental and social principles and procedures upon which it has been designed and is being implemented. The frequent turnover in government officials and professionals due to periodic changes in administrations at both the state and local levels is also one of the key reasons why the participation of management firms (*gerenciadoras*) is an excellent way of ensuring greater continuity in project coordination.

- **Project Implementation: Cross-Program and Cross-Project Learning Opportunities.** One key feature of Prodetur at the broader program level is the participation of a growing number of states and municipalities. Many of these also benefited from the earlier Prodetur/NE-I and/or II or Proecotur operations, while others are entirely new to the program. They thus come to Prodetur with different levels of prior experience and familiarity with Bank procedures and requirements. At the same time, each project involves similar approaches to planning and environmental and social management, as well as similar components and types of investment and institutional strengthening subprojects. As a result, much can be gained by the systematic interchange of ongoing design and execution experience and the lessons learned in these projects, including those associated with their environmental management components. It is thus recommended that as the number of states that become active participants in the program continues to grow in the years ahead, the Bank and Ministry of Tourism sponsor periodic “learning events.” These will enable state coordination and technical teams to exchange experience, especially with respect to emerging good practice.
- **Project Ex-Post Evaluation: Assessment of Project Environmental and Social Management, Quality and Sustainability Aspects.** This has tended to be overlooked in the past, at least in the Bank’s Project Completion Reports (PCRs). It is likely that this situation will improve now that the Prodetur operations have specific environmental management components. Nevertheless, it is important that these evaluations systematically cover all elements and aspects of these components, including the timing

and quality of all environmental (and social) studies, environmental supervision and environmental audits. Where such interventions exist, they should also assess project social inclusion and/or vulnerability reduction investments and activities. However, in all cases, they should explicitly evaluate the experience with Bank application of and borrower compliance with all environmental and social assessment, monitoring and mitigation requirements specified in Bank environmental and social safeguard policies. Accordingly, it is recommended that Bank project evaluation requirements be modified to explicitly require that all environmental and social management, quality and sustainability aspects be independently assessed *ex-post* and the appropriate lessons for future operations be drawn. Relevant aspects include specific components and interventions on the one hand and safeguard policy-related performance on the other.

2. Introduction

Over the past two decades, the Inter-American Development Bank (hereafter “the Bank”) has gained considerable experience with regard to the promotion of sustainable tourism activities in Brazil. These include ecotourism in the Amazon region, but particularly in the less developed Northeast.¹ This has entailed a valuable learning process with respect to the environmental impacts and management challenges associated with tourism development and investments to support it, leading to a significant evolution in the Bank’s approach over time. As a result, much of what the Bank is currently doing in connection with its tourism development projects in Brazil can be characterized as good practice. This is especially the case both in terms of its strategic planning approach at the state and local levels, as well as the ways in which environmental considerations and components have been integrated, or mainstreamed, into overall project and subproject design and implementation. Based on a review of pertinent documents; interviews with Bank staff and selected borrowers; and field visits to two of the four² active Prodetur

¹ The Northeast census region consists of nine states: Alagoas (AL), Bahia (BA), Ceara (CE), Maranhao (MA), Paraiba (PB), Pernambuco (PE), Piaui (PI), Rio Grande do Norte (RN) and Sergipe (SE), of which Bahia, Pernambuco and Ceara are the largest in demographic terms. Much of the region is semi-arid and is subject to severe droughts, in some cases extending over several years. The Northeast “drought polygon” also includes the northern portion of the southeastern (census region) state of Minas Gerais (MG) and is thus sometimes included in the “Northeast” for development planning and intervention purposes.

² The loan for one of these four projects, for the state of Bahia, was approved on February 27, 2013, while this mission was in the field. A fifth project, for the state of Para, is at an advanced stage of preparation, while two

projects (in the states of Ceara and Pernambuco), the purpose of this paper is to summarize these features of the Bank's approach to sustainable tourism in Brazil and to briefly describe how this approach has evolved over time. It will also identify a few areas where further improvements would be useful.

The IDB's support for tourism development in Brazil dates back to the early 1990s, with the first of two such projects for the Northeast. A US\$400 million loan (841/OC-BR) for the first such operation, which was initially expected to have a total cost of US\$800 million but was later reduced to US\$670 million, was approved on November 30, 1994. The corresponding project was completed on November 29, 2005. The Borrower was the Bank of Northeast Brazil (BNB), the development bank for the region, which had been established in 1952 following one of the many serious droughts periodically afflicting the Northeast.³ Building on its experience with tourism development in the Northeast, the Bank approved a US\$11 million Technical Cooperation loan (1216/OC-BR) for ecotourism development in the states of the North, or Amazon, region (Proecotur), to be implemented by the Amazon Coordination Secretariat of the federal Ministry of Environment (SCA/MMA) on October 27, 1999. The US\$240 million follow-on Bank loan for the second Prodetur operation for the Northeast (Prodetur/NE — II), in turn, was approved on March 4, 2002, and the project closed on November 7, 2012, despite originally, like Prodetur/NE I, having an anticipated five-year implementation period. The main text of this paper will focus on the present *Prodetur Nacional* program, which was approved in late 2009, and subsequent associated state-specific sustainable tourism projects. However, the Annex further presents the prior evolution of the earlier Prodetur/NE I and II and Proecotur operations, including both pertinent design and implementation aspects, together with relevant lessons learned.

3. The National Tourism Development Project — *Prodetur Nacional*

others, for Sergipe and Rio Grande do Norte, are also under preparation at this time. The other Prodetur project presently under implementation is for the state of Rio de Janeiro. The Bahia and Rio de Janeiro projects will be briefly described below.

³ For more on the events leading up to the creation of BHB, as well as to other important regional development initiatives for and in Northeast Brazil through the early 1960s, see the classic accounts in Hirschman, Albert. 1965. *Journeys Toward Progress: Studies of Economic Policy Making in Latin America*. Garden City, N.Y.: Anchor Books, and Robock, Stefan H. 1963. *Brazil's Developing Northeast: A Study of Regional Planning and Foreign Aid*. Washington D.C.: The Brookings Institutions.

On November 11, 2009, while Prodetur/NE-II was still under implementation, the Bank approved a US\$15 million loan (2229/OC-BR) to “strengthen the coordinating role of the Ministry of Tourism (MTur) to make the design and implementation of public tourism policy more effective.” This program has three components: (i) strengthening national tourism governance; (ii) state and municipal tourism planning; and (iii) supporting state and municipal investment under *Prodetur Nacional*, as the program would henceforward be known.⁴ Total project costs were estimated to be US\$25 million. The project was originally conceived as the first under a proposed US\$1 billion Conditional Credit Line (CCLIP),⁵ with a Category C classification under the Bank’s current environment and safeguard policy (OP 703), which went into effect in mid-2006.⁶ This project was later converted into a single investment operation with separate subsequent projects for individual participating states.

According to the Loan Proposal (LP) for this operation, “despite its cultural wealth and the fact that the World Economic Forum tourism competitiveness index ranks Brazil second in the world in terms of natural resources, the level of tourism development in the country is not consistent with its potential: the tourism supply remains small and essentially concentrated along the country’s coastline.” This situation is attributed to two main constraining factors: (i) difficulties in structuring tourism destinations effectively; and (ii) weakness of public tourism governance.⁷ In this context, the LP cites the several pertinent lessons from the Bank’s earlier and ongoing experience in Brazil:⁸

- Investment planning and phasing are necessary to minimize negative impacts associated with tourism growth;
- Tourism development plans should contain specific environmental components;

⁴ IDB, 2009a, Project Summary, pg. 1.

⁵ IDB, 2008a. The objective of this proposed CCLIP operation would have been to “generate the conditions that facilitate the achievement of the targets under the National Tourism Plan (2007-2010).” Its specific objectives would have been “to: (i) contribute to the competitiveness capacity of Brazilian tourism destinations; and (ii) consolidate the national tourism policy through decentralized and cooperative public management” (pg. 3). The national counterpart contribution to the proposed US\$1 billion Bank-funded credit line would have been US\$667 million.

⁶ See IDB, 2006a.

⁷ IDB, 2009a, para. 1.2, pp. 1-2.

⁸ For additional details on how these lessons were learned, see the Annex to this report.

- To maintain a broader view, tourism projects should be part of a comprehensive development model, based on strategic selection of product lines (e.g., cultural tourism, adventure tourism, sun and sand, etc.) and the target demand segments in which they will compete;
- Tourism development programs should balance infrastructure investments with the development of natural and cultural attractions and the tourism value chain; and,
- Tourism development programs need mechanisms that reflect their crosscutting nature, including participation of the various key stakeholders involved in tourism activity.⁹

By incorporating these and other lessons, the LP affirmed that the proposed program would “guarantee that planned Prodetur national investments: (i) are part of tourism development plans that have a consistent schedule of actions, specific targets, and forecasted impacts; (ii) are the result of active participation by the state and local agents involved through tourism councils responsible for approving the plans; (iii) are implemented in a targeted and interconnected fashion with explicit identification of the tourism products to be improved, consolidated, or developed, as well as the demand segments to be targeted; (iv) have a view that is broader than merely local, by aligning with the strategic areas of the National Tourism Plan in the case of a state operation, or with state guidelines in the case of a municipal one; and (v) strike a balance between basic infrastructure and development of attractions and structuring the tourism value chain.”¹⁰

The project components (and their anticipated direct costs), as briefly described in the LP, are:

Strengthening national tourism governance (US\$8.32 million)

This includes improvements to the Tourism Information and Statistics System (SET) to guarantee timely and reliable information both for decision making and for monitoring and evaluating tourism development in Brazil. MTur staff would also receive training in areas related to the design, execution, monitoring and evaluation of tourism investments and the Ministry’s internal coordination process would be reengineered.

⁹ *Ibid.*, para. 1.7, pg. 3. Emphasis in the original.

¹⁰ *Ibid.*, para. 1.12, pg. 4.

Support for state and municipal tourism planning (US\$12.04 million)

This involves technical assistance for the states and municipalities to elaborate their tourism development plans, ensuring inclusion of the tourist market dimension and *establishment of tangible environmental commitments* in their strategic guidelines.¹¹

Support for state and municipal investments under *Prodetur Nacional* (US\$2.61 million)

This includes the creation of a technical structure by hiring skilled specialists to provide direct technical support in the preparation, execution, monitoring and evaluation of state and municipal investments planned under the program [and] following the technical guidelines in the Operating Regulations (ORs) and technical annexes for *Prodetur Nacional*, previously approved by the Bank and officially adopted by MTur.¹²

As concerns **environmental safeguard risks**, the LP observed that the project itself, as opposed to the program more broadly, “involves strengthening and planning activities but no physical works and is therefore classified as category ‘C’.” Furthermore, the project was expected to “have a positive impact on *Prodetur Nacional* as a whole, bearing in mind that it includes training for MTur staff on managing socio-environmental impacts, as well as support for the states and *municipios* participating in tourism planning, sustainable management of destinations, and preparation of their respective investments, pursuant to the precepts and technical guidelines set forth in the program.” The executing agency was expected to be supported by a socio-environmental specialist “to adequately apply the socio-environmental planning and management manual” (see below) prepared for the program.¹³

According to the Bank’s Brasilia-based staff member responsible for overseeing implementation of the *Prodetur Nacional* program, this particular project has suffered a number

¹¹ More specifically, this component was expected to entail: (i) a review of current state and municipal tourism plans and implementation of training, based on the weaknesses detected, that includes recommendations for improvement; (ii) preparation and dissemination of market studies to identify trends in demand and investment opportunities in Brazil’s various tourism regions (cultural tourism, nautical, sport fishing, etc.); (iii) support for the creation of a management model that systematically involves local communities in the process of tourism service planning and provision; and (iv) support for the preparation of tourism development plans, based on guidelines in the Operating Regulations (OR) for *Prodetur Nacional* and Brazil’s most emblematic tourism products, thus generating replicable planning models. (*Ibid.*, para. 2.1 b, pg. 5)

¹² *Ibid.*, para. 2.1, pp. 5-6. Emphasis in bold in the original; in bold and italics, mine.

¹³ *Ibid.*, para. 3.2, pp. 7-8.

of delays and other implementation problems, due in large part to frequent turnovers of Ministers and other senior MTur officials over the past few years. As a result, less than US\$342,000 (2.2%) of the Bank loan had been disbursed by the end of February 2013. However, he also observed that the project has nonetheless played a positive role in terms of preparing both the general Operating Regulations (ORs) and the Socio-environmental Planning and Management Manual for the program.¹⁴

The Operating Regulations (or *Reglamento Operativo* in Portuguese) for *Prodetur Nacional* were prepared by the Ministry of Tourism for the proposed CCLIP and finalized in September 2008, more than a year before the Bank approved the loan to the Ministry. Even though, as observed above, the Bank credit line did not go forward, the ORs have oriented the various state projects that have subsequently been prepared under the program. The ORs have seven chapters: (i) introduction; (ii) conception of *Prodetur Nacional*; (iii) execution scheme; (iv) preparation cycle of individual operations; (v) investment projects cycle; (vi) execution procedures; and (vii) monitoring and evaluation. They also contain 21 “technical annexes,” including ones for environmental protection and recuperation, projects for solid waste management, sanitation projects, and transport projects (with an appendix entitled “Environmental Manual for Transport Projects”), and environmental audits.¹⁵

The other essential program document is the aforementioned **Socio-environmental Planning and Management Manual**, elaborated jointly by the Ministry of Tourism and a local Brazilian consultant representing the IDB. The Manual contains five chapters that cover a range of topics of importance for the design and implementation of the state projects in general and their respective infrastructure and environmental management subprojects in particular, including a brief description of the Bank’s environment and safeguard policies. It is organized as indicated in Box 1. There are many interesting aspects to this Manual, some of which will be briefly described below, but perhaps the most important one is **its very existence as a national program document** attached to Operating Regulations and thus as an essential part of them. In discussing the applicable Bank policies, the Manual refers not only to the Environment and Safeguard Compliance Policy (OP 703), but also its policies regarding involuntary resettlement

¹⁴ Personal communication from Joseph Milewski in Brasilia, January 27, 2013. State project coordination officials subsequently interviewed by ESG in both Recife and Fortaleza likewise pointed to the key importance of these two program guidance documents.

¹⁵ Ministerio de Turismo, 2008.

(OP 710), indigenous peoples (OP 765), public disclosure of information (OP 102) and natural disasters (OP 704).¹⁶

Among other aspects, the Manual provides guidelines for the elaboration of Integrated Sustainable Tourism Development Plans (ISTDPs, or *PDITS* in Portuguese) for the priority tourism areas identified within each participating state. These Plans were expected to have the following objectives:

- Orient government authorities in relation to the adjustments in the legal and institutional frameworks necessary to facilitate the full development of tourism in the priority areas and the investments that should be carried out;
- Provide specific information to promote private investment in tourism undertakings and products that take advantage of the attractions of these areas; and,
- Create awareness in local communities about the role of tourism as **an “inducer” of environmentally sustainable economic development** and generator of new opportunities of work and employment and improvement of the **quality of life and the environment**.¹⁷

The latter objective also implies that, **unless properly managed, there is a risk that increased tourism can be an “inducer” (*inductor*) of economic development that is not environmentally or socially sustainable. At the very least, there is a risk of generating adverse environmental and/or social impacts**, as appears to have happened in the case of Prodetur/NE-I.¹⁸ This too was an important lesson from the IDB’s earlier experience in Brazil. Avoiding such potential negative impacts is clearly a major concern of the Bank’s current environmental and social safeguard policies, cited above.

¹⁶ Ministerio de Turismo & IDB, *Manual*. paras. 2.18-2.28, pp. 24-28.

¹⁷ *Ibid.*, para. 3.2, pg. 31. Emphasis mine.

¹⁸ A number of environmental “liabilities” were found to have resulted from some Prodetur/NE-I subprojects that needed to be corrected under Prodetur/NE-II. See the Annex for further details.

Box 1 Prodetur's Socio-Environmental Planning and Management Manual: Table of Contents

- Introduction
 - Objectives and Components of the Program
 - Purpose and Scope of the Manual
- General Guidelines
 - National Tourism and Environmental Policies
 - Guidelines and Policies of the IDB
 - Socio-Environmental Guidelines for the Elaboration of ISTDPs
 - Definition and Scope of the ISTDPs
 - Treatment of Socio-Environmental Aspects in ISTDPs
 - Strategic Environmental Evaluation
- Socio-Environmental Guidelines for Infrastructure Projects
 - Control and Management of Projects/Activities that Modify the Environment
 - Legislation and Responsibilities
 - Licensing Systems
 - Environmental Impact Evaluation
 - Complementary Environmental Norms
 - Other Authorizations
 - Bank Safeguard Guidelines
 - Socio-environmental Control and Project Categories
 - Environmental Analysis
 - Types of Socio-environmental Control by Project Type
- Guidelines for Actions to Strengthen Socio-environmental Management
 - Conservation of Environmental Resources
 - Legislation: Principal Guidelines for the National Conservation Unit System (SNUC) for the Management of Conservation Units
 - Environmental Policy Guidelines of the IDB
 - Guidelines for the Presentation of Environmental Resource Conservation Projects
 - Recuperation of Historical and Cultural Heritage
 - Strengthening Environmental Management
 - Environmental Planning
 - Environmental Education
 - Environmental Information Systems

Source: Ministry of Tourism and IDB, Socio-environmental Planning and Management Manual

With this in mind, the Manual goes on to affirm that, elaboration of the ISTDP “should constitute the first step in the planning process, through which, once the tourism area to be included in the Program is selected, the following can be identified: (i) the specific objectives and targets for tourism development with the definition of specific indicators; (ii) the priority actions to be implemented; (iii) **the measures to protect the environmental resources that**

serve as the basis for these activities; (iv) **the needs to control the negative impacts that might be caused**; and (v) the measures to monitor the implementation of what is planned to verify achievement of objectives and targets and revision of the plan.” In addition, the Manual states that “the guidelines that orient the elaboration of the ISTDP derive from good practices of regional and sectoral planning, **the Bank’s environmental policies and safeguards**, and the instructions for the preparation of documents and execution of Prodetur programs.”¹⁹

The ISTDPs are thus expected from the outset to integrate concerns regarding environmental risk and sustainability. More specifically, they are expected to give attention to the aspects listed in Box 2 below. Beyond this, in order to “evaluate the socio-environmental implications and risks and to promote the sustainability of the set of interventions proposed in each ISTDP,” as the Manual states, a **Strategic Environmental Assessment (SEA)** could be undertaken as part of the Plan. It may also be performed as a separate study with the objective of **“analyzing the possible impacts caused by implantation of the Program in each pole, recommending measures to prevent and control the environmental risks, the institutional and management actions, recuperation and conservation programs and the program to monitor strategic impacts.”**

The Manual also provides general orientation as to the nature of SEAs and how they should be carried out in the context of *Prodetur Nacional*,²⁰ together with guidelines for the **socio-environmental management of infrastructure subprojects** eligible for implementation under the program. These were expected to fall into the following ten categories:

- (i) rehabilitation and recovery of highways and access roads;
- (ii) construction of ports, docks, and similar structures for tourism purposes;
- (iii) improvement/ construction of passenger terminals (land, sea or river);

¹⁹ *Ibid.*, paras. 3.4-3.7, pp. 32-33. Emphasis mine. It likewise observes that “the criteria for utilization of natural resources for tourism activities and the actions proposed in the ISTDPs should also comply with the requirements and guidelines of the environmental legislation in place in the country and the state in which they are developed. The controlled use of Conservation Units for tourism purposes should consider the principles and general rules of conservation and management that apply to the National Conservation Units System (SNUC); the planning and execution of infrastructure works and other activities should follow the pertinent licensing and monitoring and inspection regulations (*regulamentos pertinentes ao licenciamento e fiscalizacao*).”

²⁰ *Ibid.*, paras. 3.9-3.18, pp. 34-38. Emphasis mine.

- (iv) construction and improvement of state and municipal airports;²¹
- (v) water supply and sewerage infrastructure;
- (vi) urban drainage systems;
- (vii) systems for treatment and final disposal of solid wastes, including sanitary landfills;
- (viii) recuperation of buildings and exteriors;
- (ix) urbanization of beach fronts, landscaping, structural interventions and other urbanization projects; and
- (x) implantation or recuperation of convention centers and other buildings to support tourism activities such as tourist assistance or information and control posts.²²

²¹ Prodetur/NE-I had also involved the implementation of expansions and/or improvements to a number of major airports managed by the federal government in the region. See the Annex for details.

²²Ministerio de Turismo & IDB, para. 4.1, pg. 39.

Box 2 Elements to Be Considered in Integrated Sustainable Tourism Development Plans (ISTDPs)

- An integrated socio-environmental vision, considering the physical, biological, economic, social and cultural components of the environmental systems in the selected tourism areas;
- The quality and protection measures of the environmental resources and ecosystems and the socio-cultural resources that serve as the basis for tourism activity (environmental quality of the Conservation Units and analysis of the institutional capacity and performance of the respective management structures);
- Characterization and evaluation of the urban infrastructure in terms of its basic sanitation services (water supply, sewerage, drainage and solid waste management), transport, housing and other services, especially the support infrastructure for tourism activities;
- Identification of and solution measures for potential conflicts with other economic sectors with respect to the use of environmental resources as a basis for tourism;
- Identification and evaluation of the strategic impacts of the plan in term of socio-environmental potentialities and risk of the tourism development model that is adopted; and,
- Detailed description of the institutional management model for tourism, including the respective program of environmental management, which should comprehend the measures to control socio-environmental impacts and the monitoring indicators for implementation of the plan.

Source: Ministry of Tourism and IDB, Socio-environmental Planning and Management Manual

In addition, the Manual provides more specific guidance regarding the socio-environmental assessment and management planning process for different types of infrastructure works. It classifies each in accordance with the comparative extent and severity of its potential environmental impacts. It likewise indicates the licensing requirements and type of environmental study needed for each one in accordance with Brazilian national law and regulations. On this basis, according to the Manual, the following types of subprojects should be classified in Category A:

- (i) water supply systems;
- (ii) sewerage systems, including sewage treatment plants or outfalls;
- (iii) solid waste disposal systems involving sanitary landfills or incinerators;
- (iv) recuperation, pavement and duplication of highways;

- (v) river and marine port terminals; and
- (vi) construction, expansion and/or modernization of airports.

In all cases, these types of projects would require Environmental and Social Management Plans (ESMPs, or PGASs in Portuguese) based on full Environmental Impact Assessments and Environmental Impact Assessment Reports (known as EIA/RIMAs in Brazil). Other types of subprojects are classified in Category B (including sewage collection networks) or Category C (including convention centers; tourist assistance, information and control posts; and public illumination systems). The latter do not require either environmental impact studies or environmental licenses. Category B projects, which do need such studies and licenses in Brazil, however, require only Preliminary Environmental Reports (RAPs in Portuguese) and associated PGASs, rather than full EIA/RIMAs.²³

However, it should be noted that in the case of recuperation, pavement and/or duplication of access roads (*estradas de acesso*) — as opposed to highways (*rodovias*) — the Manual **does not specifically indicate how such subprojects should be classified or what kind of environmental studies and management plans are required.** In addition, in summarizing the potential generic positive and negative impacts of highway improvement projects, there appears to be an **inherent asymmetry** with respect to **their possible indirect impacts.** According to this source, the types of impacts that can be expected from such subprojects are the following: “positive impacts: (i) improved accessibility; (ii) generation of employment and income; and (iii) increased property values. Potential significant negative impacts, in turn, are: (i) increase of erosion and sedimentation processes; (ii) degradation of fragile ecosystems, (iii) creation of barriers and loss of biodiversity; (iv) generation of noise; (v) air pollution; (vi) removal of population; (vii) increase of traffic; and (viii) risk of accidents.”²⁴

This statement tends to overlook the possible indirect adverse environmental and/or social impacts that **may be associated over time with the identified positive effects of road improvements. These effects are due to improved accessibility, greater employment and income and/or increased property values, which improvements tend to generate. This stems from the changes in land tenure and in the use of land and natural resources that may**

²³ *Ibid.*, Tables 4.1-4.2, pp. 60-69.

²⁴ *Ibid.*, Table 4.2, pg. 66.

accompany such impacts, especially (but not exclusively) in rural areas. Such changes can also lead to environmental degradation and/or dislocation of vulnerable populations.²⁵ In addition, **by analyzing the potential environmental and social impacts of individual subprojects in isolation, it may be easy to overlook the cumulative positive and adverse impacts the subprojects experience as a result of induced tourism development, which can be significant over the medium and longer-term.** Certainly, this is possible in the absence of a broader assessment that considers the positive and negative environmental and social effects of project-induced tourism development as a whole. Thus, it is indeed essential that the individual subproject EIA/RIMAs or RAPs and EGASs be supplemented, and ideally preceded by, a SEA type of evaluation. Such an evaluation carefully analyzes the potential impacts of induced or facilitated increased tourism development over time within — and perhaps even spilling over from — each of the priority tourism areas or poles that are supported under the various state-specific *Prodetur Nacional* projects. Ideally, moreover, the result of these SEAs and the associated environmental and social management plans (ESMPs) should be a key input into the participatory ISTDP for each such pole, rather than undertaken after these plans have already been completed.

4. The Current Generation of State Prodetur Projects.

Thus far, four loans for *Prodetur Nacional* projects in individual states have been approved by the Bank: the first for US\$150 million to Ceara on May 25, 2010, followed by loans of US\$75 million and US\$112 million to Pernambuco and Rio de Janeiro, respectively, on September 15, 2010, and most recently a loan of US\$50.88 million to Bahia on February 23, 2013. A loan of US\$26.4 million to the state of Para is presently under an advanced stage of preparation, several other potential state *Prodetur Nacional* projects are at an earlier design stage and a fully prepared operation for Rio Grande do Norte has not gone forward due to state creditworthiness constraints.²⁶ All of the projects currently under implementation are still at fairly early stages,

²⁵ For examples of where this has occurred in the context of other IDB-financed road improvement investments, see Redwood, John, III. 2012. “Managing the Environmental and Social Impacts of Major Road Investments in Natural Resource Frontier Regions: Lessons from the Inter-American Bank’s Experience.” Consultant’s report in Washington D.C., in May 2012; and CIAT. 2012. “Road Impact Assessment Using Remote Sensing Methodology for Monitoring Land-use Change in Latin America.”

²⁶ Personal communication from Joseph Milewski in Brasilia, January 27, 2013.

although those in Ceara and Pernambuco, which were visited by ESG in January/February 2013 as part of this study, are considerably more advanced than the one in Rio de Janeiro.²⁷ This is probably due in part to the fact that Ceara and Pernambuco (and Bahia) have previously benefited from Prodetur/NE-I and II. In fact, as observed above, the various state components of the latter projects were still under implementation when the new ones were being prepared in both of these states (and in Bahia as well). Thus, the three Northeastern states were more familiar both with the program and the Bank's requirements, while Rio de Janeiro is a newcomer to the program. However, local institutional factors have also played a role in the poorer project performance in Rio de Janeiro to date.

There are several key differences between the new generation of state-specific *Prodetur Nacional* projects and the previous regional ones. The most significant one is that the state governments are **borrowing directly from the Bank without the intermediation of BNB**, or the Ministry of Environment in the case of Proecotur. These institutions are no longer directly involved in the program. According to the state coordinators in both Ceara and Pernambuco, this change has facilitated project implementation as well as interaction with the Bank. The Ministry of Tourism now plays a stronger technical and support role, even though the individual IDB loans go directly to the beneficiary states rather than first passing through a federal government-level intermediary.

Another key difference is the requirement that **a specialized consulting management firm** (known as a *gerenciadora* in Brazil) **support** each state project coordination or management unit (UGP or UCP) **to strengthen project coordination and interaction with the Bank**.²⁸ In addition, there are also now key requirements that each of the new *Prodetur Nacional* projects have a specific **environmental management component** and that they be subject to a **Strategic Environmental Assessment (SEA)**. **They also must meet local environmental analysis and licensing requirements**, in addition to carrying out participatory ISTDPs for each

²⁷ As of the end of February 2013, 24.4% of the Bank loan to Ceara and 10.2% of that to Pernambuco had been disbursed, as compared with just 5.1% of that to Rio de Janeiro. The coordinator of the Prodetur project in Pernambuco informed ESG that disbursements were expected to increase significantly during 2013 due to the advanced stage of the bidding process for a number of major subprojects.

²⁸ In Pernambuco, the state coordination unit (UGP) and the *gerenciadora* are not only working as a single team — as is also the case in Ceara — but are sharing the same physical space on a full time basis. Each member of the UGP is “mirrored” by his or her counterpart specialist in the *gerenciadora*. This arrangement appears to be working extremely well.

of their existing and proposed new tourism poles. These and other design and implementation features for which the Bank seems to be largely responsible are described more fully below in the two ongoing projects recently visited by ESG. Also provided below is a brief description of the two other *Prodetur Nacional* operations currently under execution, or soon to be. This description is furnished to provide a fuller update in terms of the key innovative features of project design with respect to strategic planning and socio-environmental assessment and management.

5. *Prodetur Nacional-Ceara* — Principal Strategic Planning and Environment-related Innovations

Under PRODETUR/NE-I, Ceará received US\$88.3 million in sub-loans (23% of total program financing), financing investments in basic sanitation, airport improvements, urbanization of tourist areas, restoration of historic heritage sites and highway development, all of which were considered important for attracting more tourists. The area also saw private investment to expand the supply of hotel accommodations. Under PRODETUR/NE-II, the state received US\$60 million in sub-loans. The investments were reportedly “identified through an integrated and participatory planning process with special attention to the environmental dimension for the *Costa do Sol* tourism hub, comprising essentially the municipalities of the western coastline” (i.e., the coastline from Fortaleza to the western border of Ceara with Piaui). The bulk of the funding (71%) was used to expand trunk highways and water supply and sanitation facilities. Funds were also used for the urban development of tourist areas such as Jericocoara and restoration of cultural and historic heritage sites (13% of funding).²⁹ As concerns the new project, in turn, according to the LP,

[t]he program seeks to generate a sustainable increase in tourism revenues for regions with an existing or potential tourism base. The tourism industry in Ceará could thus **act as an engine of regional development, creating jobs and incomes for the local population**. Under this development model, tourism can marshal, prioritize, and guide investments to support regional development and growth and improve quality of life for local people. The proposed program will implement this approach by **introducing strategic and comprehensive planning in target areas selected in accordance with the state’s tourism strategy**

²⁹ IDB, 2010a, para. 1.6, pg. 2.

(PEDT)³⁰: the eastern coastline, selected for its capacity to generate a new sustainable model of sun and sand tourism that will better position the state's tourism offerings, and the Baturité and Ibiapaba mountains, for their potential to create new products that will help optimize the regional distribution of tourism benefits.³¹

Interestingly, while the new Bank loan is now financing tourism-related investments along the eastern coastline extending from just west of the state capital (Fortaleza) to the border of the neighboring state of Rio Grande do Norte, Ceara also secured financing from another source. The Andean Development Corporation (CAF) provided financing to support and further such investments in the municipalities along the western coastline that, as noted above, had already benefited from support under Prodetur/NE-II, as well as for the city of Fortaleza itself (through a separate operation). The CAF-financed project for the western coastline is being coordinated by the same UGP in the state Secretariat of Tourism that was responsible for the coordination of all activities and investments under the IDB-financed *Prodetur Nacional-Ceara*. Meanwhile, that for Fortaleza has its own coordination unit in the municipal government.³² Both of these CAF-funded projects, however, have reportedly followed the same basic design and implementation arrangements as the IDB-financed project for the eastern coastline. This is an **important positive externality of Bank support** to the state. In this regard, it should further be noted that Ceara has also benefited from significant earlier IDB financing for road improvements³³ and basic sanitation investments. These have been seen particularly within the Fortaleza metropolitan area, but also elsewhere in the state in the case of the sanitation

³⁰ According to the LP, “the ultimate objective of the 2007 Strategic Tourism Development Policy of the State of Ceará (PEDT) is to make the tourism industry more competitive while reducing regional disparities and promoting sustainable development. In this context, 12 tourism areas or regions have been identified for their tourism potential and their potential for interregional and interstate coordination: four on the coastline and eight in the interior. To achieve its objective and optimize the distribution of benefits from tourism, the PEDT focuses on: (i) enhancing and consolidating the existing sun and sand tourism offerings in coastal tourist regions, for sustainable revenues gains over time; and (ii) creating new tourist products that will attract visitors to the state's interior and spur new economic development in those areas.” (*Ibid.*, para. 1.11, pg. 4)

³¹ *Ibid.*, para 1.12, pg. 4.

³² The former coordinator of the municipal Prodetur project for Fortaleza, Danielle Montenegro Melo Freitas, was appointed coordinator of *Prodetur Nacional Ceara* in January 2013.

³³ The first such project involved a loan of US\$89.7 million, approved in December 1989. The second one involved a US\$115 million loan, approved in July 1997. They were executed by the State Highway Department, which was also responsible for implementation of the roads components under the various Prodetur operations.

investments.³⁴ Thus, Ceara is very familiar with Bank procedures and requirements in both of these sectors, as well as in tourism development.

Additionally, the eastern coastline of Ceara,³⁵ like the western coastline, is already a strong existing tourism destination, including for international tourists. However, the inland “tourism poles” are comparatively less well known and will benefit under *Prodetur Nacional* for the first time. These are constituted by the highlands of Baturite³⁶ south of Fortaleza, which was also visited by ESG during the recent mission, and of Ibiapaba,³⁷ which is to the west on the border with Piaui. Ibiapaba was not visited due its considerably greater distance from Fortaleza. The selection of these poles reflects the strategic effort to **diversify the focus and benefits of tourism-related activities**, including increased local employment and income, in Ceara beyond those associated with “sun and sand.” Such diversification is also a key element in the state tourism strategy for Pernambuco (see the next section).

The LP for this project explicitly summarizes the principal lessons learned from previous IDB tourism development-related experience in the state and elsewhere, stating that:

...the proposed program has been designed with priority to activities that will expand and deepen the information available for integrated tourism planning in the three beneficiary areas at program startup, through the preparation of market studies and needs analyses for institution strengthening, manpower training, and business support. The market studies will be used to prioritize demand segments and the products on which efforts should be concentrated. Investments in destinations (geographic areas where the products will be developed) will be organized around comprehensive interventions to enhance public tourist

³⁴ In addition to the basic sanitation project for metropolitan Fortaleza, known as SANEFOR and involving a Bank loan of US\$199.2 million, approved in 1992, this also includes a loan for US\$100 million for a statewide sanitation project, approved in November 2003.

³⁵ Traveling from west to east, this pole consists of the ten coastal municipalities of Caucaia (which borders Fortaleza to the west), Eusebio (which borders Fortaleza to the east), Aquiraz, Pindoretama, Cascavel, Beberibe, Fortim, Aracati and Icapui. The majority of these, including Aracati, which is also important for historic reasons, were visited by ESG. Fortaleza is also technically part of this pole but is not included in terms of new investments in the present project, as it has separate financing from CAF for its tourism development-related activities.

³⁶ This pole consists of the 13 adjoining municipalities of Acarape, Aracoiaba, Aratuba, Barreira, Baturite, Capistrano, Guaramiranga, Itapiuna, Mulungu, Ocara, Pacoti, Palmacia and Redencao. Of these, Guaramiranga is the most important from a tourism perspective, due to its climate and other local attractions. A number of these municipalities, including Guaramiranga, were also visited by ESG during the recent mission.

³⁷ This pole, which due to its greater distance from Fortaleza was not visited by ESG, is composed of the nine municipalities of Carnaubal, Croata, Ibiapina, Ipu, Guaraciaba do Norte, Sao Benedito, Tiangua, Ubajara and Vicoso do Ceara. Its highland climate conditions are similar to those of Baturite; this is the main reason for its attraction to (primarily local) tourists.

attractions, ranging from the preparation of final designs to actual implementation of activities for recovery and restoration of attractions, provision of tourism installations and facilities, interpretation and management of tourism resources, and development of the local urban surroundings. These interventions will be supplemented with investments in structuring the tourism business chain and job training, accessibility and basic services, and public management enhancements in the *municipios* that constitute destinations.³⁸

These lessons, which are also identified in the LPs for the other state-specific *Prodetur Nacional* projects, include the following, which *inter alia* highlight the **needs to (i) adequately anticipate and address possible adverse impacts of project-facilitated or induced increases in tourism activity and (ii) mainstream environmental considerations:**

- Program execution must be as close to the end beneficiary as possible, to avoid inefficiencies through too many intermediaries and to ensure that designs are consistent with local capabilities, conditions and needs.
- **Investments must be planned and staggered to prevent, mitigate or minimize any adverse impacts from accelerated tourism growth in a given area.**
- If investments are to have a real impact and not be scattered too thinly, tourism projects must be part of a strategic development model targeted at destinations and products that can be positioned successfully.
- **Tourism development plans must include a tangible environmental commitment, either by making the environment a key strategic focus of the plan or by including it as a crosscutting factor in all planned activities.**
- Tourism development programs must balance investments in basic infrastructure with investments meant to upgrade productive resources and structure the tourism value chain.³⁹

This reflects a **progressive and significant shift** already initiated under Prodetur/NE-II,⁴⁰ from a predominant emphasis on infrastructure investments to **an increasing focus on strategic**

³⁸ IDB, 2010a, para. 1.13, pg. 5.

³⁹ *Ibid.*, para. 1.9, pg. 3. Emphasis mine.

⁴⁰ See the Annex for details.

planning of “tourism products” and destinations, as well as the environmental impacts and aspects of tourism development. The LP also indicates how the present project incorporates each of these lessons in its design. As concerns having a “tangible environmental commitment,” for example, it states that:

[t]here is a **Social and Environmental Planning and Management Manual** for the program setting out management guidelines and requirements. There also will be a **strategic environmental assessment of the beneficiary tourism hubs.** Investment projects, especially infrastructure projects, will be subject to **environmental impact studies, construction firm supervision, and regular environmental audits.** Lastly, the **environmental management component includes specific measures for environmental conservation and sustainable use of natural and cultural resources of tourism interest.**⁴¹

As noted above, these features represent an important evolution of program environmental and social management requirements from earlier generations of IDB-supported Prodetur operations. According to the LP, the project’s objectives are “to increase employment, revenue, and foreign exchange earnings for the tourism sector by strengthening and diversifying the tourism offerings of the state of Ceará [and] increase tourism revenue from the three program corridors.” To achieve these objectives, it has the five components (with associated estimated direct costs):

Tourism products (US\$58.6 million)

These increase daily spending by tourists who visit the coast, and generate tourism activity in new areas of the state. The component includes:

- (i) market studies to identify and prioritize destinations and products with real tourist potential, in light of the expectations of target demand segments;
- (ii) diagnostic assessment and plan for manpower training and business support, in light of the selected destinations and strategic products;
- (iii) update of integrated sustainable tourism development plans (ISTDPs) as tools for integrated local tourism planning;

⁴¹ IDB, 2010a, para. 1.9, pg. 3 (my emphasis). The Manual referred to is that prepared under the *Prodetur Nacional* project briefly described above, a copy of which was provided to ESG by the UGP in Pernambuco in February 2013, together with other program and project documents.

- (iv) projects to develop and upgrade tourism destinations, including the recovery and restoration of public attractions and enhancement of their surroundings, as required to compete in tourism markets; and
- (v) tourism signage and interpretation at destinations.

Promotion and marketing (US\$25.4 million)

This will enhance the tourism image of destinations and products and ensure that the channels selected for promotion and marketing are efficient and effective. It will finance preparation and implementation of the marketing plan for the three target areas, based on the market studies done previously. This will help to diversify outbound markets and capture the strategic demand segments to which the tourism product investments of the first component will be targeted.

Institution strengthening (US\$9.4 million)

This builds local capacity for planning and managing tourism development; generates the mechanisms for interagency coordination at the state and municipal levels; strengthens tourism business associations; and supports the comprehensive management of tourism destinations for orderly and consensus-based development. It includes preparation and implementation of the following activities: (i) diagnostic assessment and planning for strengthening public and private entities involved in the tourism industry; (ii) strengthening the State Tourism Information System, necessary for proper decision-making in both public and private sectors; and (iii) update of the geo-referenced map database of tourism information in the selected destinations.

Destination access infrastructure and basic services (US\$133.5 million)

These improve accessibility and connectivity for the selected destinations, making it easier for visitors to reach and move about within them. They also create tourism circuits and corridors and provide adequate public services to meet tourists' needs during their stay. This component includes the preparation of feasibility studies and final designs, as well as civil works for access enhancement, municipal airport improvements and water and sanitation systems, including sanitary landfills.

Environmental management (US\$10.1 million)

This supports sustainable development of the sector by ensuring the preservation and sustainable use of natural and cultural resources that form the basis of tourism activity, and by preventing and mitigating any adverse impacts that tourism investments might have on the territory and its population. Planned activities include: (i) strategic environmental assessments of the program's three target areas; (ii) environmental impact studies and socio-environmental audits of selected works at each destination; (iii) plans for the preservation, management, and public use of sensitive natural and cultural resources of tourism interest; and (iv) plans for the restoration of degraded tourism areas.⁴²

The LP summarizes the project's **potential “environmental and social safeguard risks”** as follows:

The program is classified as category “B” under the Bank's Environment and Safeguards Compliance Policy (Operational Policy OP-703). The following studies and activities agreed in the program's environmental and social strategy were conducted during program preparation: (i) **a social and environmental performance evaluation** of the state during execution of PRODETUR/NE II; and (ii) **an environmental analysis of the three areas selected to identify their most significant social and environmental features and their vulnerabilities in light of the proposed activities and the main risks and safeguards to be considered, and to define the program's social and environmental indicators.** This analysis was used as the basis for designing the environmental management component, which will **provide funding for management, conservation, and environmental safeguards.** Program investments will be planned, designed, and implemented in accordance with the requirements and guidelines of the Environmental and Social Management Planning Manual, attached as an annex to the program Operating Manual, which consolidates the instructions and requirements of the applicable Bank policies (Operational Policies OP-703, OP-710, OP-765, OP-704, and OP-102) as well as the specific requirements for works in the technical annexes to the program Operating Manual. The **environmental and social management report** (ESMR) includes details on the expected impacts, institutional capacity, and measures proposed to prevent, mitigate, or offset adverse impacts.⁴³

The ISTDPs for each of the three priority tourism areas in Ceara were updated, revised and finalized by a multi-disciplinary team in January 2013. The team included environmental

⁴² *Ibid.*, paras. 1.14-1.19, pp. 5-6.

⁴³ *Ibid.*, para. 2.6, pg. 8. Emphasis in the original.

specialists from the state coordinating unit (UGP) and the project *gerenciadora*, a Sao Paulo-based planning and management firm called COBRAPE. Each one is presented in two amply illustrated volumes. The first volume provides a “strategic diagnostic” study of the tourism pole; the second, based on this analysis, proposes its tourism development strategy and an associated action plan. More specifically, following a brief introduction, Volume I is divided into three main chapters:

- (i) consolidation of the municipalities in a pole;
- (ii) objectives of the ISTDP in that pole; and
- (iii) the strategic diagnosis *per se*.

The chapter on consolidation of the municipalities in the pole briefly describes the touristic profile of the area, its geographic features (including the influence of climate and natural landscapes) and its political-institutional and administrative characteristics. The third chapter is organized as indicated in Box 3. The basic analytical approach taken for purposes of this diagnosis is application of the environmental State-Pressure-Impact-Response model.⁴⁴

⁴⁴ More specifically, this model seeks to respond to the following questions: (i) State — What is happening with respect to the environment?; (ii) Pressure — Why is this happening?; (iii) Impact — What is its impact; and (iv) Response — What can be done and is being done about it now? This is a well-known approach to environmental impact analysis.

Box 3 Elements of the Strategic Diagnostic Studies Contained in the ISTDPs

- Territorial Characteristics
 - Climate and Water Resources and their Relation to Tourism
 - Physical Features of the Landscape and Natural Attractions
 - Biological Characteristics
- Identification of Pressure on the Territory
 - Demographic Aspects
 - Per Capita Income, Development and Human Development Indices
 - Infrastructure and Basic Services
 - Principal Economic Activities and Those Linked to Tourism
 - Urban Aspects
- Analysis of the Present State of the Pole
 - Urban Infrastructure
 - Public “Equipment” Oriented to Tourism
 - Architectural Patrimony
 - State of the Natural Environment
 - Present State of Tourism Activities Developed in the Pole
- Analysis of the Impacts of Tourism Activity
 - Political-Institutional Sphere
 - Social Sphere
 - Environment
- Responses — Applicable Legislation and Investments
 - Urbanistic Legislation (*Legislacao Urbanistica*)
 - Environmental Legislation
 - Tourism Legislation
 - Incentives for Tourism Investment
 - Current Position of the Pole in the Tourism Market versus its Potential Position
 - Identification of Critical Areas for Intervention in Each Product Line and the Local Actors that Need to Be Mobilized.

Source: SETUR-CE, PDITS Polo Litoral Leste.

Volume II of the ISTDP contains five chapters, plus references and annexes:

- (i) methodology for the elaboration of the strategies and actions plans for tourism development;
- (ii) tourism development strategies for the respective pole;
- (iii) action plan with specific subproject summaries (*fichas dos projetos*);
- (iv) investment matrix; and
- (v) methodology for monitoring and evaluation of the subprojects in the pole.

The chapter on tourism development strategies is divided into specific sections for infrastructure and basic services, tourism products, environmental management, tourism marketing and institutional strengthening for the respective pole.⁴⁵

In the case of the *Litoral Leste* (Eastern Coast) tourism pole, for example, the ISTDP has the following declared specific objectives, among others:

- Strengthen “sun and beach” tourism as an “anchor” segment complemented by cultural, adventure and sports tourism, **valuing the natural vocation of the eastern coast** at the same time making the region more competitive and not dependent on a single type of attraction;
- Stimulate intermunicipal integration by means of improved distribution of visits among the various points of interest in the region, avoiding the overcrowding and saturation of some attractions and at the same time reducing possible conflicts among tourists and residents;
- Identify new nuclei of attractions and services, with a view toward increasing tourist expenditures and permanence, as well as offering all the municipalities in the region the direct and indirect benefits of tourism activity;
- Subsidize institutional strengthening policies with a view toward promoting greater local economic dynamism through strengthened and autonomous management based on various local forces to enable all the municipalities to benefit simultaneously from tourism and, in parallel, collectively manage the activity;
- Provide a diagnosis of essential infrastructure and basic services for the development of tourism activity such as for: water supply networks; sewage collection networks (to avoid that wastes are deposited in streets and/or water courses); sewage treatment stations; and collection and final disposal of urban solid wastes and construction wastes;
- Stimulate the training of labor so that the population can take advantage of new tourism-related employment opportunities in the locality, avoiding outmigration to other regions and to permit a better distribution of income, developing the local economy;

⁴⁵ See, for example, SETUR-CE, 2013. Similar plans were also issued for the other two priority tourism poles (Baturite and Ibiapaba) in January 2013.

- Stimulate the promotion of environmental education of the local population and tourist with a view toward establishing “responsible and monitored” visits; and,
- Highlight the respect that the region and its managers should have for the environment and the sustainable development of tourism activity.⁴⁶

To define the tourism development strategy, the ISTDP considers the pole’s strengths and weaknesses, as well as its opportunities and threats (known as the SWOT approach). This results in tables focused on the following segments:

- (i) Planning area;
- (ii) Tourism as an economic activity;
- (iii) Tourism infrastructure and services;
- (iv) Accessibility and mobility;
- (v) Urban development;
- (vi) Historic patrimony;
- (vii) Variety and singularity of natural attractions;
- (viii) Degree of exploitation and/or degradation of [environmental] assets;
- (ix) Tourism products and attractions;
- (x) Supply of accommodation (lodging and meals);
- (xi) Tourism promotion,
- (xii) Touristic circuits and other products (food, handicrafts, entertainment);
- (xiii) Emerging market segments;
- (xiv) Planning;
- (xv) Municipal management model;
- (xvi) Organization of the tourism sector; and
- (xvii) Training of entrepreneurs.⁴⁷

⁴⁶ SETUR-CE, 2013, Vol. I, pp. 41-43. Emphasis mine.

As examples, the tables for “planning area” and “degree of exploitation and/or degradation of [environmental] assets” are reproduced below.

Table 1 Planning Area

PLANNING AREA (East Coast)	Potentialities	Weaknesses
<p>Opportunities</p> <p>Existence of public resources for investment in the sector</p> <p>Growth in private interest in investments in the sector</p>	<p>Diversity of Landscapes</p> <p>Historical and Cultural Attractions</p> <p>Thematic Parks</p> <p>Proximity to Fortaleza</p>	<p>Degradation and pollution of beaches</p> <p>Insufficient valuation of cultural attractions</p> <p>Violence</p> <p>Real estate speculation</p>
<p>Risks</p> <p>Uncontrolled growth of the municipalities and tourist attractions</p> <p>Destruction of the coastline due to advance of the sea</p>	<p>Continue the marketing campaigns that are currently underway</p> <p>Stimulate the installation of tourism enterprises oriented to permanence demand</p> <p>Stimulate cultural tourism</p> <p>Prioritize tourist utilization of the areas with high attraction potential</p> <p>Order tourism use and the occupation of beaches and natural attractions</p>	<p>Invest in basic infrastructure (sanitation, water, solid waste)</p> <p>Develop mitigation actions to minimize environmental impacts</p> <p>Vary the type of tourism practiced</p> <p>Provide infrastructure to areas with the vocation for new tourism undertakings</p>

⁴⁷ *Ibid.*, Vol. II, pp. 15-20.

Table 2 Degree of Exploitation and/or Degradation of Assets

DEGREE OF EXPLOITATION AND/OR DEGRADATION OF ASSETS	Potentialities	Weaknesses
Opportunities	Existence of Permanent Preservation Areas (APP) in the coastal zone Existence of Conservation Units Relatively non-degraded ecosystems in Icapui and Pindoretama municipalities	Degrading economic activities in some locations Non-compliance with environmental legislation in some fragile areas Coastal erosion in Cascavel Vehicle traffic on dunes and beaches
Provision of government investments for the promotion of sustainable tourism	Implant projects that help in the preservation of natural resources	Implant regulation and control systems of land use and economic activity Implant projects that help in the recovery of degraded natural resources Elaborate environmental impact studies to help in the implementation of self-sustaining activities
Risks	Impact generated by the growth of tourism and other economic activities, in addition land occupation and use Implant management and control systems for fragile areas	Strengthen state and municipal environment agencies Promote awareness and environmental training and education campaigns

These and similar tables, together with an analysis of current and potential future land use and carrying capacity of each of the municipalities in the area, were used to generate the various project strategies for the tourism pole alluded to above. These include an environmental management strategy whose “central objective” is described as follows: “to consolidate and implement the Eastern Coastal pole as a competitive tourism region with quality of life and **guarantee of environmental sustainability** through the ‘requalification’ of spaces, recuperation of degraded areas, physical demarcation of APPs and increment in adequate urban infrastructure.”

The strategy itself, according to the ISTDP, would involve “the monitoring of works in relation to ‘erodability’ and the production of dust in land moving (*terraplanagem*) activities, adequate management of work camps, adoption of safe engineering measures and regular maintenance of the vehicles and machines utilized in various actions for implantation of the civil works.”⁴⁸ The specific “project” associated with this strategy would be the **elaboration and implementation of management plans for the conservation units in the area**. More precisely, this would function as a way of seeking “to establish the norms and alternative solutions in order to make viable and ‘requalify’ areas that are already protected, preserved or degraded, reducing potential harm to the environment.”⁴⁹ The ISTDP for the *Litoral Leste* then lists “various techniques...to meet the need for better and effective environmental control,” including the following:

- To reduce the level of air pollution and deposit of solid particulates on environmental resources, constant maintenance of equipment, machines, and motor vehicles is recommended so as to reduce toxic gas emissions;
- Attention should be given to surface waters, principally due to rainwater, for which an adequate drainage system is needed in order to avoid the accumulation of water in areas other than the natural water courses which could lead to the proliferation of infectious or contagious diseases; care with operations that involve chemical effluents (oils and greases in the machines) and storage of solid and liquids wastes are preventive measures that should be taken in order to avoid pollution of the water table;
- Urban drainage and landscaping projects should be coordinated;
- Surface and underground waters, vegetation, ecosystems, and erosion and sedimentation processes should be monitored;
- Geological and geotechnical studies should be undertaken to orient ways of capturing surface waters, and disposing and treating wastes, as well as hydrological studies in relation to the channeling of existing water resources in the municipalities; the inadequate management of water resources should also be avoided;

⁴⁸ *Ibid.*, Vol. II, pg. 39. Emphasis mine.

⁴⁹ *Ibid.*, Vol. II, pg. 40.

- Reforestation projects with native species should be undertaken in deforested areas in the APPs and other areas in the coastal zone, existing ecological parks, together with physical delimitation of APPs, principally those located in urban areas or which are impacted by unplanned expansion;
- An inventory in order to expand knowledge about local flora, fauna, and environmental resources should be carried out to facilitate the conservation and preservation of environmental patrimony;
- During project execution, various measures should be adopted to control visual impacts on the ecosystems, such as the establishment of vegetative barriers for installations, in addition to the recovery of the ecosystems after the works are concluded, through the reconstitution of vegetation; and
- Agro-extractive and summer tourism activities should be controlled.⁵⁰

The section of the ISTDP on the proposed environmental management strategy for the pole concludes by affirming that **“the implementation of new tourism facilities as well and the increase in existing infrastructure will generate impacts on the natural environment**, one of the principal tourist attractions in the region. Therefore, the **adequate management of this environment is essential for the conservation and preservation of the natural environment and sustainable practices should be instituted for the expansion of tourism activity in the region.**”⁵¹ This represents a clear recognition by the authors of the ISTDP of importance of natural resources — not only the sea, beaches, and dunes, but also rare geological formations known as *“falesias”* and existing protected areas (APPs), together with historical and cultural features along the eastern (and western) coast of Ceara. These are important national and international tourist attractions. Therefore, **the future expansion and sustainability of tourism activity is dependent in good measure upon their proper and sustainable management, conservation and use.**

Based on this and the other strategies, the ISTDP identifies 13 priority projects — in some cases, groups of projects — for the Eastern Coastal tourism pole. These are then

⁵⁰ *Ibid.*, Vol. II, pp. 40-42.

⁵¹ *Ibid.*, Vol. II, pg. 42.

subdivided into “high” and “medium” priority subcategories. The former means they should be started within a period of at least three years (36 months) from the date of the plan, while the latter means they should be initiated between 19 and 72 months from this date. Five of these projects (and their respective strategic categories) were in the “high” priority group:

- (i) paving and urbanization of internal roads in the *Porto das Dunas* beach resort area (infrastructure and basic services);
- (ii) installation of a recycling center (environment);
- (iii) urbanization of coastal localities in the municipalities in the pole (tourism product);
- (iv) elaboration/ updating of municipal master plans (*Planos Diretores*) (institutional strengthening); and
- (v) execution of a tourism marketing and promotion plan (promotion and marketing).

The 13 projects are then further described in individual summary sheets (*fichas*).⁵²

As the project was a global multiple works operation, Bank appraisal was based on a sample of investment subprojects, some of which were not explicitly prioritized in the revised ISTDP for the eastern coastal tourism pole summarized above.⁵³ One of these projects, in fact, had already been completed and another was well under implementation at the time of the ESG mission in February 2013. These investments include five road improvement projects. Two segments (bid separately) totaling 70km require the duplication and upgrading of a major east-west trunk road (CE-40), another section of which (closer to Fortaleza) had already been improved under a previous Bank operation. There was additionally a 48km section that had already been completed and financed 100% by state government funds; it was recognized by the Bank as part of the local counterpart contribution for the present project. However, this latter

⁵² *Ibid.*, Vol. II, pp. 58-73. The “medium” priority projects were: (i) expansion/implantation of a water supply system in the pole (infrastructure and basic services); (ii) construction and equipment of passenger terminals (infrastructure and basic services); (iii) landscaping the touristic corridor between Fortaleza and Cumbuco, in the Caucaia municipality (tourism product); (iv) creation of a living museum in Aracati (tourism product); (v) elaboration of management plans for Conservation Units (environment); (vi) events calendar for the pole (promotion and marketing); (vii) implantation of a tourism information center in Fortaleza (promotion and marketing); and (viii) institutional strengthening for sustainable tourism (institutional strengthening).

⁵³ The ISTDP makes no mention of duplicating the trunk road, for example, or of the Aracati regional sanitary landfill. It is not clear why this is the case, other than perhaps due to a question of timing, since the original subprojects were presumably identified between 2009 and 2010, well before elaboration of the revised ISTDP, which was finalized in early 2013.

investment was completed prior to project start-up, and therefore apparently not bid and contracted following IDB procurement procedures and requirements, and it involved no use of Bank loan funds. Thus, it is not clear whether Bank environmental and social safeguard policies, including requirements for public consultation and Brazilian national environmental assessment and licensing, were fully complied with (see below).

These projects also include pavement of an existing 10km dirt access road connecting the trunk road (CE-40) to a beach community (Praia do Batoque). This was undertaken in order to improve access to the latter and help recuperate another existing state road (CE-261) between the municipalities of Barreiras and Icapui.⁵⁴ The projects moreover involve expansion and implantation of a basic water supply distribution and sewage collection network (largely completed) and treatment plant (under construction) for the beach resort community of *Porto das Dunas*,⁵⁵ as well as a regional sanitary landfill in the municipality of Aracati⁵⁶ that is not yet under way pending a final decision on its location. Interestingly, completion and operation of this sanitary landfill is a legal precondition for the commercial operation of a new regional airport near the historic town of Aracati. The airport was also visited by ESG, has been completed for some time and was financed with non-IDB resources.⁵⁷ Infrastructure improvement investments and their associated costs for the Baturite and Ibiapaba tourism poles, in turn, were still undefined, pending completion of the respective ISTDPs. As noted above, has only occurred very recently.

At least some of the major infrastructure investments should be classified as Category A for Brazilian environmental licensing purposes, according to the Socio-Environmental Planning

⁵⁴ The latter segment is the only one not visited by the ESG mission due to its greater distance from Fortaleza.

⁵⁵ This project, which was also visited by ESG, also met with representatives of the contractor responsible for this subproject. It includes a pumping station, currently under construction, and an 8km pipeline to the existing sewage treatment plant near — and presently serving — the neighboring town of Aquiraz. The pipeline was considered a both financially/economically and environmentally more appropriate solution than building a new treatment plant near Porto das Dunas itself. At the time of ESG's visit, work on the pumping station had been temporarily halted due to a complaint by one of the neighbors that it would cause environmental harm in the immediate vicinity, which is a residential area, and that the proper environmental studies had not been carried out or license obtained, which the UGP denies.

⁵⁶ This regional sanitary landfill will serve the tourism hub municipalities of Beberibe, Fortim and Icapui, in addition to Aracati and as two adjoining inland municipalities, Itaicaba and Jagurana, which are not part of the western coastal tourism pole.

⁵⁷ The state government asked the Bank to consider the cost of this airport as part of its local counterpart obligation for Prodetur-Ceara, but the Bank denied this request because the airport had been completed too many months prior to approval of the new project, according to state government officials.

and Management Manual.⁵⁸ In addition to these, *Prodetur Nacional Ceara* includes specific priority tourism destination “valorization” studies and action plans within each tourism pole. One example can be seen regarding the well-known beach area and township of Canoa Quebrada⁵⁹ in the municipality of Aracati within the *Litoral Leste* pole, 150km to the east of Fortaleza.⁶⁰ Canoa Quebrada is one of six priority tourist destinations to benefit from such studies and associated improvement projects in the *Litoral Leste* pole. The others (and their respective municipalities) are Cumbuco (Caucaia), Porto das Dunas (Aquiraz), Caponga (Cascavel), Morro Branco/Praia das Fontes (Beberibe) and Ponta Grossa/Redonda (Icapui).⁶¹ Several of these destinations also have broader “areas of influence, which in the case of Canoa Quebrada, for example, include the historic center of Aracati⁶² and three other nearby beach areas, one of which is in the neighboring municipality of Fortim.⁶³ Each of these documents, in short, presents the results of a strategic planning exercise for a specific priority tourism destination within one of the priority tourism poles, thereby taking the ISTDP process down to the next level in spatial terms.

Without going into the details of the comprehensive and very well illustrated planning study for the Canoa Quebrada tourism destination, for purposes of illustration, it is nonetheless worth briefly describing its contents and how it is organized. The document has three parts: a “reading” of the “reality” of the destination; a plan for diagnosis, positioning, strategic objectives and action; and development of “the project” for this destination. The first section contains the following analytical subsections, following a brief introduction:

- (i) “socio-economic dynamic”;
- (ii) social analysis;

⁵⁸ Specifically, the duplication of CE-40 (all three segments), the sewage treatment project and the Aracati regional sanitary landfill. These are thus subject to full EIA/RIMAs, according to Brazilian environmental requirements.

⁵⁹ Canoa Quebrada originally achieved prominence as a beach destination for “hippies” in the 1970s and 1980s, but has increasingly appealed to more conventional tourists — both domestic and international — since then.

⁶⁰ See Ceara, 2012.

⁶¹ The priority tourist destinations selected by the state government in the other two poles are Guaramiranga in Baturite and Ubajara in Ibiapaba, respectively.

⁶² See IPHAN, 2000.

⁶³ Specifically, the beaches of Majorlandia and Quixaba in Aracati municipality and of Canto da Barra in Fortim. In Aquiraz, the “micropolo” also included the localities of Prainha, Iguape and Barro Preto, and in Cascavel, Aguas Belas beach. Meanwhile, in Icapui, the entire coastline of the municipality was included. The “micropoles” in the Ibiapaba tourism destination include the municipalities of Vicososa do Ceara, Sao Benedito and Tingua. In the Baturite destination, they also include the municipalities of Baturite, Mulungu, and Pacoti. See Ceara, 2012, pg. 4.

- (iii) tourist services and associated infrastructure;
- (iv) public services and associated infrastructure;
- (v) historical and cultural patrimony;
- (vi) socio-environmental situation;
- (vii) external pressures on the social and culture fiber (*tecido social e cultural*);
- (viii) judicial-institutional and administrative capacity; and
- (ix) intensity of tourist use and current carrying capacity.

More specifically, the socio-environmental subsection discusses the present “environmental situation,” existing and potential impacts and potential use of tourism destination areas.⁶⁴

The second part of this document includes a summary of the “strategic analyses” from various perspectives:

- (i) public sector management;
- (ii) the “reading of reality” and carrying capacity;
- (iii) community participation (using the SWOT approach described above; and
- (iv) the internal and external environments.

It also includes a discussion of the strategic positioning of the destination, specific local tourism development strategies, priority projects and an associated action plan for 2012-2016, and individual subproject profiles (*fichas*). The third section has subsections entitled “analysis and proposals with respect to the perimeter and land use and occupation in [the] Canoa Quebrada [destination]”; description of priority projects; and a “management model for the implantation and maintenance of the projects contained in the action plan and governance of the Canoa Quebrada tourism destination and surroundings.”⁶⁵ Presumably, similar diagnostic studies and action plans have already been, are being or will be carried out for each of the other five priority tourism destinations in the Eastern Coastal tourism pole, as well as for the single such destination each contained in the Baturite and Ibiapaba poles.

⁶⁴ *Ibid.*, pp. 10-125, plus the socio-environmental subsection in pp. 60-78.

⁶⁵ *Ibid.*, pp. 126-193 (§II) and 194-242 (§III).

Even more so than the ISTDPs, these types of local participatory planning studies and their resulting multi-year action plans are examples of good practice, as long as they are elaborated well and **with a strong socio-environmental sustainability focus**. This appears to be the case with the one for the Canoa Quebrada tourism destination and surroundings, the organization of which is briefly described above. Thus, they should be widely replicated in other tourism development programs. As such, they are a major contribution of *Prodetur Nacional Ceara* and presumably the other state-specific current generation of *Prodetur Nacional* projects. *Prodetur Nacional*, in short, involves a **“nested hierarchy” of planning and subproject identification strategies, studies and action plans**. These start with state tourism development policies and/or strategies; then descend to the **priority tourism pole** level, through the ISTDPs; and finally reach the **priority tourism destination** level within each priority tourism pole, through the corresponding “valorization” studies and action plans. This too is clearly an example of good practice.

In addition to the strategic planning activities summarized above, *Prodetur Nacional Ceara* also includes Strategic Environmental Assessments (SEAs) of each of the three priority tourism poles. These SEAs are elaborated in accordance with Terms of Reference (TORs) issued by SETUR-CE in September 2011. According to this document, elaboration of the SEAs “provide the basis for the evaluation of the direct, indirect/strategic, cumulative and synergetic environmental impacts of the set of action to be developed by the program in conjunction with the respective ISTDPs, being a requirement recommended by the Socio-environmental Management Manual of *Prodetur Nacional*, which, in turn, reflects the environmental policies in place in the country as well as the environmental policy [of the IDB].”⁶⁶ The TORs briefly describe the program as a whole and the history of Prodetur in Ceara, together with the priority areas selected for the current project, and the Bank’s environment and safeguards policy (OP 703).⁶⁷ They then go on to describe the concept of SEA in the following terms:

A SEA is an instrument that permits (*faculta*) the formal and systematic incorporation of the environmental dimension into sectoral and regional planning by means of an analysis of the environmental impacts generated by sets of actions-investments (policies, plans and programs) that, therefore, surpass the sphere of isolated projects. It also contributes to make feasible (*viabilizar*) the

⁶⁶ SETUR-CE, 2011, pg. 1.

⁶⁷ *Ibid.*, pp. 2-5.

harmony or synergy of the objectives of development and the sustainable use of environmental resources and to the reduction of the uncertainties and risks associated with the environmental question (*questao ambiental*), which, many times, ends up translating into greater costs and longer implementation periods for the undertakings (*empreendimentos*) and in conflicts between the various social agents involved.⁶⁸

The TORs then provide methodological guidelines and outline the various steps to be followed (mobilizing the team; collecting data; consulting with stakeholders; determining the baseline situation; identifying and evaluating potential impacts; constructing and evaluating alternative scenarios of tourism development; recommending actions to avoid or mitigate potential adverse impacts; monitoring impact and ex-post evaluation mechanisms; etc.).⁶⁹ They also describe the desired composition and prior experience of the multidisciplinary team that should carry out the SEA. Such a team should include a coordinator with at least 5 years of professional experience in the management of environmental projects and two other environmental specialists, supported by specialists in tourism, infrastructure projects, and socio-economic analysis. Finally, they enumerate key reference documents (the ISTDPs and the tourism market demand studies for each of the three priority tourism poles).⁷⁰ The SEAs were expected to be finalized within six months after the signing of the contract with the selected firm.

In addition to the SEAs, which are scheduled to begin (overseen by a specialized Portuguese consulting firm) in April 2013, the project requires individual Environmental Impact Assessments (EIAs) for its major infrastructure works, such as the improvements to the trunk east-west highway (CE-40). As mentioned above, the Bank recognized the cost of the prior duplication and improvement of 48km of this road, financed 100% by the state government, as part of the local counterpart obligation for *Prodetur Nacional Ceara*. Meanwhile, similar upgrading of another 70km in two segments (to be bid separately and sequentially) will be carried out using both IDB and counterpart resources as part of ongoing project implementation. SETUR-CE provided ESG with a copy of the EIA/RIMA for the improvement of the first 48km segment of this highway. Among other things, the document affirms that the environmental studies on the final engineering designs for this subproject are “in consonance with all Brazilian

⁶⁸ *Ibid.*, pg. 6.

⁶⁹ *Ibid.*, pp. 8-17.

⁷⁰ *Ibid.*, pp. 20-21.

legislation at the federal, state, and municipal levels and in accordance with the requirements of the IDB.”⁷¹ Thus, it would appear that in anticipation that improvement of this road section would be formally included as part of *Prodetur Nacional Ceara*, the state government (and the Bank) sought to ensure that its environmental assessment would meet Bank safeguard requirements, as well as those for Brazilian licensing.

This EIA followed the standard methodology for such studies in Brazil, including identification of the direct and indirect areas of influence of the highway to be improved. Thus, the EIA will not be described here in detail. It is worth mentioning, however, that for purposes of the EIA, the **direct area of influence** of the project was defined essentially as the right-of-way (*faixa de dominio*) of the road segment to be upgraded, equivalent to 20m on either side of the existing road, plus the areas occupied by the associated work camps (*areas de canteiro de obras*), borrow pits (*jazidas de emprestimo*), waste dump sites (*bota foras*) and utilized watersheds (*mananciais hidricos utilizados*). The **indirect area of influence for physical and biological environmental purposes** was defined as consisting of 2km on either side of the highway, or a total area of 192km². For **human environmental (*meio antropico*) purposes**, the area was defined as “the municipalities benefitted with the facilities created for tourism, as well as the outflow (*escoamento*) of agricultural and industrial production, for the dislocation of population and for the reduction in the number of traffic actions. In addition, it comprehends the areas that constitute a potential scenario of natural or socio-economic processes associated with advent of the project.”⁷² More concretely, this involves the territories of the four adjacent municipalities of Aquiraz, Beberibe, Pindoretama and Cascavel, through which passes the road section to be upgraded, involving a total area of just over 3,000km² and a total population of just under 195,000 in 2007.⁷³

The decision to limit the indirect area of influence to just 2km on either side of the road — or a linear corridor of 192km² — was made for physical and biological environmental impact purposes. This was as opposed to considering the entire territory of the four municipalities (some 3,000km²) judged to be potentially affected in human environmental terms. This was reportedly justified by the results of an analysis of deforestation along the road corridor in an area of 10km

⁷¹ “EIA,” 2008, pg. 9.

⁷² *Ibid.*, pp. 49-50.

⁷³ *Ibid.*, pp. 82-83, 90.

on either side of the highways, using satellite imagery in which it was found that “roughly 60 percent of the deforestation, on average, was concentrated in the first 5 kilometers along the [20km] segment studied.”⁷⁴ **This decision can be questioned, however, based on the fact that roughly 40% of the deforestation observed occurred beyond this 5km corridor, as well as because it may not adequately have taken into account possible road-related physical and/or biological impacts associated with the human environmental impacts in the larger indirect area of influence.**

It is also interesting to briefly consider the various types of physical, biological and human environmental impacts identified in the EIA, which are listed in Box 4 below. The generic mitigation measures are also described in the EIA.⁷⁵ Presumably, the EIAs for the other two segments (70km) of CE-40 to be duplicated and upgraded under *Prodetur Nacional Ceara* have taken, or will take, a similar analytical approach.

Most of the potential “human environmental impacts” identified in the EIA are considered to be positive. The primary exceptions are “proliferation of communicable diseases,” “removal of resident population and installations located in the road’s right-of-way,” “increased risk of traffic accidents” and “unemployment and reduction of the volume of income circulating in the local economy [due to completion of construction works].” The first of these can be contained by proper sanitation at the work sites, together with local health education and vaccination campaigns. The second is considered “inevitable” to some extent (i.e., after all mitigatory design measures to minimize its extent have already been taken) and thus requires compensation in the form of “relocation of the population installed in the right-of-way of the highway with negotiation of the [value of] the improvements built (*benefitorias construidas*), and should be flexible when the condition of occupation of the area is not consolidated and represents an important risk situation in terms of the loss of quality of life for the resident populations considering their level of poverty.”⁷⁶ It does not, however, specifically refer to the IDB’s involuntary resettlement policy in this regard. The principal recommended mitigation measure with respect to traffic accidents is improved “preventive” road signage in places where accidents are most likely to occur. As concerns unemployment and similar effects, the EIA states

⁷⁴ *Ibid.*, pg. 50.

⁷⁵ *Ibid.*, see pp. 131-160.

⁷⁶ *Ibid.*, pg. 156.

that “this impact will be compensated in part spontaneously by the increase in population and the ‘dynamization’ of the local economy that the availability of the [improved] highway for traffic will make possible, offering new occupation and new commercial processes in order to maintain the level of income in circulation.” It also observes that “the most affected group will be the local workers who will lose their occupation, creating a contingent with difficulty for reinsertion in the labor market.”⁷⁷

⁷⁷ *Ibid.*, pg. 157.

Box 4 Types of Potential Physical, Biological and Human Environmental Impacts Identified in EIA for CE-40 Road Duplication and Improvement Project

Physical Impacts

- Modification of topography
- Mineral use conflicts
- Exposure of soils to erosive processes
- Soil and water contamination by (i) fuels, oils, greases, and chemical products in general; (ii) solid wastes and sanitary effluents; and (iii) accidents with cargos of hazardous materials
- Generation of particulate matter
- Generation of smoke and gasses by vehicles and machines
- Sedimentation and flooding of drainage structures, slopes and water courses
- Alteration of the scenic landscape

Biological

- Suppression of vegetation and habitats
- Scaring of fauna
- Creation of barriers to the dispersion of animals
- Running over of wild animals
- Gradual substitution of vegetated formations by open areas

Human

- Proliferation of communicable diseases
- Increased direct employment by the project
- “Dynamization” of the local economy
- Increased demand for public services
- Improvement in local accessibility
- Removal of resident population and installations located in the road’s right-of-way
- Increased risk of traffic accidents
- Unemployment and reduction of the volume of income circulating in the local economy [due to completion of construction works]
- Cheapening of freight and maintenance costs for the transport of goods
- Creation of an alternative axis
- Improvement of the quality of life of the population

Source: EIA for the CE-40 Road Duplication and Improvement Project

The EIA goes on to define a detailed Environmental Plan for Construction (PAC) and a program to regulate and control the right-of-way, including relocation of “irregular occupants,” again without any specific reference to the Ban’s involuntary resettlement policy. The EIA further details a labor training and qualification program, a worker health and safety program and

a program to recuperate degraded areas once the construction works *per se* are finished.⁷⁸ In addition, it proposes programs to protect flora and fauna; to prevention and emergency response with respect to accidents involving hazardous cargos; to advance “social communication”; to promote environmental education; to provide technical support to municipal governments; and to develop a program environmental management and “environmental compensation,” with the objective of helping to preserve biodiversity.⁷⁹ The associated RIMA, on the other hand, only refers to the PAC and the environmental education and environmental management programs.⁸⁰

This is all fine as far as it goes. However, the EIA does not consider, or propose to mitigate or compensate for, **the possible indirect and induced development-related environmental and social impacts associated with the positive “human environmental” effects that the improved road is expected to cause.** These include reduced transportation costs for local agricultural and industrial products due to improved accessibility and “dynamization of the local economy.” As noted earlier in this report, this dynamization can include **changes in land values, ownership, occupation and use, with potential adverse impacts on local vegetation, soils, watercourses, fauna and biodiversity, as well as dislocation of vulnerable local populations.** This is a clear shortcoming of the otherwise quite comprehensive EIA and provides strong justification for the need to carry out a SEA, which would also consider the **possible cumulative impacts of the entire set of interventions intended to promote increased tourism development in a given priority tourist destination and tourist pole.** As further observed above, this analysis should be carried out in parallel to, and serve as an input for, the specific tourist destination valorization/local strategic planning studies and ISTDPs.

It should be observed additionally, that the now-completed 48km segment of CE-40 that was the subject of this EIA involved the relocation of some existing residences and other establishments that were located in the right-of-way of this way. Likewise, the two additional sections (totaling another 70km) that will also be duplicated and upgraded under *Prodetur Nacional Ceara* will involve the same type of relocation. Some of these were/can be relocated on the same lots at a further distance from the road, while others needed/need to be relocated elsewhere. In addition, duplication of part of the section of the highway still to be improved will

⁷⁸ *Ibid.*, pp. 165-205.

⁷⁹ *Ibid.* pp. 209-228.

⁸⁰ “RIMA,” 2008, pp. 128-157.

involve crossing an existing wetland that will require further elevation above the surrounding area. ESG had the opportunity to drive along the entire 118km length of this road and was thus able to see both the previously improved section and that which will be duplicated in the future. ESG also met with the Director of Road Works at the State Highway Department (DER-CE) that was/is responsible for the implementation of these improvements. The first section of this additional road project has already been bid and the contractor selected. Construction work was expected to start in March 2013, pending completion of a study requested by the Bank in addition to the existing EIA/RIMA for this section of the highway. Preparatory studies, including environmental ones, are nearing completion for the second section, which as a result has not yet been put out to bid.

The other major subproject that ESG visited was that consisting of a sewage elevator in Porta das Dunas and an expansion to the existing sewage treatment plant in Aquiraz, both of which are presently under construction. In addition to visiting the two construction sites, ESG also met with one of the supervising engineers for the contractor that was undertaking this subproject.⁸¹ This subproject also included installation of the local networks for residential water supply distribution and sewage collection, which had already largely been completed by the time of ESG's visit. Construction of the sewage elevation pumping station was temporarily on hold due to a complaint by one of the neighboring residents that proper environmental studies and licensing had not been carried out. The UGP, apparently with the support of the state environmental agency (SEMACE), argued that this had not been the case. A meeting had been scheduled between the author of the complaint, himself a lawyer, and representatives of the UGP and SEMACE to respond to the complaint in detail and attempt to resolve the issue. Expansion of the sewage treatment plant was not affected, however, and was going ahead as planned.

One other interesting feature of *Prodetur Nacional Ceara* is that it will also be subject to an ex-post economic evaluation, for which Terms of Reference (TORs) for the associated baseline study have also recently been issued by the UGP.⁸² It appears that this evaluation will be largely based on methodological guidelines prepared by a consultant to the IDB, as presented in

⁸¹ Specifically, Matheus Brant Campos of Mendes Junior, at the contractor's office as well as at the two construction sites.

⁸² SETUR-CE, 2012.

a specific Bank Technical Note.⁸³ However, it is not clear whether this evaluation, whose initial (i.e., baseline) phase is expected to take seven months, will take environmental costs and benefits into account.

Finally, this review was also intended to examine the quality of the handover of finished project civil works and other facilities to those responsible for their subsequent operation and maintenance. However, most of the works considered either had not yet started (e.g., the regional sanitary landfill in Aracati) or were still under construction (e.g., the sewage elevator in Porto das Dunas and the expanded treatment plant in Aquiraz) and thus had not yet been “handed over.” Thus, it was not really possible to do this either in Ceara or Pernambuco. The only completed subproject visited in Ceara was that portion of the widened and upgraded CE-40 highway that had been previously finished and was financed exclusively with local counterpart funds. The construction of this subproject and its ongoing maintenance were both the responsibility of the state Highway Department (DER-CE), so it was not handed over from one agency to another, instead remaining within the same one. Visual inspection of the improved road suggests that it is being properly maintained by DER-CE, which has considerable prior experience in this regard both with Bank-financed roads and more generally.

6. *Prodetur Nacional Pernambuco* — Principal Strategic Planning and Environment-Related Innovations

Discussion of this project, which was also visited by ESG in January 2013, will be briefer than that for *Prodetur Nacional Ceara* in order not to repeat the descriptions of the generic contents of ISTDPs, EIA/RIMAs, etc. As observed above, a Bank loan for US\$75 million for the project, which had an estimated total cost of US\$125 million, was approved in September 2010, four months after the loan for Ceara. Thus, it has been under implementation for slightly less time. However, like the new *Prodetur* project in Ceara, it began execution while the latter stages of *Prodetur/NE-II* in the state were still under implementation, and has benefited from the earlier experience with both of the earlier *Prodetur* operations, as well as from a long-standing relationship with the Bank. This relationship includes work on a recently completed rural development project, *Promata*,⁸⁴ which was carried out in parallel to *Prodetur/NE II*. *Prodetur*

⁸³ See Taylor, 2010.

⁸⁴ See IDB, 2001. This project was completed on January 24, 2011.

Nacional Pernambuco, in fact, has been a direct beneficiary of the Promata experience, in that several staff members of the UGP for the new tourism development project were formerly members of the state coordination unit for the earlier rural development operation.⁸⁵

Like the new tourism development operation in Ceara, a state government team and a *gerenciadora* are jointly carrying out administration of Prodetur Nacional Pernambuco. These occupy the same physical space in the state Secretariat of Tourism (SETUR-PE) and directly “mirror” one another, in that each member of the state team has a corresponding person in the same area of responsibility on the *gerenciadora* team. Unlike the Prodetur Nacional UGP/*gerenciadora* in Ceara, which has a smaller overall combined staff size, the one in Pernambuco has a specific Superintendent for Environment, with a *gerenciadora* counterpart, and as Superintendents for Infrastructure and for Tourism Products, all under the State Coordinator and Coordinator of the *gerenciadora*. These professionals also work closely together through weekly joint team meetings and day-to-day monitoring of project activity. In this regard, the combined UGP/*gerenciadora* team is particularly proud of its comprehensive and systematic project monitoring work, which seeks to replicate that of the current governor of Pernambuco (and possible presidential candidate), who also closely monitors the progress of all state government programs, especially those involving new investments and international financing.⁸⁶

According to the Loan Proposal (LP) for *Prodetur Nacional Pernambuco*, the state undertook US\$42 million in investments (using US\$30.7 million in Bank loan resources) under Prodetur/NE-I. This project enabled “improvements to the Recife airport, basic sanitation, urbanization of tourist areas, accessibility by road and environmental protection, aimed especially at tourism development on the southern coast and restoration of historic and cultural heritage assets in the Recife/Olinda enclave.” Under PRODETUR/NE II, Pernambuco executed a sub-loan for US\$75 million (with US\$50 million in local counterpart resources). The bulk of this funding was for “road expansion to reach the southern coastal area, including recovery of liabilities and expansion of water and sanitation facilities (71%) as well as for urban development of tourist areas and restoration of cultural and historical heritage assets (13%).”⁸⁷

⁸⁵ Personal communication from Salo Bortman, coordinator of *Prodetur Nacional Pernambuco*, January 31, 2013.

⁸⁶ Personal communication from Salo Bortman, who demonstrated this monitoring system in detail to ESG during the January 31 - February 4, 2013 visit.

⁸⁷ IDB, 2010b, para. 1.8, pg. 2.

As in the case of the new project in Ceara, the LP observes that:

...program design reflects the lessons learned from PRODETUR/NE: (i) investments must be planned and staggered to minimize any adverse impacts from accelerated tourism growth; thus, development in the program target areas is underpinned by Integrated Sustainable Tourism Development Plans (ISTDP); (ii) unless projects are part of an overarching vision going beyond the local boundaries, investments will be isolated and scattered; thus, the program explicitly identifies the types of tourism to be enhanced and developed as a whole in the targeted destination; (iii) **to ensure a tangible environmental commitment to help minimize and mitigate environmental impacts, an Environmental and Social Management and Planning Manual was developed for the program to ensure compliance with the environmental and social safeguards established for the full project cycle;** (iv) tourism development programs must balance investments in basic infrastructure with investments to restore and develop attractions, which are the core of tourism products and the reason for tourist trips; thus, under this program, development of the tourism products is the determinant for all other investments; and (v) recognizing the crosscutting nature of tourism and in order to get closer to the end-beneficiary, program execution will be led by SETUR, the state tourism authority responsible for coordinating interagency activities and public policies, with the involvement of the authorities responsible for state, environmental, infrastructure and cultural planning, and with the direct participation of the beneficiary *municípios* by means of participation agreements.⁸⁸

The LP then affirms that the project “seeks to generate a sustainable increase in tourism revenues for regions with an existing or potential tourism base. The tourism industry in Pernambuco could thus continue to act as an engine of regional development, creating additional jobs and incomes at the destinations and contributing to a better quality of life for the local population.” It moreover maintains that “the operation complements the investments made by the state under PRODETUR/NE, strengthening and enhancing the existing offerings at already consolidated destinations, and expanding the range of products into emerging areas.” More specifically, it states:

[t]o better address the key challenge — overcoming the existing concentration of tourism supply and demand [along the coastal area south of Recife and Olinda]⁸⁹

⁸⁸ *Ibid.*, para. 1.9, pg. 3. Emphasis mine.

⁸⁹ Recife is the state capital of Pernambuco. Like the neighboring city of Olinda, which is a UNESCO World Heritage site, it is characterized by very significant Portuguese colonial architecture, particularly in the form of

and in these two cities themselves] — the state intends to redouble efforts to expand and deepen the range of tourism products in terms of both geographic location and type of destination, thereby breaking the dominance of the three hubs — (i) Porto de Galinhas,⁹⁰ the southern coastal destination popular on the domestic market, offering a broad range of tourism facilities; (ii) Recife/Olinda, the state’s international port of entry, where Olinda has been declared a World Heritage site; and (iii) Fernando de Noronha, an offshore archipelago known for its fabled beaches⁹¹ — and the “monoproduct” of sun and sand tourism. To this end, the proposed program employs an intervention approach **based on integrated planning and market studies** to identify target areas and organize investment needs to create the new tourism products Pernambuco wants to offer so as to better position itself. Following the main lines of the PETPE [i. e. the state Strategic Tourism Plan], the program targets three hubs or tourism areas: (i) *Costa dos Arrecifes*, the coastal area where most visitors and investments converge, requires interventions to enhance the existing sun and sand model with a new sustainable base, while diversifying and innovating the product offerings so as to attract new demand segments with greater spending capacity; (ii) *Agreste*⁹² (rustic nature); and (iii) *Vale Sao Francisco*⁹³ [an expanding and increasingly diversified and prosperous wine and agricultural region through the use of irrigation and agro-industrial production], these last two areas selected for their potential to expand the geographic scope for tourism and offer a thematic alternative to the coast, based on ecotourism, rural tourism and cultural tourism to inland areas of the state.⁹⁴

With this in mind, the project’s objective is “to increase revenue generated by tourism through development of the sun and sand model and diversification (thematic and geographic) of

churches and monasteries, together with year-road tropical beaches, all of which represent important domestic and international tourist attractions.

⁹⁰ Porto de Galinhas (literally “Chicken Port”) is an important beach resort — and thus tourist attraction — located about one hour (by car) south of Recife. It has grown very rapidly over the past several decades.

⁹¹ Even though located some 350km from the mainland, Fernando de Noronha, which is an important ecotourism destination both for domestic and international visitors, is officially part of the state of Pernambuco.

⁹² The *agreste* region is an area of transition, in terms of climate and vegetation, between the humid coastal zone, known as the “*zona da mata*,” and the larger semi-arid and highly drought-prone interior, known as the “*sertao*.”

⁹³ The Sao Francisco River starts in the highlands of Minas Gerais to the south and flows northward through the state of Bahia, then turns east, forming the border between the states of Bahia and Pernambuco. It then runs further eastward between the states of Sergipe and Alagoas, eventually emptying into the Atlantic Ocean. It is the largest and most important river in Northeast Brazil, and its valley continues to be an important region of both rural and urban settlement, while the river is a major source of hydropower generation (as a result of the Paulo Afonso, Sobradinho and Itaparica dams) and irrigation water.

⁹⁴IDB, 2010b, para. 1.12, pg. 4 (emphasis mine).

the tourism offerings of the state of Pernambuco.” As in the case of the project in Ceara, it seeks to achieve this objective through implementation of the following components (with their respective estimated total costs), which are briefly described in the respective LP as follows:

Tourism Products (US\$61.4 million)

These include investments to increase average spending by tourists who visit the *Costa dos Arrecifes*...as well as to generate tourism activity in areas of the state’s interior (*Agreste* and *Vale do Sao Francisco*). The component will finance: (i) restoration, development and interpretation of historical and cultural attractions; (ii) **development of natural resources significant for ecotourism**; (iii) service quality and professional training programs; and (iv) tourism signage. The following investments have been prioritized in *Costa dos Arrecifes*: (i) construction of the Afro-Brazilian cultural center;⁹⁵ (ii) restoration and development of two historic bazaars and a colonial fort; and (iii) development and interpretation of the Recife/Olinda historical and cultural enclave. This component will also finance inventories and market studies to precisely map the expectations of specific demand segments as a basis to update the ISTDP, provide economic justification for the selection of additional destinations and products for financing under the component, and identify service quality and professional training programs to better align the private sector with the needs of the target demand.

Marketing and Promotion (US\$2.7 million)

Including actions to enhance the image of tourism destinations, and diversify existing marketing channels to ensure greater efficiency and effectiveness. It will finance preparation and implementation of comprehensive targeted marketing plans for the selected tourism hubs based on the market study results, and promote development of online channels.

Institution-strengthening (US\$2.7 million)

This seeks to build state and local capacity to plan and manage tourism development; generate the mechanisms for interagency coordination at the state and municipal levels, and support the integrated management of tourism destinations for orderly and consensus-based development. It will finance: (i) strengthening of the state tourism information system as a basis for decision-

⁹⁵ This proposed investment has been subsequently dropped from the program (source: personal communication from Salo Bortman).

making in both public and private sectors; and (ii) capacity building for tourism management at the state level, and destination governance at the municipal level.

Infrastructure and Basic Services (US\$44.1 million)

Tens of thousands' worth of investments to improve accessibility and connectivity for the priority destinations, making it viable to create and cultivate tourism circuits, as well as to provide the basic public services needed by tourists during their stay. This component will finance project feasibility studies and designs, as well as civil works (transportation, sanitation, solid waste). The following works will be financed in the *Costa de Arrecifes* area: (i) improved four-lane access; (ii) a basic sanitation system; and (iii) improvement of a solid waste management system. The infrastructure to be financed in the inland areas will be identified in the investment plan of the respective ISTDPs.

Environmental Management (US\$4.2 million)

This includes investments to support conservation and sustainable use of natural and cultural resources that form the basis of tourism activity and sustainable development of the sector by preventing and mitigating potential adverse impacts of investment in the destinations. It will finance: (i) land-use planning and management systems for conservation units to be used for tourism; (ii) restoration of degraded tourism areas; (iii) actions to strengthen local environmental management in the target areas; (iv) environmental strategic assessments and impact studies; (v) socio-environmental audits and environmental monitoring of the primary attractions; and (vi) studies of the carrying capacity of the fragile primary attractions.⁹⁶

Thus, as in the Ceara project, the new tourism development operation in Pernambuco and the Bank explicitly recognize the fundamental importance of the natural environment (and cultural heritage) in forming the “basis of tourism activity and sustainable development of the sector.” It also includes environmental management as a key component, even though it accounts for a comparatively minor share (3.4%) of total project costs and financing. As concerns the project’s “environmental and social safeguard risks,” in turn, the LP indicates that:

[t]he program is classified as Category “B” under OP-703. The following studies and activities agreed in the program’s environmental and social strategy were

⁹⁶ IDB, 2010b, paras. 1.14-1.19, pp. 4-6.

conducted during program preparation: (i) an evaluation of the state's social and environmental performance during execution of PRODETUR/NE II; and (ii) a **strategic environmental analysis of the three selected areas to identify their most significant social and environmental features, vulnerabilities and risks, propose specific control and management measures for the land-use planning and management phases, and identify social and environmental impact indicators for the program. The analysis was used as a basis for designing the environmental management component, which will provide funding for management, conservation, and environmental safeguard activities. Program investments will be planned, designed, and executed in accordance with the requirements and guidelines of the Environmental and Social Management Planning Manual**, attached as an annex to the program Operations Manual, which consolidates the instructions and requirements of the applicable Bank polices (OP-703, OP-710, OP-765, OP-704, and OP-102) as well as the specific requirements for works in the technical annexes to the program Operations Manual. The ESMR [Environmental and Social Management Report] includes details on the expected impacts, institutional capacity, and measures proposed to prevent, mitigate or offset adverse impacts.⁹⁷

Unlike the Ceara project, therefore, SEAs were carried out during the course of project preparation rather than during implementation. The Bank even claimed in the ESMR, which contained an electronic link to the document, that this SEA was one of the two key documentary sources it used in order to prepare that report. The other was the “state's performance in the execution of Prodetur/NE-II with respect to its handling of environmental and social aspects during the planning and implementation phases for the infrastructure investments, natural and cultural resource protection and management projects, and the actions for institutional strengthening of municipal management.”⁹⁸ However, according to the UGP, the results of the SEAs, which were contracted out to the Brazilian Getulio Vargas Foundation, **proved to be unsatisfactory** both to the government of Pernambuco and the Bank and thus will need to be redone by another contractor.⁹⁹

According to the ESMR, “this being a program of ‘global multiple works,’ its preparation concentrated on the development of ISTDPs for three poles: Costa dos Arrecifes, Agreste, and

⁹⁷ *Ibid.*, para. 2.8, pp. 8-9 (emphasis mine).

⁹⁸ IDB, 2009b, para 2.5, pg. 5 (my translation).

⁹⁹ Personal communication from Tiago Andrade Lima, Environmental Superintendent of the UGP, Recife, Pernambuco, February 1, 2013.

Sao Francisco Valley. Even though the ISTDPs and SEAs have been elaborated for all three poles, the study evaluated in greater detail the socio-environmental implications for only one pole — Costa dos Arrecifes.” The ISTDPs and priority investment plans for the other two poles, accordingly, would be “improved and finalized” during the course of project implementation.¹⁰⁰ The *Costa dos Arrecifes* Pole (or “Reef Coast Pole”, in reference to the reefs that parallel the shoreline in close proximity to the beaches along much of the state’s eastern border with the Atlantic Ocean) mainly involves the coastal municipalities. Three of these (Igarassu, Itapissuna and Itamaraca), all to the north of Olinda, are where the project appears to be most active in its initial phase of implementation, despite the fact that the sample projects analyzed by the Bank during project appraisal were all located along the coastline south of Recife.¹⁰¹ These three locales were visited by ESG in early February 2013. More specifically, the RGAS described the areas selected for support under the project in the following terms:

The state focused the program in three regions or tourism poles: the first is *the Costa dos Arrecifes* Pole, composed of 16 municipalities¹⁰² that basically integrate the entire coastal area of the state from the state from North to South, the Recife region, and the archipelago of Fernando de Noronha. The second is the *Agreste* Pole, which includes four municipalities,¹⁰³ and is located in the agreste region of the state (130 km from Recife), a higher elevation more preserved region with milder climate that favors associated with second residences and cultural manifestations. Finally, the *Vale do Sao Francisco* Pole is located in the west of the state and includes three municipalities.¹⁰⁴ This region is an area of fruit production related [through irrigation] to the [Sao Francisco] River; among other products, wine production has recently attracted tourists interested in viniculture.

¹⁰⁰ IDB, 2009b, para 2.6, pg. 5.

¹⁰¹ This may have been due to the greater distance from Recife of the sample projects to the south of the metropolitan area, or possibly because they had already been completed for exclusive financing with local counterpart funds. In one case, it was later dropped from the project. According to the LP, the sample projects for this operation were: (i) expansion of the water supply system in Sao Jose do Coroa Grande; (ii) beach access roads in Tamandare; (iii) improvements to St. Inacio Fort in Tamandare; (iv) improvements to the Eufrasio Barbosa market in Olinda, which apparently had already been completed; and (v) development of the Cruz do Patrao Afro-Brazilian Cultural Center between Recife and Olinda, subsequently dropped from the project.

¹⁰² In addition to the island of Fernando de Noronha, these municipalities from north to south are: Goiana (on the border with Paraiba), Itamaraca, Itapissuna, Igarassu, Paulista, Olinda, Recife, Jaboatao dos Guararapes, Cabo de Santo Agostino, Ipojuca, Sirinhaem, Rio Formoso, Barreiros, Tamandare and Sao Jose do Coroa Grande (on the border with Alagoas).

¹⁰³ Bezerros, Bonito, Carauru and Gravata.

¹⁰⁴ Petrolina, Santa Maria da Boa Vista and Lagoa Grande.

The ESMR likewise observes that, “in general, the three selected poles present a significant degree of tourism activities, with the *Costa dos Arrecifes* Pole being the one most visited, and, thus, most impacted by large-scale visitation that takes place in the coastal region, principally during the high season.” However, an analysis of the present status of these three areas shows that they are characterized by what the RGAS depicts as “reasonable complexity, because they are regions that present distinct features and realities.”¹⁰⁵ With similar arrangements applying to the Prodetur projects in other states, it goes on to affirm that:

[i]n Prodetur Pernambuco all undertakings that may alter the environment, that is all those that, potentially or effectively, affect environmental quality, cause any form of pollution or utilize environmental resources, including by public administration entities, are subject to environmental licensing. For those projects which are defined by legislation as having significant potential environmental impact, environmental impact assessment (EIA) procedures are required including elaboration of the environmental impact study and report (RIMA). According to legislation, the authority to grant licenses is basically vested in state environmental entities, which, for this purpose, can establish specific norms for environmental licensing as well as fixing stricter standards in their areas of jurisdiction.¹⁰⁶

The ESMR then identifies the state Environment and Water Resources Agency (CPRH) — which is now subordinated to the Secretariat of the Environment and Sustainability (SEMAS), established in 2011¹⁰⁷ — as the entity responsible for the granting of environmental licenses in Pernambuco. It observes further that “for smaller projects, simplified environmental studies related to their location, installation, operation and expansion may be required and presented as subsidies for the analysis needed to support the required license. These studies can be called Environmental Report, Environmental Control Plan or Project, Preliminary Environmental Report, Management Plan, Degraded Area Recuperation Plan or Preliminary Risk Analysis.”¹⁰⁸ It then briefly summarizes other pertinent legislation and regulations, including the federal Forestry Code (revised in 2012), Atlantic Forest Law (1993), Water Law (1997), Coastal

¹⁰⁵ IDB, 2009b, paras. 32-3.3, pp. 5-6.

¹⁰⁶ *Ibid.*, para. 4.6, pg. 8.

¹⁰⁷ Prior to 2011, CPRH was subordinated to the state Secretariat of Science, Technology and Environment (SECTAM), which contained an Executive Secretary of Environment.

¹⁰⁸ IDB, 2009b, para. 4.8, pp. 8-9.

Management Law (1998), Protected Areas (SNUC) Law (2000)¹⁰⁹ and other applicable resolutions of the National Environmental Council (CONAMA), as well as various state environment-related laws.¹¹⁰

As concerns the application of IDB safeguard policies, the ESMR affirms that “on the basis of the potential impacts of the program identified during the SEA, which were considered small and moderate e easily remedied through the implementation of environmental mitigation and management measures acceptable to the Bank, and in accordance with the environmental policy of the Bank (OP-703), this operation was classified as Category ‘B’.” It also indicates that “the Bank confirmed that the program is in compliance with the safeguard directives (*diretrizes*) of this policy, especially the following: (i) observation of the [sub]projects to the prevailing environmental laws and norms of the country (B.2); (ii) assessment and prior classification of the operations in accordance with their potential environmental impacts (B.3); (iii) undertaking of environmental impact studies or assessments, as appropriate, and identification of direct and indirect impacts (B.4, B.5); (iv) public consultation and information disclosure (B.6); and (v) establishment of safeguard requirements and the corresponding budget, as well as monitoring and supervision arrangements for the program.” In addition, it states that the project complied with the Bank’s directive that “prohibits the conversion of degradation of critical natural habitats and those which are important for conservation,” noting further that “even though various protected areas exist within the program’s area of influence, it is not anticipated that the [sub]projects contemplated by the program will negative affect the environment of these protected areas.”¹¹¹

The site of one of the proposed road investments (pavement of an existing 7 km dirt road to improve beach access and indirectly help stimulate increased local residential and commercial development near the beach) to be undertaken under the project passes through an area of Atlantic Forest on the island municipality of Itamaraca. In its February 2013 visit to the site, ESG observed that there appears to be a risk of a significant adverse indirect environmental

¹⁰⁹ 34 such areas are located in the Costa dos Arrecifes Pole alone, as are a number of sensitive marine protected areas considered of “great importance for marine conservation, such as the Coral Reef APA.”

¹¹⁰ IDB, 2009b, para. 4.9, pp. 9-10. The various types of applicable state laws, including those related to pollution control, protected areas, water resource management, solid waste management, etc., are briefly listed as well. See also, Secretaria de Ciencia, Tecnologia e Meio Ambiente, 2010, and SEMAS, 2011.

¹¹¹ IDB, 2009b, paras. 4.24-4.25, pp. 12-13.

impact. It should be noted that this road subproject was not among those analyzed by the Bank as part of the “representative sample” considered as part of project appraisal.¹¹² According to the Environmental Superintendent of the UGP, this potential impact was not identified in the simplified environmental study required by the state government for purposes of licensing this improvement. This was because the road works will occur in the region’s existing right-of-way, and potential indirect impacts were not considered.¹¹³ According to the Bank project supervision team leader, however, the UGP is well aware of this potential risk, and it will be a specific object of analysis in the upcoming new version of the SEA.¹¹⁴

As regards potential social impacts, the ESMR also stated that “the resettlement of families as a consequence of the works is not anticipated,” though there will be “expropriation of areas of commercial establishments” in one of the sample of subprojects analyzed. However, the ESMR further stated that SETUR would be required to demonstrate to the Bank that all of the requirements of its involuntary resettlement policy (OP-710) have been met before initiation of the works and that, in this case, the expropriation process would “follow the applicable state laws and norms and comply with OP-710.” It added that the Bank’s Indigenous Peoples policy (OP-765) did not apply in this case, as “no indigenous peoples were present in the program areas.”¹¹⁵ However, in its visit to one of the future subproject sites (the historical district of the town of Igarassu, which will be upgraded under the project), ESG was informed that a small number of families will indeed have to be resettled.

The ESMR continues with a more detailed description of the environmental, infrastructure and socio-economic characteristics of the *Costa dos Arrecifes* Tourism Pole, followed by much briefer descriptions of the *Agreste* and *Vale do Sao Francisco* Poles¹¹⁶ that

¹¹² *Ibid.*, para. 4.27, pg. 13. It lists these three proposed subprojects, all of which are located in coastal municipalities south of Recife, while Itamaraca is to the north.

¹¹³ Personal communication from Tiago Andrade Lima, February 1, 2013.

¹¹⁴ Personal communication from Joseph Milewski, March 2013. It should also be observed that, despite its geographic proximity to Recife and Olinda, Itamaraca had not come under serious development pressure until very recently because of the presence of two penitentiaries on the island. However, these are now in the process of being deactivated and it is expected that, as a result, such pressures will increase substantially in the years ahead. There are clear physical signs that this is already occurring in the form of a number of advertisements for new residential and commercial lots, including at the entrance to the small village at the aforementioned beachfront at the end of the access road to be improved under *Prodetur Nacional Pernambuco*.

¹¹⁵ IDB, 2009b, para. 4.26, pg. 13.

¹¹⁶ *Ibid.* 5.01-5.17, pp. 15-19.

will not be repeated here. It then turns to a discussion of the potential environmental and social impacts of, and associated mitigation measures for, the project. It observes initially that “the most serious environmental and social impacts identified during the analyses are principally derived from deficiencies in basic sanitation, inadequate disposal of solid wastes, uncontrolled land occupation and use, lack of environmental education, nearly non-existent environmental management at the municipal level, including in conservation units, and generalized degradation of areas of environmental, cultural and tourism interest.” It goes on to affirm that a significant part of these problems “should be solved by means of the investments foreseen in water supply and sanitation, environmental management and municipal management strengthening programs,” and that the project was “designed so as not to worsen (*agravar*) the existing socio-environmental situation in the three poles.”¹¹⁷

In order to identify its possible socio-environmental impacts, project actions were divided into two types: (i) general preparatory actions for the “valorization” of tourism activity; and (ii) investment subprojects. The latter, as in Ceara, involve civil works for water supply and sanitation, transportation, urbanization, recuperation or “valorization” of historical and cultural monuments, as well as construction of buildings to support tourists. The ESMR then summarizes relevant lessons learned from the ongoing implementation of Prodetur/NE-II in the state, including from the environmental audits of a sample of the infrastructure subprojects carried out under it. Unfortunately, these audits concluded that this project had “not been effective in implanting an environmental management system capable of integrating the socio-environmental activities under the responsibility of the UGP and other institutions involved with the [sub]projects of the program and ensure compliance with the procedures and commitments established in the Operational Manual of the program and the environmental licenses.” This shortcoming was attributed primarily to the “lack of oversight (*acompanhamento*) by the Executing Unit with respect to the licensing process; for example there was no verification that the conditions attached to the environmental licenses had been met, that all the licenses had been obtained, or that the executors of the works were in conformity with the requirements to mitigate

¹¹⁷ Ibid., para. 6.1-6.3, pg. 19. It adds that “for the *Agreste* and *Vale do Sao Francisco* poles, during the first year of the program, the available information for integrated tourism planning will be detailed, with the elaboration of market studies, diagnosis of needs for labor training and institutional and entrepreneurial strengthening, in order to arrive at a better definition of the feasible destinations within each pole. The SEA will also be detailed and the analysis of problems and mitigation measures should be discussed in detail during the first year of the program.”

and compensate environmental aspects in relation to soils, water, erosive processes, drainage problems, or relative to the expropriation of real estate.”¹¹⁸

The inexistence of “contractual obligations that guarantee environmental control and mitigation of the impacts of road and sanitation works” was also identified by the environmental audit of Prodetur/NE-II more generally as being caused by both the lack of knowledge and lack of commitment of the contractors and supervising firms with environmental and social questions.¹¹⁹ Solutions to these problems were reportedly incorporated in the design of the subsequent state-specific *Prodetur Nacional* operations, such as those in Pernambuco and Ceara. These include contracting of the *gerenciadora* to reinforce environmental supervision capacity, and the oversight capacity more generally, of the UGP.

The ESMR concludes with a summary of the socio-environmental management arrangements for the project, including reference to the Socio-environmental Planning and Management Manual for the *Prodetur Nacional* program described in the previous section of this report. Also appearing is the specific Operations Manual for the new project in Pernambuco, which is essentially the same as that for the program as a whole, which was likewise briefly described in the preceding section. The ESMR then describes the various institutional responsibilities and functions for the present project, including those of the UCP (with support from the *gerenciadora*) within SETUR and the other participating sectoral agencies, such as those for roads and sanitation. It further indicates the project resources estimated to be required for implementation of socio-environmental management-related activities under the project environmental management component, involving a total of nearly US\$3.278 million. Specifically, this tally consists of the following:

- Monitoring of potential project impacts: US\$277,778;
- Socio-environmental audits: US\$277,778;
- SEAs for the *Agreste* and *Vale do Sao Francisco* poles: US\$500,000;
- Strengthening of Conservation Units with the capacity to receive visitors: US\$1 million;

¹¹⁸ *Ibid.*, para. 7.4, pg. 24.

¹¹⁹ *Ibid.*, para. 7.6, pg. 25.

- Strengthening of environmental management in municipalities involved in the project: US\$500,000; and,
- Carrying capacity studies of the natural attractions in the poles: US\$722,222¹²⁰

Finally, it observes, “even though it is understood that the impacts that will be generated by the program, will, in their majority, be easily mitigated or positive in nature, and that the benefits derived from program actions will be positive, a number of recommendations are necessary, above all to ensure the commitment of the executing agency to effectively apply the environmental and social safeguard instruments and procedures established by the program.”¹²¹ These recommendations are summarized in Box 5 and are presumably being made by the Bank for all of the state-specific *Prodetur Nacional* operations. Like other aspects of the environmental and social safeguard management arrangements for these projects, they reflect the lessons learned from the earlier Prodetur/NE I and II experience and are examples of good practice for application in IDB-supported tourism development projects more generally.

These projects are undoubtedly now also benefiting from an interesting Technical Note prepared by the Environmental Safeguards Group (ESG) of the IDB on the development of Strategic Environmental Assessments (SEAs).¹²² Unfortunately, however, this guidance was not yet available at the time the Fundacao Getulio Vargas (FGV) prepared the original SEA for *Prodetur Nacional Pernambuco* between December 2008 and June 2009, while this project was still under preparation.

The initial SEA, in fact, was part of a series of preparatory documents elaborated by FGV, which included the updated ISTDP for the *Costa dos Arrecifes* pole¹²³ and preliminary ISTDPs for the other two proposed tourism poles.¹²⁴ Because the basic characteristics and organization of the ISTDP for the Eastern Coastal (*Litoral Leste*) Pole of *Prodetur Nacional*

¹²⁰ *Ibid.*, para. 7.15, pp. 27-28.

¹²¹ *Ibid.*, paras. 9.9-9.10, pp. 31-33.

¹²² See Verocai and Brito, 2010.

¹²³ A firm called Tecnologia e Consultoria Brasileira prepared an original ISTDP for the *Costa dos Arrecifes* Pole, with an associated action plan, in 2003, during the course of Prodetur/NE-II. The consulting firm presented this in seven volumes, including, in the last one, the minutes of a “validation” meeting coordinated by BNB and held in Recife on June 25, 2003.

¹²⁴ See FGV, 2009. The results of this exercise entailed six main “products” and two complementary ones, with the final report (product #6) date April 2009. The SEA was contained in complementary product #1.

Ceara were presented in the previous section, they will not be repeated here. However, a representative of the *gerenciadora* that is currently supporting the UGP in Recife informed ESG that she did not consider the ISTDPs for the three proposed tourism poles in Pernambuco, prepared by FGV in 2009, to be the best examples of good practice with respect to such strategic planning documents. She instead highlighted a more recent such ISTDP and associated action plan for a proposed tourism development pole in the neighboring state of Alagoas.¹²⁵

¹²⁵ See Ruschmann Consultores, 2011, presented in 12 volumes, including action plan and annexes. The author wishes to thank Luciana Sagi of the *gerenciadora* (Tamoios Consultoria) supporting the Pernambuco UGP for sharing this report.

Box 5 Key Recommendations of the ESMR for *Prodetur Nacional* — *Pernambuco*

During the loan contract period:

- All of the applicable environmental, social and other pertinent requirements of Brazilian law;
- All of the requirements of the applicable environmental licenses;
- All of the environmental, social and other relevant aspects, components, and requirements established in documents agreed between the borrower and the Bank; and,
- All of the measures necessary to ensure that the contracts between the borrower and works contractors and/or operators contain the environmental, social, health and safety and worker relations measures agreed between the borrower and the Bank.

The borrower should consult the Bank before approving or implementing any significant change with respect to the operation or the Operational Manual or other regulations (including those referring to environmental and social control and mitigation).

Before the first disbursement, the borrower should:

- Contracted the enterprise responsible for technical and environmental supervision and inspection of large-scale works; and
- Have constituted a specialized team in the UGP, including the professional specialized in environmental management (Environmental Superintendent).

During implementation, the borrower should:

- Before authorizing the start of works, verify compliance with the applicable licenses;
- Inform the Bank of any lack of compliance;
- Before putting any civil works out to bid, present evidence that institutional strengthening activities, including those related to environmental and social management, have started;
- For effective environmental management, the contracts with construction firms should contain clauses concerning the measurement and payment of environmental control and mitigation activities and hiring of environmental specialists;
- Early in project implementation, a technical workshop should be held with participation of teams from the UGP, SECTAM (now SEMAS), CPRH, and others involved in project execution in order to exchange information about environmental planning and management aspects of the project and harmonize the timing of subprojects with the environmental licensing process; and
- The municipal management strengthening model should include: (i) training modules in territorial/land use organization' (ii) environmental awareness seminars for municipal decision makers; and (iii) 40 hours of training in environmental management for members of municipal environmental administrative units.

Source: IDB, Relatório de Gestão Ambiental e Social, Prodetur Nacional Pernambuco

This suggests two other good-practice features of the Bank's Prodetur experience in Brazil: that it continues to be a valuable learning process and that this process involves learning across the various states that are participating in the program. The exchange of information among the various technical teams (UGPs and *gerenciadoras*) that are involved in project preparation, design, implementation, supervision, monitoring and evaluation is thus a key benefit of a multi-state program such as *Prodetur Nacional*, both in terms of its strategic planning and environmental management aspects and more generally. The Bank can also benefit from this ongoing learning experience in terms of other multi-sectoral and global multiple works projects that involve various subnational entities (e.g., state or province and/or municipal administrative units) in Brazil and in other borrowing member countries. This is so for purposes of supporting environmentally and socially sustainable tourism development, as well as more generally. Thus, the Bank's rich lessons of experience have broader relevance than for *Prodetur Nacional* alone.

Finally, it should be mentioned that ESG visited the sites of all of the planned subprojects, as well as one subproject already under implementation in the northern part of the *Costa dos Arrecifes* priority tourism area. These include the previously mentioned proposed road improvement investment to improve beach access on the island of Itamaraca. They also include improvements to the existing "Orange Fort," which was originally built during the Dutch occupation of coastal Pernambuco in the 17th century, also in Itamaraca; the colonial areas, containing a number of Portuguese Baroque-style churches in Igarassu; and a market located alongside a river dividing the municipalities of Itapissuma and Itamaraca, which falls on the side of the former. The market improvements include construction of a new facility for the processing and sale of fresh fish caught by members of the adjoining "fishermen's colony" (*colonia de pescadores*) under greatly enhanced hygienic conditions. Improvements also include upgrades to the sanitary facilities in the market more generally and the installation of a nearby plaza.¹²⁶ While these works were still incomplete, once finished, they seem likely to represent a significant improvement of local environmental conditions, especially within the market itself. They also seem to be implemented in compliance with Bank environmental safeguard requirements, and no involuntary resettlement is needed. Resettlement of a small number of

¹²⁶ During this visit, ESG was accompanied by the Environmental Superintendent of the UGP, Tiago Andrade Lima. Juarez Gambetta T. Barreto Filho, the director of the Recife-based firm (Barreto Construcoes Ltda.) that was undertaking these improvements, was also interviewed.

houses will be required, however, for implementation of the planned improvements to the historical center of Igarassu.

7. *Prodetur Nacional Rio de Janeiro* — A Brief Examination of Project Design and Environmental Aspects

Before concluding, it is worth taking a brief look at the two other state-specific Prodetur Nacional projects that have thus far been approved by the Bank, if only to demonstrate their basic similarities and any significant design difference between them and those discussed in Ceara and Pernambuco in greater detail above. As indicated, the project in Rio de Janeiro was approved on the same date (September 15, 2010) as that in Pernambuco, but has begun implementation much more slowly, due in part to the fact that this state was not previously a participant in the earlier Prodetur operations. Therefore, it has had a steeper “learning curve” than the other three states, including Bahia. As one of Brazil’s most established tourist destinations, the *Prodetur Nacional Rio de Janeiro* project, which is being supported by a Bank loan of US\$112 million, has a special set of underlying motivating factors and challenges in addition to those that have characterized the other earlier and ongoing Prodetur operations. These are described in the following terms in the respective Loan Proposal:

[O]ver the next few years, the trend of tourism growth is expected to continue and strengthen, in the run-up to the 2014 World Cup and the 2016 Olympic Games, among other events, supported by associated investment in urban infrastructures and hotel, telecommunications, highway and marketing facilities. The State Department of Sport, Tourism and Leisure (SETE) forecasts revenue of US\$7.1 billion from the 79,000 tourists expected for the World Cup; and US\$17.8 billion is expected to be channeled to the city from an estimated 196,000 visitors to the Olympic Games. In addition, recent discoveries of oil deposits along the RJ coastline should stimulate business demand in the state starting in 2010. Although the state expects significant growth in tourist flows in connection with these mega-events, there are also structural challenges that need to be addressed to generate better conditions for receiving tourists in the years ahead, and ensure a legacy for the image of the State of Rio de Janeiro as a reliable tourism destination of choice.¹²⁷

These challenges are further described as follows: “the main challenge facing the proposed program will be to ensure that the expansion opportunities provided by these events are

¹²⁷ IDB, 2010c, paras. 1.2-1.3, pg 5.

fully exploited, thereby strengthening a strategic view of tourism development in the state of Rio de Janeiro. This also entails addressing the challenges posed, namely concentration and exhaustion of the tourism product, an overly focused tourism image, shortcomings in access and core services, and limited tourism management capacity.” In order to do so, according to the LP, the project would be based on five strategic actions, more specifically:

First, it aims to upgrade the supply of tourism services in the coastal zone, which encompasses the metropolitan region and the Rio de Janeiro coastline, where the majority of tourism demand and current investments are concentrated. Steps will be taken to improve the existing sun-and-beach tourism model and strengthen its sustainability, and to diversify tourism attractions by theme and geography, to enrich the current range of tourism products, ease pressure on coastal destinations, and optimize the geographic distribution of tourism-generated benefits. The program will promote convergence between public-sector investments and cultural tourism organizers, through thematic threads making it possible to prioritize investment in new tourism services.¹²⁸

Second, the program aims to put a state tourism marketing and promotion policy in place that will minimize proactively through efficient design and evaluation mechanisms, the displacement of traditional tourists during the forthcoming mega-events, and make it possible to identify and attract new demand segments in terms of geographic origin and travel motive.

Third, the program seeks to improve local tourism planning and management capacity; generate the mechanisms for interagency coordination in the state and municipal public sectors; maximize tourism benefits at the local level; consolidate tourism associations and support the comprehensive management of tourist destinations, to achieve organized and consensus-based development, guaranteeing effective management capacity before, during, and after the events.

Fourth, the program would overcome the constraints on access and connectivity in these selected destinations, facilitating visitor arrival and movement throughout the year, generating tourism circuits and corridors, and providing adequate public services to meet the needs of tourists during their stay, which exceed current installed capacity to attend the resident population.

¹²⁸ It goes on to illustrate this by stating: “For example, in the metropolitan region, priority has been given to two Brazilian international icons, the Bossa Nova and the architect Niemeyer, to guide the strategy of urban upgrading and refurbishment of run-down spaces, and to generate new investment opportunities and capture culture tourists and visitors with a higher propensity to spend. In the remainder of the coastal areas, the natural environment has a key role to play in upgrading the sun and beach model and encouraging investments in nautical tourism. In the sierra zone, the program is based on the potential to expand rural tourism, ecotourism, and adventure tourism, by tapping the area’s natural heritage and intangible wealth.”

Lastly, **the program aims to support the sustainable development of the sector, with actions to promote the conservation and sustainable use of the natural and cultural resources that form the basis of tourist activity; and will implement measures to prevent or mitigate any potential negative impacts that the various tourism investments might have on the local area and population.**¹²⁹

As a result, the project's basic objectives and components are virtually the same as for the *Prodetur Nacional* projects in Ceara and Pernambuco. Thus, these elements will not be repeated here except to note that the project's US\$12.6 million **environmental management component** — comprising 6.7% of total estimated project costs of US\$187 million — is described in the following terms:

Actions in this component will include: (i) implementation of the recommendations prioritized in the strategic environmental assessment (SEA) of the program areas; (ii) environmental impact assessments (EIAs) and socio-environmental supervision of selected works; (iii) plans for the conservation, management, and public use of vulnerable natural and cultural resources of touristic interest; (iv) socio-environmental audits and environmental monitoring in the main tourist attractions; (v) studies of the loadbearing capacity of the most fragile attractions, for public use and the implementation of tourist flow management systems; and (vi) restoration of degraded areas.¹³⁰

The environmental and social safeguard provisions for this project are also essentially the same as for the other two state-specific projects reviewed above. This includes an ESMR, which provides additional details in this regard. Among other features, the ESMR describes two priority tourism poles for the state: (i) the coastal pole, comprised of a *Costa Verde* region and a *Costa do Sol* region; and (ii) the mountain (or *serra*) pole, comprised of the *Agulhas Negras*, *Ciclo do Café* and *Serra Imperial* regions, which are not specifically described in the LP. It also discusses generically the project's potential environmental and social impacts, corresponding mitigation measures and socio-environmental management arrangements.¹³¹

¹²⁹ *Ibid.*, paras. 1.14-1.15, pp. 9-10. Emphasis mine.

¹³⁰ *Ibid.*, para. 1.21, pg. 12. Estimated costs of the other four project components are: (i) tourism products (US\$86.2 million); (ii) promotion and marketing (US\$9 million); (iii) institution strengthening (US\$9 million); and (iv) destination access infrastructure and basic services (US\$55 million). Paras. 1.17-1.20, pp. 10-12.

¹³¹ See IDB, 2010d.

Even though there is a brief reference to a SEA in the LP, there is no elaboration in the ESMR, although it is mentioned in a table that indicates how the US\$12.6 million is estimated to be spent in implementation of the environmental management component. Of this total, US\$2 million are tentatively allocated to finance “implantation of the recommendations of the SEA, including potential support to a Private Natural Patrimony Preserve (RPPN),” along with US\$600,000 for environmental supervision of civil works; US\$9.5 million for studies and implantation of three parks; and US\$500,000 for “a carrying capacity and public use study of a prominent island (Ilha Grande) and implantation of a management system for tourist flows and monitoring.”¹³² It is unclear from the Bank documentation exactly what the scope of this SEA is expected to be. On the other hand, unlike in the case of *Prodetur Nacional Pernambuco*, it does not appear to have been carried out during project preparation. Otherwise, presumably, there would have been greater reference to it in the LP and/or the ESMR. However, the project did — or will — count on one or more ISTDPs.

8. *Prodetur Nacional Bahia* — A Brief Examination of Project Design and Environmental Aspects

The US\$50.822 IDB loan for this project, which is estimated to have a total cost of US\$84.704 million, was approved on February 23, 2013. Thus, it is the most recent of the *Prodetur Nacional* operations to move into the implementation phase. The LP for this project observes that under *Prodetur/NE-I*, Bahia “invested US\$246 million (with Bank financing of US\$140 million) in access infrastructure, basic sanitation, urban development of tourist areas, and environmental protection,” while under the follow-on regional project it executed a sub-loan of US\$96 million (with Bank financing of US\$39 million) for “access roads, restoration of environmental liabilities and architectural heritage, and sanitation expansions [sic], as well as strengthening municipal management and business capacity-building.”¹³³

According to Bank staff interviewed by ESG, one interesting innovation, among a number of such innovations, is a greater preoccupation with the social aspects and potential adverse impacts of tourism development. This is reflected in a greater emphasis in project design

¹³² *Ibid.*, Table 7.2, pg. 34.

¹³³ IDB, 2013, para. 1.7, pg. 5.

on the promotion of local social inclusion.¹³⁴ One clear reflection of this is the LP's statement regarding the "challenges for the socio-environmental management of tourism," as quoted below:

[t]here is evidence of environmental degradation in certain tourist areas due to increasing demographic pressure, along with shortcomings in land use management of tourist areas. From the social standpoint, there are opportunities for strengthening supply chains in the tourism sector to foster inclusion; a pilot study in Sao Joao on the tourism value chain shows that there is a flight of resources out of the area, despite the existence of local raw materials...The need to strengthen local inclusion in the tourism value chain is also seen in the Historic City Center of Salvador (CHS), currently an important tourist attraction, but where conditions of economic and social vulnerability persist as signs of the urgent need to bring the benefits of tourism to the most disadvantaged. Evidence of this can be seen in the low income levels (46% of the population in the city center lives on less than two times the minimum monthly wage) or the high levels of informality reflected in the absence of social safety nets (42.6% of employed CHS residents).¹³⁵

The LP also highlights the challenges associated with the persisting insufficiency in the supply of basic services in tourism destination areas in the state. In this regard, it observes, "despite the investment efforts and gains made in recent years, solid waste management remains a challenge for many *municipios* in Bahia, in terms of both coverage (20 % of remote *municipios* have only partial coverage, and 13.4% have none) and methods of waste collection and final disposal (for example, just 6.7% of Bahia's *municipios* have selective collection, just 26% of final disposal sites located in the *municipios* where the waste is collected have an operating license, and just 6.9% of these sites monitor groundwater quality, while 41% have no perimeter fence."¹³⁶

Unlike the other state-specific *Prodetur Nacional* projects approved to date, the Bahia operation focuses on a single tourism area: the *Baia of Todos Os Santos* (All Saints Bay, or TSB). This area is a priority in the state Tourism Development Plan and comprises the 18 municipalities, including the state capital (Salvador), which contain a combined population of

¹³⁴ Personal communication from Annette Kilmer in Brasilia, January 29, 2013.

¹³⁵ IDB, 2013, para. 1.5e, pg. 4. The sentence on the evidence of environmental degradation is followed by a reference to "strategic environmental assessment."

¹³⁶ *Ibid.*, para 1.5d, pg. 4.

roughly 3.4 million and surround this historic bay. An ISTDP has been prepared for this project. As another innovative feature, it is designed to coincide geographically with an existing IDB-administered GEF project for the same area.¹³⁷ It is also supported by a Nautical Tourism Plan for the *Baia de Todos Os Santos*. However, it has the same basic objective and set of components at the other *Prodetur Nacional* projects described above. This includes one for “socio-environmental management” with an estimated cost of US\$6.68 million, which is described in the LP as follows:

[t]his component seeks to mitigate the socio-environmental challenges identified, as measured by the number of *municipios* that include a system of tourism-related socio-environmental indicators in their management model. The component contributes directly to the conservation and protection objectives of State Decree 7595/1999 establishing the TSB Environmental Protection Area (EPA). Activities will include: (i) implementation of the strategic environmental assessment’s recommendations, including those for socio-environmental monitoring of tourism activities; (ii) environmental supervision of selected works and regular environmental audits; (iii) environmental education and awareness activities at the local level; and (iv) social inclusion actions through the strengthening of local offerings in the tourism value chain, and support for vulnerable children/teens in the Historic Center City of Salvador (CHS).¹³⁸

Also unlike the other *Prodetur Nacional* operations, no investments in major roads and/or water supply and sanitation infrastructure are included in this project. Indeed, its US\$2.4 million “basic services” component consists only of the preparation and implementation of a regional solid waste management plan.¹³⁹ The US\$54.36 million Tourist Product component in turn has the following interesting specific objectives and features, which also differentiate this project from those previously approved:

[t]his component seeks to diversify the current offerings, as measured by the increases in the number of nautical and cultural tourism providers in TSB. It comprises investments to generate new nautical and tourism options, including: (i) restoration and construction of a network of boating facilities at various strategic points in TSB (boat centers and a group of small structures for mooring and tourist access to points of interest, such as ranks, quays, and jetties), and

¹³⁷ Personal communication from Annette Kilmer, Brasilia, January 29, 2013.

¹³⁸ IDB, 2013, para. 1.14e, pg. 9. The latter activity includes efforts to promote greater protection of children and adolescents from the risks associated with sexual tourism, according to Bank staff familiar with project design.

¹³⁹ *Ibid.*, para. 1.14d, pg. 9.

deployment of a comprehensive nautical beacon system; (ii) organization of a cultural district, structured around cultural corridors that include the local communities as providers of new cultural tourism products and a uniform system of signage and interpretation in the CHS and at other points of TBS; (iii) restoration and development of key heritage resources along the cultural corridors such as the Black Culture Documentation and Memory Center; (iv) urban renewal and landscaping in degraded areas at key TSB destinations; (v) a network of tourist assistance points in TSB; (vi) diagnosis of the causes and design of incentives to reduce the informal employment existing in the private sector; and (vii) support for professional and business training, as well as entrepreneurship in the two prioritized types of tourism (cultural and nautical), so as to promote new formal jobs in the sector.¹⁴⁰

As to the project's environmental and social safeguard risks, the LP observes that, like the other *Prodetur Nacional* operations, it has been classified in Category B under OP-703. The LP notes additionally that "the team reviewed the socio-environmental aspects of the operation in the light of applicable legislation, the findings of the strategic environmental assessment, and the Bank's safeguard policies, and identified the specific oversight, management, and mitigation measures to be applied during execution." It also affirms that the project has "a comprehensive component on socio-environmental management to ensure resources for effective works supervision and oversight measures, strengthening of monitoring through a system of socio-environmental indicators, socio-environmental education programs, inclusion of informal solid waste recyclers and other local actors in the tourism value chain, and a social program for vulnerable children and youth in the CHS."¹⁴¹

This operation also has a very useful ESMR prepared by the Bank's preparation/analysis team. This ESMR is worth considering in some detail, because it introduces a number of important innovations in relation to similar documents for earlier *Prodetur* projects, especially in

¹⁴⁰ *Ibid.*, para. 1.14a, pg. 8. The other two project components and their respective estimated costs are: (i) marketing strategy (US\$10.35 million); and (ii) institution strengthening (US\$6.28 million).

¹⁴¹ *Ibid.*, para. 2.3, pg. 11. It likewise stated that: "As established for the *Prodetur Nacional* operations as a whole, program investments will be planned, designed and implemented in accordance with the requirements and guidelines of the socio-environmental planning and management manual, attached as an annex to the Operations Manual, which consolidates all instructions and requirements of the applicable Bank policies, as well as the specific requirements for works in the technical annexes to the program Operations Manual. The environmental and social management report (ESMR) presents the environmental assessment findings in greater detail, along with the recommended environmental and social management plan (ESMP) for the program." Emphasis in the original.

relation to the potential social and cumulative impacts of tourism development in Brazil. Among other observations, it states the following about the environmental conditions in the project area:

[t]he BTS confronts socio-environmental challenges resulting from an accelerated development process, principally industrial development, which dedicated little attention to socio-environmental criteria and forms of control. It is an area of high demographic density — the third most populous region in the county, with approximately 3.6 million inhabitants, of which 26% are of Afro-Brazilian origin....Inserted in the dominion of the Atlantic Forest, the region presents an impressive natural beauty composed of coastal landscapes, mangroves, estuaries, small bays and beaches. There are more than 56 islands in the BTS area, which have 221 km of beach front with 98 km of these on the island of Itaparica, one of the principal national and international tourism points....The beaches represent the greatest leisure option for the populations of the [region known as] Reconcavo Baiano....In the coastal region, the main problems are related to pollution from domestic and industrial effluents directly into the bay or through the rivers that flow into it. Contamination problems occur on some beaches, as well as industrial areas. Even though cities like Salvador and Madre de Deus possess sewage collection and treatment rates over 80%, many other towns and cities still do not have such services or have a low coverage percentage....

The existence and quality of mangroves throughout the BTS area have been harmed by the population advance, installation of port and industrial areas, and by the uncontrolled extraction of their resources. The existence of ports (Porto de Aratu and Salvador), petroleum, petrochemical and mineral terminals increases the incidence of accidental spills, operational petroleum leaks, and domestic and industrial effluents. These and other pollution sources have exacerbated the environmental degradation process in the BTS, altering the morphology and quality of aquatic life, the quality of human health and the quality of life of the riverine populations. Uncontrolled extractive activity and deforestation in the mangroves have resulted in reduction of the natural stocks of species of interest and introduction of exotic ones, leaving the ecosystem in a vulnerable and critical condition in terms of conservation.¹⁴²

The ESMR also describes the socio-economic situation of the project area, affirming that “most of the municipalities of the BTS present significant economic stagnation and a lack of effective interventions to promote sustainable regional development, [a] process that has resulted in a strong migration process to the urban center of Salvador which concentrates the economic

¹⁴² IDB, *Bahia*, paras. 2.3-2.9, pp. 2-5, which describe the project area and summarize its considerable environmental problems and challenges.

activities and services of greatest interest to the population.” It also states that, to date, “the traditional tourism development model has favored Salvador as the destination, but continuation of this model could exclude the other *municipios* from a development process capable of promoting better conditions of receptivity and perpetuate a situation of economic dependency on the central region of BTS.” It likewise discusses the situation in the historic center of Salvador (*Centro Antigo de Salvador*, or CAS), which will also be a focus of the new project, observing that:

[t]he program will act in the CAS, which, even though revitalized and restored over the years, is an area that is characterized by a series of problems due to the loss of population and underutilization of real estate, the inadequacy and unhealthiness of residences and the lack of maintenance of historic buildings, in addition to lack of public safety, prostitution and drug trafficking. All of these problems create a situation of social vulnerability in contrast with the existence of a rich architectural patrimony and a good supply of employment and public transportation. This situation also has consequences for tourism, as this is the most important tourist destination in the city as the result of its rich history, architecture and Afro-descendant culture. The program will give emphasis to this vulnerability...through a social project directed primarily at children and youth who live in a situation of marginality and circulate through this region on a daily basis.¹⁴³

The ESMR goes on to consider several alternatives that were considered for the project, together with the local environmental analysis and licensing procedures and application of the Bank’s safeguard policies. These include with respect to natural and cultural heritage, involuntary resettlement and indigenous peoples, as well as to public consultation and disclosure and gender equality in development (OP-270). The ESMR then discusses the principal potential environmental and social impacts and risks associated with further tourism development in the project area, including:

- (i) increased pollution due to inadequately managed sewage and solid wastes;
- (ii) impacts on environmentally fragile areas;
- (iii) a potential increase in sexual tourism; and

¹⁴³ *Ibid.*, para. 2.10-2.15, pp. 5-6.

- (iv) potential marginalization of vulnerable populations, including certain Afro-descendant populations (*Quilombolas*); children and youth in Pelourinho (in the center of Salvador); informal recyclable waste collectors; and women, among other groups.

Potential increases in criminality and drug use were also identified as possible risks associated with increased tourism activity.¹⁴⁴

As noted above, the ESRM contains a specific paragraph on potential cumulative environmental impacts of increased tourism development. This paragraph is another example of good practice and states:

[t]here is a concern that an increase in the flow of tourists to the BTS, above all in the smaller municipalities, could result in cumulative impacts with respect to the solid waste and sewage management problems. This topic was already identified in this document as a potential critical environmental impact. It should also be mentioned that this topic was included in the Risk Matrix for the project since the problems associated with bad management of trash and sewage could diminish the touristic attractiveness of the region, and, thus, affect the effectiveness of the project's ability to achieve its results targets. In this sense, the investments included in the [environmental management] component of the project are even more justified and the studies associated with these problems should be prioritized in the beginning of project implementation.¹⁴⁵

The ESMR concludes with an overview of the socio-environmental management measures that have been incorporated in project design, including for the monitoring and supervision of implementation of its environmental management component. It concludes with a list of the conditions regarding socio-environmental aspects of project execution that should be included in the legal agreements between the Bank and the borrower. These are largely similar to those presented in Box 5 above, which were developed for the *Prodetur Nacional* project in Pernambuco when it was approved in September 2010. Thus, they will not be repeated in their entirety here. However, several new conditions of particular relevance for this particular operation (and eventually other future operations) are worth citing, specifically the following:

¹⁴⁴ *Ibid.*, paras. 4.1-4.11, pp. 14-19.

¹⁴⁵ *Ibid.*, para. 4.12, pg. 19. The potential cumulative social impacts of increased tourism partially induced by proposed project investments and actions were essentially discussed in the preceding section on potential social impacts of the project more generally (i.e., paras. 4.7-4.11, pp. 15-19).

- Throughout project execution, comply with the directives stipulated in the Socio-environmental Planning and Management Manual [for *Prodetur Nacional*] and the ones contained in this ESMR.
- Prepare a specific Socio-environmental Management Plan (PGAS in Portuguese) for the project. This PGAS should include: (i) the institutional responsibilities in relation to the implementation of the environmental and social management measures, including those of the Project Coordination Unit (UCP) and the *gerenciadora* that will support it, and the team for the subproject for Vulnerable Children and Youth in the CHS; (ii) the environmental monitoring and control implementation arrangements for the project; (iii) the social communication and environmental education implementation arrangements for the project; (iv) the inter-institutional coordination arrangements for the project; (v) description of the complaint and conflict resolution mechanism; (vi) functioning of the monitoring system of social indicators of the project; (vii) the plans to undertake the necessary articulation between the project and the network of organizations operating in BTS with respect to campaigns against sexual tourism; and (viii) establishment of a participatory dissemination and consultation mechanism to orient and guarantee full participation of the various stakeholders.
- Items (i) to (v) of the PGAS as described in the previous bullet point should be presented to the Bank for its approval within three months after the first disbursement. Items (vi) to (vii) should be prepared in the first 12 months after the first disbursement and should contain a chronogram of preparation and execution of the actions agreed with the Bank, since these actions depend on the undertaking of social studies and diagnostic analyses for the establishment of a baseline and initiation of monitoring. For the design of the participatory dissemination and consultation mechanism to orient and guarantee full participation of the various stakeholders, the borrower should generate a typology of the cultural tourism products to be developed in order to map the principal actors interested in the project in accordance with the type of product.¹⁴⁶

¹⁴⁶ *Ibid.*, paras. 5.1-5.12 and 6.1-6.6, pp. 20-26, with the quoted conditions from para. 6.6, pp. 25-26.

9. Conclusions and Recommendations

The present generation of Prodetur projects represents an example of very good, if not best, practice in many ways. This is perhaps especially so in terms of their use of several iterations of participatory strategic planning and their increasingly substantial provisions for stronger environmental and social management and sustainability. This reflects the fact that the IDB and Brazilian government's approach to these operations has evolved significantly in these and other ways and is the result of an impressive joint learning process over the past two decades. This is described in further detail in the Annex to this report. This approach continues to evolve in a positive way, as illustrated in the greater focus on social aspects in the design of the most recently approved *Prodetur Nacional* project in Bahia.

Furthermore, the manner in which the Bank and Brazilian federal and participating state governments are now approaching these operations also provides a useful model. The approach is an example of how to incorporate or “mainstream” environmental and social management and environmental considerations and challenges in multi-sector and global multiple works projects. This is so at both the national and subnational (i.e., regional, state or provincial and/or municipal) levels, both for purposes of supporting increased tourism development and more generally.

As concerns tourism development more specifically, the current Prodetur approach reflects a clear comprehension by the Bank of the **fundamental underlying importance of maintaining and enhancing the quality of the environmental resource base** (and cultural heritage). Whether in coastal/marine areas or elsewhere (i.e., other types of ecosystems), this is a base **on which local tourism development prospects depend over the medium and longer term**. At the same time, the approach also recognizes that expanded tourism opportunities, when properly planned and managed, represent a significant potential source of regional and local economic growth and development. They can also be a strong motivator for improved state and municipal governance, as well as for local infrastructure and basic service enhancement. The earlier Proecotur experience in Amazonia is also reflected in the present approach to the national tourism development program in Brazil. It likewise demonstrates **how ecotourism in critical natural habitats, if well protected and administered, can provide another key type of “tourism product” and thus an additional way of expanding local income and employment in a sustainable manner**. As will be further discussed below, **one notable consequence of**

these lessons is the requirement that environmental management components be incorporated in the current generation of state-specific *Prodetur Nacional* projects. These components require specifically defined outputs, as well as desired outcomes and indicators, so that their implementation progress and the likelihood of their achievement can be closely monitored.

The preceding sections of this report have attempted to describe the Bank's and national and subnational governments' current approaches to tourism development projects in Brazil. They have given particular attention to the approaches' strategic planning and socio-environmental management and sustainability aspects and have illustrated some of the principal tools used in this regard. This necessarily also entails consideration of how the procedures and requirements of Bank environmental and social safeguard policies, which have themselves evolved over the relevant period, have been applied in these operations, in conjunction with Brazil's own legal and regulatory obligations at the federal and state levels. The Annex provides further background in this regard.

However, it is important to reiterate that this discussion has been **illustrative rather than comprehensive**, using different state *Prodetur* projects to exemplify different elements in this process (ISTDPs, SEAs, etc.). As a result, many interesting details of the individual operations covered have not been included here but are nevertheless worthy of attention, by reference to the various Bank documents on which this paper has partially relied. The balance of this section will summarize some of the main features of the current approach to sustainable tourism development in Brazil **that the Bank has played an essential role in helping to forge**. This is examined in terms of strategic planning and socio-environmental management and sustainability, followed by a few additional comments on the Bank's role and several suggestions as to how this approach might be made even more effective in the years ahead.

9.1. Participatory Strategic Planning for Integrated Sustainable Tourism Development

As observed in the discussion of *Prodetur Nacional Ceara* above, the present approach to strategic planning, which is also highly participatory in nature, represents a kind of “**nested hierarchy**” of such exercises at the state level. This begins with definition of a state sustainable tourism development policy or strategy, which among other things identifies priority geographic areas (or “poles”) within the state. These currently are, or are expected to become, particularly

important as domestic and/or international tourist destinations due to their natural and/or historical/cultural attractions. Each of these areas is then the object of a strategic tourism development planning process including the participation of key local stakeholders, in order to assess the principal sources and extent of present and possible future tourism demand; the current status of the area itself in terms of its socio-economic and environmental characteristics; and the adequacy and quality of infrastructure related tourism and local development, as well as and basic services. The ultimate objective is to identify priority improvement needs regarding institutional strengthening and improvement to infrastructure and public service. Such work is meant to enhance the area's attractiveness for, and capacity to support, increased tourism in the future.

This process results in the elaboration of an Integrated Sustainable Tourism Development Plan (ISTDP) for each priority tourism area or pole. Each ISTDP includes a comprehensive diagnostic analysis, as well as a proposed action plan containing priority capacity building measures and needed infrastructure, basic service and other pertinent investments. One or more key tourism destinations are then identified within each priority tourism area or pole, on the basis of which more detailed destination-specific diagnostic studies and action plans are then developed. This process follows a similar participatory process at the local level, as was illustrated in the case of Canoa Quebrada in the Eastern Coastal priority tourism area in Ceara. Thus, the projects “drill down” from the statewide level first to the priority tourism area or pole and then to the more localized priority tourism destination within each such area. The fact that the Prodetur projects **have a clear spatial planning focus and process** is itself an example of good practice.

All of this now takes place, moreover, **within a national program-level regulatory and guidance framework**, established by the federal Ministry of Tourism with significant technical and financial assistance from IDB. This takes the form of the Operating Regulations for the *Prodetur Nacional* Program and, with respect to its key socio-environmental aspects, a complementary Socio-environmental Planning and Management Manual. The latter was elaborated jointly by the Ministry and a Bank consultant, and both documents were finalized in 2009. More will be said about this Manual in the next section, but the essential point is that **these two key national guidance documents provide the operational framework and instructions for the preparation, design, implementation, supervision and monitoring and evaluation**

arrangements for each of the state-specific projects under the Program. Among other things, the Operating Regulations prescribe both the participatory strategic planning process and the five-component organization of each of the state-specific projects, including the requirement for an environmental management component. Again, more will be said about this in the next section.

Another essential requirement for the current set of *Prodetur Nacional* operations, which is also part of this guiding framework, is that each of the respective state management or coordinating units (UGPs, or UCPs in Portuguese) **be supported by a specialized management firm, or *gerenciadora*.** As in the case of the other operational improvements introduced in the Program for the most recent generation of projects, this reflects **an important lesson learned** from one of the major shortcomings identified in the evaluation of the earlier Prodetur/NE I and II projects: **the need to strengthen the monitoring and supervision capacity of the state UGPs/UCPs themselves, including — and perhaps especially — with respect to their ability to provide effective oversight of the socio-environmental aspects; of impacts of the various investment subprojects on the ground; and of the projects as a whole.** In this regard also, it is important to note that each of the UGPs/UCPs and supporting *gerenciadoras* are **required to have specialized environmental staff.** In the case of *Prodetur Nacional Pernambuco*, for example, this takes the form of an “Environmental Superintendent” in the UGP and his environmental specialist counterpart — or “mirror,” as the project coordinator describes it — in the *gerenciadora*. These professionals work closely together as a two-person team and are jointly responsible for overseeing implementation of the environmental management component of the project, together with the application of and compliance with all environmental and social safeguard requirements of the government and Bank. In the case of Pernambuco, moreover, the Environmental Superintendent of the UGP also works closely with officials of the State Environment and Sustainability Secretariat (SEMAS) and of the environmental agency, CPRH.¹⁴⁷

Finally, as also mentioned above, administration of the current generation of *Prodetur Nacional* projects also differs significantly from that of the previous Prodetur/NE I and II and

¹⁴⁷ During its January/February 2013 mission, ESG also met with Carlos Andre Cavalcanti, General Manager for Sustainable Development of SEMAS, together with Tiago Andrade Lima, Environmental Manager of the UGP for *Prodetur Nacional Pernambuco*, to discuss the recent evolution of state environmental policies and assessment and licensing requirements.

Proecotur operations by eliminating regional coordination agencies. These are the Bank of the Northeast (BNB) in the case of former and the Amazonian Secretariat of the Ministry of Environment in that of the latter. As a result, **this has facilitated the incorporation of environmental and social sustainability concerns and aspects associated with tourism development at the national sectoral level within the Ministry of Tourism, further facilitating their “upstreaming” and “mainstreaming.”** Moreover, it has simplified relations between the Bank and the ultimate project executors, which are the individual state governments (and their municipal government co-executors), thereby improving the **efficiency of project administration.** Consequently, this has also happened in a more consistent way in each of the new state-specific operations under the Program, independently of whether they are financed by the Bank or other sources. Examples of the latter are the two such projects financed by the Andean Development Corporation (CAF) in Ceara (for the Western Coastal tourism area and the city of Fortaleza). The Bank’s influence on the design and implementation of sustainable tourism development operations in Brazil, accordingly, actually goes beyond the individual projects it is financing to the broader set of interventions under the national program.

9.2. Environmental and Social Management, Sustainability and Safeguard Aspects

As mentioned in the previous section, all state-specific projects need to follow the national-program-level **Socio-Environmental Planning and Management Manual** and must include a specific **environmental management component** with clearly defined outputs, outcomes and performance indicators. They also must **comply with national and subnational environmental legislation and regulations, as well as the Bank’s applicable environmental and social safeguard and public consultation and information disclosure policies** (OP-703, etc.). In addition to all these requirements, it has also been recommended that the various *Prodetur Nacional* operations undertake one or more **Strategic Environmental Assessments (SEAs)**. This is particularly important because of the **often significant adverse indirect, regional (including induced development) and cumulative environmental and social impacts that investments designed to increase tourism and enhance all tourism activity may and frequently do have.**

Such indirect and cumulative impacts, however, **are often not identified or are given insufficient attention in the standard environmental assessment studies and associated**

environmental management plans in Brazil and elsewhere. This is especially the case for certain types of investment subprojects whose direct environmental and/or social impacts during construction are expected to be relatively minor, localized and easily managed or mitigated. One example of such a subproject would be the pavement of rural access roads to beaches and other tourism destinations in their existing rights-of-way. Under national environmental assessment and licensing requirements such as those in Brazil, such investments are normally only required to present simplified environmental analyses and management plans that focus adequately and almost exclusively, if not exclusively, on the localized short-term impacts of the civil works in question during their construction phase. This is **as opposed to the possible longer-term indirect and/or cumulative environmental and/or social impacts of their subsequent “operation” phase. These tend to be largely, if not totally, overlooked.**

Ideally, as previously observed, such strategic assessments **should be a key part of the strategic planning process at the priority tourism area or pole level.** However, thus far in the case of *Prodetur Nacional*, **both the timing and the quality of such assessments have sometimes been problematic.** For example, in the case of the Ceara project, which has now been under implementation for several years, the SEAs for the three priority tourism poles were only expected to begin in April 2013 and would not be finished until at least six months later. Thus, unless these plans are again revised, they will not have an impact on the recently completed ISTDPs for each of these areas. In the case of *Prodetur Nacional Pernambuco*, in turn, an SEA was undertaken as part of project preparation, as appears to have also been the case with the projects in Rio de Janeiro and Bahia. Yet this assessment was subsequently judged by both the Bank and the UGP/*gerenciadora* to have been of inadequate quality and is now having to be redone, several years into project implementation. Less information is available about the quality of the SEAs that were undertaken for preparation of the *Prodetur Nacional Rio de Janeiro* and *Bahia* operations, but it is perhaps telling that little if any specific reference is made to these assessments in the respective Environmental and Social Management Reports (ESMRs). When asked which of the SEAs had played the most significant role in project design, moreover, the Bank’s Brasilia-based team leader for the supervision of these projects indicated, ironically, that it was in the proposed project in Rio Grande do Norte, which has not gone to the Board due

to state indebtedness problems.¹⁴⁸ This person had also identified the timing of the SEAs as a problem.

The original Prodetur/NE-I project attempted to incorporate investments in environmental sanitation (i.e., water supply, sewerage and solid waste management) and natural resource management, including environmental conservation, in the various state subprojects. However, in many cases, such activities did not materialize in practice, especially those for solid waste and environmental conservation. As a result, Prodetur/NE-I in particular and Prodetur/II-NE to a still-significant extent were essentially multiple works infrastructure projects featuring the construction, expansion, and/or upgrading of airports (especially in the case of Prodetur/NE-I), roads and local water supply and sewage systems. Thus, the requirement under *Prodetur Nacional* that all of the state projects should have an environmental management component is **an important step forward**. In practice, **such components have tended to include new investments in environmental protection**. These serve to accomplish such endeavors as helping to create and/or strengthen the management of conservation units and other protected areas, or more systematically addressing solid waste management problems. They have also **tended to provide resources to carry out environmental assessment studies, fortify environmental supervision of investment subprojects and undertake periodic independent environmental audits of such subprojects**. They thus **combine activities to strengthen application of, and borrower compliance with, the “do no harm” aspects of the Bank’s environmental safeguard policies, as well as its efforts to improve local environmental management and quality**. These efforts are made through the promotion of new (i.e., incremental) investments using Bank loan and borrower counterpart resources, in an effort **to promote and achieve greater environmental sustainability** in key tourism destination areas within each of the states participating in the program. This, together with the incorporation of the aforementioned SEAs, represents a major improvement in the program’s approach to environmental quality and sustainability. The Bank appears to be largely responsible for this improvement, for which its continuous support for tourism development projects in Brazil over the past two decades has been essential. Such components, finally, **also represent an important way of incorporating ecotourism alternatives, destinations, opportunities and investments into broader tourism development strategies, plans and projects**.

¹⁴⁸ Personal communication from Joseph Milewski in Brasilia, January 27, 2013.

Significant new progress is also being made with respect to the **social aspects of tourism development**. This includes its efforts to enhance local development in lower-income municipalities and among lower-income groups. These efforts are made through geographic targeting and coordinated activities to generate increased local employment and income, as well as train local residents in priority tourist destination areas so that they can take greater advantage of the associated new opportunities. Efforts are also made to maximize the “internalization” of these expected project benefits within the priority local areas themselves, rather than having them “leak” elsewhere or be largely appropriated by higher-income groups. In addition, as the new *Prodetur Nacional Bahia* project clearly illustrates, sustainable tourism development projects can also present **an excellent opportunity to promote greater social inclusion, as well as to protect vulnerable (and other) populations that might be adversely affected by specific subproject investments** — for example, if an investment requires involuntary resettlement — **or to protect them from the possible negative impacts of increased tourism activity**.

In short, as in the case of environmental considerations, these projects represent an important opportunity for the Bank and the participating state and municipal governments **to be proactive, as well as reactive, in terms of actively promoting the reduction of inequality and social exclusion**. As in the case of Bahia, they **can also target specific vulnerable populations**, such as poor (and often abandoned) children and adolescents in the historic central city of Salvador. Such a targeted approach can help defend them from some of the potential negative impacts of increased tourism — for example, those stemming from sex tourism — but can also help them take more effective advantage of the potential opportunities projects bring. This too is an important example of good practice that should be more widely replicated in other state sustainable tourism development projects — both those that are under implementation and those that are still under preparation.

One final important element in the *Prodetur Nacional* experience that should be highlighted is **the significant evolution of the environmental and social management and sustainability-related conditions that the Bank has included in the individual project loan agreements**. This is reflected not only in the differences in such conditions between Prodetur/NE-I and II and *Prodetur Nacional*, but also among the various *Prodetur Nacional* projects themselves, as illustrated by the Pernambuco and Bahia cases briefly described above.

In this regard, a clear example would be **the incorporation in the recent *Prodetur Nacional* operations of safeguard-related requirements, including the need for borrowers to implement and carefully monitor the execution of ESMRs**, as well as the need for them to comply with Bank environmental and social safeguard requirements. Still, it is important that compliance with these conditions **continue to be carefully monitored and supervised by the Bank** during project implementation.

9.3. The Role of the Bank, Its Staff and Consultants

Another good-practice element of the *Prodetur* experience in Brazil that should not be overlooked is **the important guiding role played by the Bank and particularly its operational staff and consultants, both at Headquarters (HQ) in Washington and at the field office in Brasilia, with respect to program and project design and supervision**. In the case of the current generation of state-specific *Prodetur Nacional* operations, the Bank has established **a highly effective division of labor and a sharing of team leadership responsibilities among members of its specialized HQ and field-based staff**. Leadership is assumed primarily by HQ personnel during project preparation and analysis, with the participation of Brasilia-based staff as team members; the reverse occurs during project supervision and ex-post evaluation.¹⁴⁹ In both cases, moreover, both the field and HQ-based team leaders **possess strong technical backgrounds and prior professional experience in environmental management and are very familiar with Bank environmental and social safeguard policies**. This draws attention to the importance of the **specific individuals involved on the Bank side**¹⁵⁰ and their personal knowledge of and commitment to environmental and social sustainability considerations and good practice. In addition, for some of these projects, both the Bank preparation/analysis and supervision teams have been **reinforced with the participation of an HQ-based seasoned ESG staff member** who has also carried out specific environmental supervision missions independently of any missions undertaken for overall

¹⁴⁹ The Bank currently has one senior staff member working full-time and another working part-time on *Prodetur* in its Brasilia office and at least one senior professional dedicated largely to these projects and several others working on them part-time at HQ.

¹⁵⁰ The critical importance of this factor should never be underestimated in development planning and projects and thus draws attention to strategic staffing decisions within institutions such as the Bank. In short, putting the right individuals and teams together for a particular operation is an essential management decision that can have significant positive — or negative — effects on how projects are designed and supervised over time.

supervision purpose. This team member gives special attention to the projects' compliance with environmental management and safeguard requirements.¹⁵¹

The **quality of the working relations** among Bank preparation/appraisal and supervision team members is likewise important. This includes that across divisions; between Headquarters and field-based staff; and between Bank staff and their client country counterparts. ESG interviewed local project coordination staff in Pernambuco and Ceara in January and February 2013. Feedback was very positive as to the **helpful nature** of this assistance and included a request that such missions be of longer duration and more frequent if possible. This was because they present a valuable opportunity for the local teams to discuss project design and implementation challenges in greater detail, as well as to visit a broader range of subprojects and priority tourism poles and destinations within each project. The role of specialized local and international Bank consultants has also been very helpful, as in helping the Ministry of Tourism draft the Socio-environmental Planning and Management Manual for *Prodetur Nacional* and in developing other useful Technical Notes and papers. These include those on Strategic Environmental Assessment and on the economic evaluation of tourism projects, both of which were cited in earlier sections of this report. These too are important examples of good practice that should be replicated in the Bank's assistance to this program and others like it in other borrowing member countries in the future.

In conclusion, the Bank as an institution and the individual staff members and consultants involved in Prodetur's evolution, in collaboration with key state government partners, appear over the past several decades to have been responsible for the positive features of the program with respect to the strategic planning and environmental and social management approaches described throughout this report. This is clearly a good example of learning by doing and illustrates how environmental and social sustainability concerns can be built into project design and implementation in a comprehensive and integral fashion. In short, it is **a good example of environmental and social “upstreaming” and “mainstreaming” at both the (national) program and (state-specific) project levels** for a broad-based tourism development initiative. It thus also provides a **good model for similar programs in other countries, as well as for other types of Bank-supported global multiple works interventions, whether these are single**

¹⁵¹ As an example of one such mission, see the Safeguard Supervision Report for the *Prodetur Nacional Ceara* project that took place between July 19 and 21, 2011.

sector (e.g., transport, sanitation, etc.) or multi-sectoral (e.g., rural development, urban development, etc.) in nature.

9.4. Recommendations

Prodetur has evolved in a very positive way from the perspectives of both participatory strategic planning and environmental and social management and sustainability, including safeguard applications. However, as the two previous sections have attempted to illustrate, it will continue to be a rich learning laboratory for both the Bank and the Brazilian federal, state and municipal governments. Moreover, further improvements can still be introduced in this program and applied in similar ones in other IDB client countries, especially in programs involving global multiple works. **Continued focus on the local development and social inclusion aspects within these projects**, as suggested above, are two such areas where further enhancement should be viewed as an ongoing opportunity. Again, the Bank can and should take a prominent leadership role in this regard, as well as in the areas for further progress within this program, briefly described below.

Project Preparation: Availability and Quality of Environmental and Social Baseline Data

The existing environmental and social information on which project design should be based is not always available and/or of good quality and thus may be of limited completeness and reliability.¹⁵² Improving this information base should therefore be a key part of the project preparation process. If needed, this could be undertaken with the provision of external technical assistance, possibly supported by a Bank Technical Cooperation (TC) grant. Based on project experience to date, it would be helpful if the Bank staff and consultants involved in project preparation could, perhaps with ESG's support, prepare a list of the essential baseline information required for the preparation of environmentally and socially sensitive tourism development projects in Brazil and elsewhere.

Assessing, Managing and Mitigating Potential Indirect and Cumulative Environmental and Social Impacts of Tourism-related Investments

This is one aspect where additional progress would be desirable, especially (but not only) in the case of rural access roads. Even when their direct construction-related impacts are relatively

¹⁵² The author would like to acknowledge the helpful comments of Adela Moreda with respect to this issue.

minor and manageable, such projects can also have important adverse indirect environmental and/or social impacts through their effects on property values, land tenure and land use, as well as the possible undesirable impacts of these changes on the natural environment and local vulnerable populations within their areas of influence. The cumulative impacts of multiple investments in different sectors in specific tourist destinations and/or poles can also be significantly greater both in positive and negative terms than the impacts of each such investment individually. Such impacts also need to be carefully anticipated, managed, monitored and mitigated. It is important to consider such potential impacts and risks as the inevitable “other side of the coin” of the intended and expected positive induced local economic and/or social development impacts and benefits of investments made to enhance the attractiveness and quality of specific localities in order to induce increased domestic and/or international tourism. **Both SEAs and ISTDPs, therefore, should give special attention to such impacts and risks. It is recommended that the existing Socio-environmental Planning and Management Manual for *Prodetur Nacional* be modified to give much greater explicit attention to this. ESG should also clarify what is required under OP 703 in this regard and provide the appropriate guidance and training to Bank operational staff and local environmental consultants.**

Timing of Strategic Environmental Assessments

Precisely for the reasons mentioned in the previous paragraph, properly designed SEAs should be a **mandatory part of project preparation, particularly at the priority tourism pole levels at which project infrastructure and other investments will actually occur.** They should therefore be undertaken **early in the process of project planning, ideally closely in tandem with, and as an input for, the ISTDPs,** which is currently not always the case. **Thus, it is recommended that the existing Socio-environmental Planning and Management Manual, which states that SEAs “can” be carried out, be modified to affirm that SEAs “should” — or even “must” — be carried out as part of the process of preparing the individual *Prodetur Nacional* projects, as well as the ISTDPs for each priority tourism pole.** The Bank should also provide additional technical guidance to the state project management/coordination teams (UGPs/UCPs) based on the lessons learned from experience with SEAs in the program to date, which should be **specifically evaluated.** This guidance and evaluation is to ensure that they are of good quality and include, *inter alia*, the assessment of the potential indirect and cumulative

impacts and the corresponding environmental and/or social management, monitoring and mitigation measures referred to above. It is thus also recommended that **systematic evaluations of both ISTDPs and SEAs within Prodetur Nacional be undertaken to assess the experience to date and identify best practice in order to update the guidance currently being provided to local project management/coordination teams and due to be provided to firms contracted to carry out such exercises under the Program in the future.**

Environmental Performance Monitoring and Control of Contactors

The Bank's legal agreements for the current generation of *Prodetur Nacional* projects correctly require that all contracts with executors of civil works contain specific environmental management and supervision conditions and arrangements. However, the Program would also benefit from the adoption of the systematic and comprehensive environmental monitoring and performance control of all such contractors during project and investment subproject implementation. An interesting example of a very effective such system is presently in place in one of the projects (Curitiba) in the Bank's other major subnational multi-sector global multiple works program in Brazil, *Procidades*, which is the subject of a second good practice case study undertaken in parallel to the present one.¹⁵³ **It is therefore recommended that the contractor methodology created for environmental performance monitoring and control that was developed and applied in *Procidades Curitiba* be presented both within the Bank in Brazil and elsewhere. This methodology should also be presented to the state PGUs/PCUs for the *Prodetur Nacional* projects under implementation and prepared for possible adoption and use in these operations.**

Project Implementation: The Need for Ongoing Institutional Capacity Building

During execution, problems may arise due to the different degrees of environmental and social knowledge and priorities of the different agencies involved in the project. This includes agencies from a substantial number of municipalities, as well as various state government agencies in different sectors (roads, sanitation, tourism, etc.).¹⁵⁴ It thus behooves the project coordination unit and the management firm that supports it to provide adequate guidance and training with

¹⁵³ See Redwood, 2013.

¹⁵⁴ The author would also like to acknowledge the comments of Adela Moreda on the first draft of this report in raising this important issue.

respect to project environmental and social management, as well as other aspects, both at the outset and throughout the course of implementation. This is especially necessary when there are changes in state and municipal administrations that often involve significant turnovers in key executives and technical staff. Indeed, those coming in frequently possess little prior familiarity with the project and the environmental and social principles and procedures upon which it has been designed and is being implemented. The frequent turnover in government officials and professionals due to periodic changes in administrations at both the state and local levels is also one of the key reasons why the participation of management firms (*gerenciadoras*) is an excellent way of ensuring greater continuity in project coordination.

Cross-Program and -Project Learning Opportunities

One key feature of Prodetur at the broader program level is the participation of a **growing number of states and municipalities**. Many of these also benefited from the earlier Prodetur/NE-I and/or II (e.g., Bahia, Ceara, and Pernambuco) or Proecotur (Para) operations, while others are entirely new to the Bank-supported sustainable tourism development support program (e.g., Rio de Janeiro). They thus come to Prodetur with **widely different levels of prior experience and familiarity with Bank procedures and requirements**. At the same time, each project involves similar approaches to planning and environmental and social management, as well as similar components and types of investment and institutional strengthening subprojects. As a result, much can be gained by an **increasing and systematic interchange** of ongoing design and execution experience and the lessons learned in these projects, including those associated with their environmental management components. **It is thus recommended that as the number of states that become active participants in the program continues to grow in the years ahead, the Bank and Ministry of Tourism sponsor periodic *Prodetur Nacional* “learning events.” These will enable state coordination and technical teams (i.e. UGPs/UCPs and associated *gerenciadoras*) to exchange experience, especially with respect to both good and not so successful practices.**

Two types of events might be undertaken in this regard. One, perhaps on a semi-annual or annual basis, could focus on evolving project design and implementation issues and challenges in general, undertaken with project coordinators for the relevant state governments and corresponding *gerenciadoras*. The other type could focus on specific components and/or aspects of project design and execution, including socio-environmental planning and

management aspects, for more specialized UGP/UCP and *gerenciadora* team members. Such meetings could be coordinated by the *Prodetur Nacional* project, whose unused resources could also finance these meetings. The Ministry of Tourism would likely be interested in these meetings, giving its stake in all tourism-focused investments and projects. The meetings should be held on a rotating basis in one of the participating states to permit field visits to particular subprojects in connection with the meetings, again on a semi-annual or annual basis. The minutes and results of all such learning events should also be made available through the *Prodetur Nacional* website.

Evaluation of Project Environmental and Social Management, Quality and Sustainability Aspects

This has tended to be somewhat overlooked in the past, at least in the Bank's Project Completion Reports (PCRs), though perhaps ironically, *Prodetur/NE-I* was better than *Prodetur/NE-II* in this regard. It is expected that this situation will improve now that the *Prodetur Nacional* operations all have, or will all have, specific environmental management components. It is important that these evaluations **comprehensively cover all elements and aspects of these components, including the timing and quality of all environmental (and social) studies, environmental supervision and environmental audits.** Where such interventions exist, as in the new Bahia project, they should **also assess the performance and results of social inclusion investments and activities.** However, in all cases, they should explicitly **evaluate the experience with Bank application of and borrower compliance with all environmental assessment, licensing, monitoring and mitigation requirements, as well as pertinent Bank environmental and social safeguard policies.** This, in fact, should apply to all Bank projects, not just those for sustainable tourism development in Brazil and elsewhere. **Accordingly, it is recommended that Bank PCR requirements be modified to explicitly require that all project aspects regarding environmental and social management, quality and sustainability be assessed ex-post and that the appropriate lessons be drawn and adequately disseminated in this regard. These aspects include both specific components and interventions on the one hand and safeguard policy-related performance on the other.** These and more specific ongoing and ex-post evaluations should also be made available through both the Bank and, in the case of the present program, *Prodetur Nacional* websites.

10. Annex: Origins, Design and Initial Stages of the Brazilian Tourism Development Program (Prodetur)

10.1. The First Regional Project, Prodetur/NE-I

10.1.1. Principal Design Aspects

The IDB's support for tourism development in Brazil dates back to the early 1990s, with the first of two such projects for the Northeast. A US\$400 million loan (841/OC-BR) for the first such operation, which was initially expected to have a total cost of US\$800 million but was later reduced to US\$670 million, was approved on November 30, 1994. The corresponding project was completed on November 29, 2005. The Borrower was the Bank of Northeast Brazil (BNB), the development bank for the region. According to the respective Bank Loan Proposal (LP) document, the basic objective of the program was "to reinforce the capacity of Brazil's Northeast to maintain and bolster its growing tourism industry, thereby contributing to the region's socioeconomic development." It went on to affirm that:

the Northeast, which has over 45 million inhabitants and covers 1.5 million sq. km., is the poorest area of the country. Targeted measures to address regional inequities include employment generation, increasing per capita income and augmenting state revenues by means of viable alternatives for economic growth. Among these, tourism has been identified as an alternative with indisputable potential, and is developing into an increasingly important sector in the region's economy...[T]ourism activities are constrained by a lack of adequate infrastructure and services within the region. In consultation with the private sector, the regional states have undertaken an analysis of supply and demand factors within their tourism sectors, in order to determine needed public investments and activities with the highest potential yield and to prioritize institutional endeavors necessary to achieve the desired results.

...[T]he proposed program has been designed primarily to improve conditions in consolidated tourism areas, or areas in the process of consolidation, where the capacity to provide adequate infrastructure has not kept pace with demand and could jeopardize existing tourism or hamper ongoing tourism growth. Within this context, the program would: (a) strengthen the institutional framework for monitoring and fostering sustainable tourism, by means of institutional strengthening of state and municipal tourism entities, state environmental agencies, and local municipalities in the tourism sites selected; (b) improve the sanitary and environmental conditions of tourism sites, through investments in water supply and sewerage, solid waste management, and environmental reclamation and protection, as well as institutional strengthening of local

municipalities and the corresponding agencies in these sectors; (c) facilitate travel to and within the region, by improving airports, urban street systems, and secondary and access roads, complemented by strengthening the operational and maintenance capacity of the corresponding departments of transportation; and (d) improve and diversify the region's tourism products, through activities such as restoring and preserving historical sites and revitalizing surrounding areas, and improving beaches, parks, and other natural resources.¹⁵⁵

Thus, from the very beginning, Prodetur **explicitly incorporated considerations of environmental quality and natural resource management in its basic design.**¹⁵⁶ However, its predominant concern was infrastructure development and improvement, as the following brief project description indicates:

The program will finance three principal components as follows: (a) institutional development for the agencies indicated above, to enhance their respective functions; (b) a multiple works component which consists of a preliminary universe of about 160 projects in five sectors: sanitation (water supply and sewerage), solid waste management, environmental reclamation and protection, transportation (city street systems and roads), and historical preservation; and (c) the improvement of five airports in the region, four of which are federally operated (in Sao Luis, Maranhao; Fortaleza, Ceara; Natal, Rio Grande do Norte; and Aracaju, Sergipe) and one state airport (Porto Seguro, Bahia).¹⁵⁷

With the project classified in Category III for environmental assessment purposes by the Bank's then existing Environmental Committee on January 25, 1994, its expected "benefits" were summarized in the LP as follows:

The program will contribute to the socioeconomic development of the poorest region of Brazil, where more than half the population is below the poverty line. Multiple works under the program, specifically projects to provide water supply, sewerage, and solid waste management, will directly benefit low-income populations estimated at more than 1.3 million persons, in over 40 municipalities or districts expected to participate in the program. State environmental agencies will receive training and support to better carry out their responsibilities in

¹⁵⁵ IDB, 1994, Executive Summary, pp. 1-2. Emphasis in the original.

¹⁵⁶ According to the current Ceara State Secretary of Tourism, Bismarck Maia, who was involved in the design of the original Prodetur Program, the basic concept behind it arose from a conversation between then-IDB President Enrique Iglesias and then-Governor of Sergipe Joao Alves in the early 1990s. Mr. Iglesias suggested that each of the Northeastern Brazilian states should develop a tourism "pole" with appropriate physical and hotel infrastructure along the lines of Cancun in southeastern Mexico (source: personal communication in Fortaleza, February 2013).

¹⁵⁷ IDB, 1994, Executive Summary, pg. 2. Emphasis in the original.

monitoring environmental quality, and municipal governments will be trained to improve land use planning and financial management. For the long-term development of the region, the program provides a boost to the Northeast's evolving tourism industry, helping the states to overcome existing barriers to tourism growth and supporting their efforts in meeting the demands of the international tourism market.¹⁵⁸

Concerning Northeast Brazil's desirability as a tourism destination, the LP observed that, while it had traditionally tended to mainly serve domestic demand, "especially for the Sao Paulo and Rio de Janeiro markets...[i]n recent years...with the advent of direct flights from Argentina and Europe, the Northeast has opened up to these regional and international markets." However, "due primarily to its inclination toward domestic tourism, the quality of the Northeast's limited tourism installations, especially as regards hotels, has not favored international standards." Moreover, "for both markets, tourism activities in the region are constrained by a lack of adequate service and transportation infrastructure."¹⁵⁹

From the beginning, project investments were to be derived from a **strategic planning process**. According to the LP,

the premise for program conceptualization was that all activities to be undertaken should respond to a tourism development strategy for each state. These strategies would analyze recent tourism trends in the state and identify barriers to achieving the state's tourism goals, especially those preventing improved or increased tourism operations by the private sector, since tourism itself is a private sector activity. The state strategies evolved significantly during program preparation, following orientations by the Bank, such that the actions defined for Bank financing meet the priority needs of each state and are demand-driven.¹⁶⁰

¹⁵⁸ *Ibid.*, pp. 3-4. The LP likewise affirmed that "the program is consistent with the Bank's mandate under the Seventh and Eighth Replenishments to give priority to water supply and sewerage projects, environmental reclamation and protection, management of natural resources and the strengthening of public services which manage the environment. The program also reflects the overall strategy agreed upon by the Bank and Brazil during the 1993 and 1994 Programming Missions to emphasize social needs which include programs to generate employment and increase incomes." (pp. 4-5).

¹⁵⁹ *Ibid.*, paras. 1.8-1.10, pp. 3-4.

¹⁶⁰ *Ibid.*, para. 1.11 Emphasis mine. More specifically, according to this document, "as part of their strategy development, each of the participating states undertook in consultation with tourism operators and investors, an analysis of what has happened within its tourism sector during the past five to ten years in terms of both supply factors (transportation, accommodations, and the tourism product(s) of the state) and demand (a profile of the tourists visiting the state and changes in that profile during the analysis period)."

As part of this process, the states determined “the tourism areas with the highest potential return on additional investments,” and developed action plans for each one, all of which included “initiatives and investments designed to address deficiencies in a comprehensive manner, while maintaining consistency with the goals and objectives of the tourism strategies.” According to the LP, the result was that “priority has been given to improving the conditions in tourism areas in the process of consolidation, where the capacity to provide adequate infrastructure has not kept up with demand.” The LP observed further that “these types of improvements presuppose investments of low risk, with a proven demand, that will have a positive impact on the quality of life of the local population.” This was reportedly the case, for “most, if not all of the investments proposed for Maranhao, Piaui, Rio Grande do Norte, Alagoas, Sergipe and Bahia,” while in Ceara, the proposed interventions were located “in relatively new tourism areas” such that the state “will have to demonstrate to investors the viability of the area [*sic*] in terms of its tourism potential and demand, in order to maximize returns and realize its tourism goals.” And, in Pernambuco and Paraiba, the state programs would also include “investments for tourism complexes in new areas, such that accompanying investments by the private sector are necessary for the projects’ justification.”¹⁶¹ Finally, the LP observed that:

by far the most important elements of the state strategies and action plans are related to institutional issues, specifically the capacity of the participating entities to carry out their assigned functions within the overall context of sustainable tourism growth. **This is especially critical for state tourism and environmental agencies.** Institutional development activities for other participating agencies, such as water and sewerage companies, state highway departments, etc., have been designed primarily to strengthen their operation and maintenance abilities with a geographic focus on program areas.¹⁶²

In pursuit of these objectives, project components and subcomponents were expected to include the following geographic coverage and estimated total direct costs:¹⁶³

- Institutional Development: US\$29.87 million
 - State Tourism Entities — 9 states: US\$4.61 million;¹⁶⁴

¹⁶¹ *Ibid.*, paras. 1.13-1.14, pp. 4-5.

¹⁶² *Ibid.*, para. 1.15, pg. 5. Emphasis mine.

¹⁶³ Not including estimated Engineering and Administration costs (US\$59.41 million); Operation costs (US\$9.7 million, including US\$8 million for land acquisition and US\$1.7 million for “relocation of population”); Contingencies (for the components of institutional development and airports — US\$18.5 million); and Financial costs (US\$85.978 million).

- State Environmental Agencies — 9 states: US\$8.858 million;¹⁶⁵
- State Water and Sewerage Companies — 7 states: US\$4.73 million;
- State Road and Highway Departments — 4 states: US\$0.98 million;
- State Planning Agencies and Executing Units — 9 states: US\$0.72 million;
- Municipal Governments — 31 municipalities: US\$9.9 million.¹⁶⁶
- Basic Infrastructure and Services (Multiple Works): US\$503.022 million¹⁶⁷
 - Water Supply and Sanitation — 8 states: US\$209.15 million;
 - Solid Waste Management — 6 states: US\$14.6 million;
 - Environmental Reclamation and Protection — 7 states: US\$25.0 million;
 - Transportation (urban street systems and roads and highways) — 8 states: US\$116.15 million;
 - Historical Preservation — 6 states: US\$58.5 million
- Improvement of Airports: US\$93.52 million
 - Cunha Machado Airport — Sao Luiz, MA: US\$7.21 million;
 - Pinto Martins Airport — Fortaleza, CE: US\$58.2 million;
 - Augusto Severo Airport — Natal, RN: US\$15.7 million;
 - Santa Maria Airport — Aracaju, SE: US\$6.71 million;
 - Porto Seguro Airport — Porto Seguro, BA: US\$5.7 million.¹⁶⁸

The bulk of proposed project investments in financial terms, therefore, were for physical infrastructure, especially for water supply and sanitation, road transport and airport improvements. More specific descriptions of the **environment-related multiple works infrastructure and service subcomponents** in the LP were as follows:

¹⁶⁴ These resources would reportedly be used to support improved tourism planning and monitoring systems; special studies and consulting advice on tourism strategies; and training.

¹⁶⁵ These resources would reportedly be used specifically to support improved environmental planning and monitoring systems (involving environmental diagnostics, macrozoning and control systems for polluting activities); reorganization and equipment of the agencies; and a large training component.

¹⁶⁶ These resources would reportedly be used for financial strengthening, including taxation instruments (cadastres, legal advice) and financial administration systems (for accounting and budgeting); economic strategic planning; **land use/environmental planning — urban development plans and land use legislation**; on-the-job training and follow-up of all technical assistance projects (emphasis mine). Not a direct quote.

¹⁶⁷ According to the LP (para. 2.20, pg. 13), this total included “a line item of US\$79.622 million, which includes US\$50 million of Bank financing...to finance additional multiple works in the eligible sectors as demand warrants...[T]hese additional resources are included taking into consideration that most of the states have tourism action plans which exceed the preliminary universe of projects identified for program execution.”

¹⁶⁸ IDB, 1994, paras. 2.5-2.18, pp. 9-12 and Cost Table, pg. 14.

Sanitation

This subcomponent envisions about 83 water supply and sewerage projects which will improve this basic public service within the program area, benefitting approximately 950,000 people with water supply and 450,000 with sewerage systems. In most cases, the works will simultaneously expand the capacity of both the water supply and the sewerage systems...In all cases, emphasis has been placed not only on improving hygienic and sanitary conditions but also on protecting the urban and surrounding environment from degradation and pollution.¹⁶⁹

Solid Waste Management

There are 19 municipalities which will benefit from the solid waste management projects identified to date within the program as the direct result of which approximately 650 tons per day of solid waste will receive adequate treatment and disposal...These projects have as their basic objectives: (a) suitable and efficient solid waste collection in urban areas; (b) effective and economical transport of such wastes to final disposal sites; (c) ecologically safe, technically practical and low-cost disposal; (d) broad environmental education programs geared to changing the public's attitudes so as to enlist its cooperation and make waste collection more efficient; (e) technically and financially stronger institutions to ensure cost-efficient operation and maintenance in the short and long term; and (f) protection of workers' health and safety.¹⁷⁰

Environmental Reclamation and Protection

A total of 15 environmental reclamation and protection projects have been identified thus far, their chief objectives being to promote formal and informal environmental education in tourism areas, to consolidate parks and conservation areas, to protect important, fragile ecosystems, to promote sustainable development of coastal ecosystems, and to reclaim degraded areas. An estimated 1,450 hectares are included in the project areas. Proposed activities should include methods or technologies that can be used to conduct similar projects elsewhere. The projects are also to include information that will serve as input for municipal master plans and are to encourage municipal governments to take part.¹⁷¹

¹⁶⁹ *Ibid.*, para 2.7, pg. 10.

¹⁷⁰ *Ibid.* para. 2.8, pg. 10.

¹⁷¹ *Ibid.*, para. 2.9, pp. 10-11.

The LP also identifies “complementary activities to be executed by the BNB,” which entail **strengthening its Environmental Unit** at an estimated cost of US\$952,900, as well as training in project preparation and analysis, estimated to cost US\$150,000. The former of these two activities was justified and further described as follows:

The BNB’s environmental unit will be responsible for analyzing the multiple works in environmental reclamation and protection and, even more importantly, for ensuring the quality and compliance of the environmental viability of all works financed under the program. The BNB has already taken important steps to improve its abilities in this area and, with the assistance of the Bank, has developed a strengthening program. This program consists of four strategic elements: (a) the administrative organization of an environmental unit, Grupo Interdepartmental de Meio Ambiente (GIMAM); (b) training for existing technical staff; (c) recruitment of additional qualified senior personnel to develop and implement the BNB’s new environmental policies; and (d) establishing an environmental documentation center, as part of the current Documentation and Information Center.¹⁷²

Implementation arrangements included the establishment of a regional Program Executing Unit within BNB and of executing units in each of the participating states for the institutional development and multiple works components. The former would transfer loan resources to each of the participating states under the same financial conditions as in the Bank loan. The federal airport agency, INFAERO, would have responsibility for implementation of the federal airports to be improved. The Operating Regulations for the program contained both state and subproject eligibility criteria, with the latter including, *inter alia*, presentation of a tourism strategy and action plan for approval by BNB and the Bank.¹⁷³ For the institutional development and multiple works subprojects, eligibility criteria included consistency with the state’s tourism strategy and being part of the associated action plan approved by the Bank. The subprojects also needed to meet “specific feasibility criteria established in detail for each sector and for the

¹⁷² *Ibid.*, para. 2.24, pg. 15.

¹⁷³ The other state eligibility criteria were: (a) demonstrate financial equilibrium with a real savings margin sufficient to meet the current debt service of the sub-loan and of other financial obligations, as well as for the local counterpart resources necessary for project execution; (b) meet the requirements established by Brazil’s Senate regarding limits of indebtedness and payment capacity; if an exception to these limits is granted by the Senate, the state should maintain a savings margin of not less than 40%; (c) be in compliance with federally required contributions from the state; and (d) have legislative authorization to assume the financing, transfer guarantees of payment and not have unserviced loans from federal agencies. (*Ibid.*, para. 3.10, pg. 19) Direct quote.

institutional development projects,” as well as “criteria regarding the technical and financial capacity of the agency responsible for executing, operating and maintaining multiple works and for cost recovery, where applicable.” Finally, they must meet “all environmental permit requirements,” while “any project involving population resettlement must provide a resettlement plan for the Bank’s approval.”¹⁷⁴

In addition, because Prodetur/NE I was “committed to assisting the participating state agencies and municipalities to better carry out their respective functions in pace with the execution of the physical works of the program,” capacity building activities were expected to be implemented first. According to the LP, “the regulations will require that the institutional development activities of the state tourism entities **and environmental protection agencies** be contracted prior to the first disbursement for any of the multiple works in that state.”¹⁷⁵

The main project infrastructure component followed a global multiple works approach in which the Bank prior to project approval analyzed a “representative sample” of the types of subprojects to be supported. As a result, the LP also provided a summary of the status of this component: “sixteen projects from the universe have been found to fully meet the eligibility criteria of [*sic*] their respective sectors...[having] a combined direct cost of US\$70.34 million, which represents 14% of the total budget for multiple works.” These included seven water supply and/or sanitation projects (with estimated direct costs of US\$40.7 million) and five roads projects (with estimated direct costs of US\$26.7 million). They also included four environmental projects: an environmental education project in CE; the “Parque das Dunas” (Dune Park) project in Natal, RN; a beach and dunes reclamation project in Pecem, CE; and a dune stabilization project in Paracuru, CE. These were estimated to have a combined direct cost of US\$2.94 million.¹⁷⁶ The project was expected to be “executed over a period of 54 months from the effective date of the loan contract, resulting in a disbursement period of 60 months.”¹⁷⁷ It was thus expected to be completed in December 1999.

¹⁷⁴ *Ibid.*, para 3.12, pp. 19-20.

¹⁷⁵ *Ibid.*, para. 3.20, pp. 21-22. Emphasis mine. As a similar precaution, the Bank also required that “the consulting services for a local executing agency (i.e., a state water and sewerage company) and for the municipality where the work is located be contracted prior to first disbursement for the corresponding work.”

¹⁷⁶ *Ibid.*, paras. 3.25-3.32, pp. 23-24.

¹⁷⁷ *Ibid.*, para. 3.35, pg. 25.

Finally, with respect to the project's **expected environmental impact**, in addition to repeating its environmental classification (Category III), the LP observed that “the environmental summary, approved on October 4, 1994, describes in detail the studies done, the environmental impact assessment, measures to mitigate that impact, and the environmental institutional strengthening programs.”¹⁷⁸ In terms of its “**environmental viability**” more specifically, the LP affirms that this “stems largely from the fact that the states will **pursue tourism strategies that assign high priority to preserving and enhancing the natural, cultural and historical resources and the fact that it includes projects that will improve sanitation and public health while also protecting the environment.**” It goes on to state that “the projects in the sample have been analyzed from an environmental standpoint. The environmental licensing procedures have been followed, and in each case modifications and/or requirements have been introduced to mitigate the environmental impact, to revitalize degraded areas, and to educate the public.”¹⁷⁹ However, it also observes that, “since the state environmental protection agencies of northeastern Brazil display varying degrees of development and institutional strength, an important institutional-strengthening component has been included and environmental control mechanisms have been instituted in the executing agency. These measures will help to ensure that a proper system of environmental licensing — that is consistent with domestic law and Bank policy and procedures — will be put in place.”¹⁸⁰

10.1.2. Implementation Performance, Results and Environmental Aspects

As observed above, Prodetur/NE I was completed in November 2005, six years after the date originally planned. A Project Completion Report (PCR) was issued (in Portuguese) in August 2006 and discussed internally within the Bank that same month.¹⁸¹ According to the PCR,

¹⁷⁸ *Ibid.*, pafra. 3.50, pg. 30.

¹⁷⁹ *Ibid.*, paras. 5.20, 5.23, pg. 44 (my emphasis). In addition, it observes that “Brazil’s environmental policy and regulations are consistent with the Bank’s policy of guaranteeing the environmental quality if the projects. The environmental licensing process was begun at the same time as the projects in the sample were being prepared, and the operating regulations include eligibility criteria to guarantee that environmental considerations are taken into account when designing and executing the projects.” (para. 5.21, pg. 44)

¹⁸⁰ *Ibid.*, para. 5.22, pg. 44.

¹⁸¹ See IDB, 2006b.

due to its magnitude, the Program was divided into two stages. The first, Prodetur/NE I, contemplated an investment amount of US\$670 million, consisting of US\$400 million in IDB financing and US\$270 million of local counterpart funds provided by the participating states and the Union in the case of improvements to and construction of airports. The second stage of the program, Prodetur/NE II, whose Loan Contract No. 1392/OC-BR was signed between the BNB and the IDB in September 2002 [see the next section for further details], is now in the initial stage of execution and mobilizes resources on the order of US\$400 million, of which US\$240 million will be financed with IDB funds and US\$160 million with counterpart resources that can include contributions coming from the subborrowing states, municipalities, the Ministry of Tourism, other federal entities and other co-executors of the Program.¹⁸²

The PCR cites numerous reasons for the extensive delays in project implementation. In the initial years (1994-96), this included the following (many of which could have been anticipated in advance):

- (i) fragility of the institutional structures for implementation and management of a multi-sectoral program at the regional and state levels;
- (ii) deficiencies in the elaboration of state tourism strategies;
- (iii) insufficiency or deficiency in the studies presented;
- (iv) difficulties on the part of local executing agencies in the “internalization” of the concepts and requirements introduced by the program;
- (v) lack of counterpart resources to elaborate studies and projects;
- (vi) reduced indebtedness or payment capacity of the states; and
- (vii) reduced local counterpart financing capacity, which led to the aforementioned decrease in the Bank’s counterpart funding requirement.¹⁸³

Subsequent (1997-2001) additional problems included:

- (i) decentralization of Program analysis and monitoring activities;
- (ii) increased rigidity in the criteria for public indebtedness as a result of the passage of the (federal) Fiscal Responsibility Law;

¹⁸² IDB, 2006c, pg. 2 (my translation).

¹⁸³ *Ibid.* pp. 48-49.

- (iii) conflicts among communities, NGOs and states with respect to the implementation of some road subprojects, which resulted in their realignment and delays in execution delays; and
- (iv) formalization of contracts between sub-borrowers (i.e. the state governments) and the National Economic and Social Development Bank (BNDES) in order to overcome the lack of local counterpart resources.

Finally, between 2002 and 2004, further factors affecting project implementation included, among others:

- (i) intensification of the exchange rate devaluation in a pre-electoral year, which initiated in 2001 and made greater national resources available for program execution;
- (ii) the electoral period led to additional delays in program implementation;
- (iii) the new state administrations that started in 2003 resulted in high turnover of state and municipal technical and managerial staff; and
- (iv) political pressure to use 100% of the resources foreseen in the Program and to avoid discontinuity between Prodetur/NE I and Prodetur/NE II.¹⁸⁴

As a result of the delays associated with these various factors, the PCR rated project implementation “Unsatisfactory.”¹⁸⁵

In addition to the program taking more than twice as long to implement as initially expected,¹⁸⁶ the initial one-to-one Bank loan-to-local-counterpart financing in dollar terms was reduced to 60% loan, 40% local counterpart. This financing ratio was maintained for the second stage of the program, which was partially funded with the subsequent Bank loan that was approved in March 2002. As expected, the largest share of Prodetur/NE I resources went for physical infrastructure improvements — specifically, airport (30.6%), water supply and sanitation (22.1%) and road transport (17.9%) subprojects. Together, these accounted for more than 70% of the total, with project financial costs absorbing another 11%. As it turned out, the project financed improvements to eight airports, with those in Salvador and Lencois, BA, and

¹⁸⁴ *Ibid.*, pp. 49-50.

¹⁸⁵ *Ibid.*, pg. 54.

¹⁸⁶ By the end of 1999, in fact, only 65% of the Bank loan and less than 62% of the local counterpart funds (revised downward from the original US\$400 million) had been disbursed, according to Annex 1-B of the PCR.

Recife, PE, being added to the five originally identified in the LP. The project also resulted in the pavement and/or recuperation of 877km of highways, bridges, overpasses and access roads; provided an estimated 1.133 million people with improved water supply and/or sewerage; and restored 14 historical sites and 61 buildings; among other actions. Altogether, more than 380 subprojects were financed and 17 sub-loan contracts were signed by BNB with nine states and the municipality of Maceio (AL). The PCR concludes that the project appears likely to have contributed directly to the increased flow of tourists, tourist revenues and regional income, as well as to the supply of tourism-related infrastructure and basic sanitation in the Northeast.

On the other hand, no solid waste management investments were financed, while institutional development and environmental recuperation/protection subprojects accounted for just 2.9% and 2.6%, respectively, of actual project costs.¹⁸⁷ According to the PCR, the amounts ultimately invested in roads, water supply and sanitation and airports under the project exceeded the initial targets by 72%, 10% and 2%, respectively, while those invested in institutional development and environmental recuperation and protection were, respectively, 27% and 11% lower than originally anticipated.¹⁸⁸ Although fewer in number than those than initially expected, environment-related project results included:

- Under the institutional development component, acquisition of equipment and vehicles for state environmental agencies in order to support environmental monitoring and inspection (*monitoramento e fiscalizacao ambiental*); human resource development and training for environment agencies in almost all of the states; and the undertaking of important studies, such as environmental diagnostic and macrozoning studies in CE and RN (which were not originally anticipated).
- Within BNB, creation of an environmental nucleus, initially GIMAM, later the Environmental Thematic Group and subsequently the Infrastructure, Environment and Social Responsibility Management Unit; establishment of an environmental policy for the bank that was incorporated into its internal norms; and organization and publication of an Environmental Impact Manual; among other actions.

¹⁸⁷ These figures are based on the actual cost table contained in Annex 1-A of the PCR.

¹⁸⁸ *Ibid.*, table on pg. 7.

- Under the environmental recuperation and protection subcomponent, 18 projects were undertaken in four states (AL, BA, CE and RN), mainly along the western coastal area in Ceara — although the other five states did not undertake the projects initially anticipated — including a total of 11,202 hectares in recovered or protected areas, contribution to the conservation of another 102,925 ha in Environmental Protection Areas (known as APAs in Brazil), including creation of six new conservation units in Bahia.¹⁸⁹

The PCR also contains a section on environmental effects and impacts of the project, which indicated that “evaluations of Prodetur.NE I undertaken in conjunction with the negotiations for Prodetur/NE II detected that, in some [sub]projects, there had been implementation problems that affected the quality of the works and resulted in environmental impacts. These problems and impacts occurred with greatest frequency in road works.”¹⁹⁰ The PCR does not specify what these problems were or where exactly they occurred, although it does indicate that “the impacts generated due to the lack of recuperation of degraded areas under Prodetur/NE I, resulted in a negative repercussion among NGOs.”¹⁹¹ In addition, it affirms that, “in order to mitigate these effects and impacts, mechanisms and procedures were established that tend to diminish impacts of this nature,” presumably for immediate application in Prodetur/NE II. These measures included, among others:

- Definition of the areas to be benefited by Program actions on the basis of the concept of Tourism Poles (clearly defined geographic spaces with a pronounced tourism vocation, involving similar or complementary tourism attractions);
- The realization in selected Tourism Poles of participatory planning exercises, integrated with and based on the concept of sustainable development of tourism (*desenvolvimento sustentavel do turismo*). For this purpose, the Poles should have Tourism Councils (*Conselhos de Turismo*) and Integrated Sustainable Tourism Plans (or ITDPs or PDITs in Portuguese), validated by the respective Councils;

¹⁸⁹ *Ibid.*, Additional details are provided on pg. 16 of the PCR. Detailed results of other project components and subcomponents, as well as a summary of the main factors responsible for differences between planned and actual results, are provided in pp. 8-27 of this document.

¹⁹⁰ *Ibid.*, pg. 37.

¹⁹¹ *Ibid.*, pg. 39.

- In addition to the Tourism Councils, other participatory mechanisms were created, such as the realization of regional seminars and fora to accompany the Program;
- A focus on actions that seek to benefit the local population — human and social development;
- The obligation to have and implement/update Municipal Master Plans (*Planos Diretores Municipais*) and active Environmental Councils (CONDEMAS) in the municipalities that receive infrastructure investments under the Program;
- The obligation to undertake actions to recover environmental liabilities (*passivos ambientais*) associated with Prodetur/NE I [sub]projects, prior to the implementation of any new infrastructure works; and,
- Reinforce the necessity of solid waste management actions in the various Program Poles.”¹⁹²

In summary, valuable lessons were learned from the uneven implementation experience and results of Prodetur/NE I that had a significant positive impact on the preparation and design of the follow-on operation, including with respect to the quality and effectiveness of its strategic planning activities, as well as of its environmental management component and environmental and social due diligence aspects more generally. The participating states and municipalities also gained valuable experience and knowledge as a result of the project, as did the BNB, together with strengthened environmental analysis and management capacity. This important learning process continued under the second regional project and contributed to a further evolution of the Bank’s and state governments’ approaches to the support of participatory sustainable tourism development activities in Northeast Brazil. Following an effort to boost such activities at the federal government level (i.e., within the Ministry of Tourism) in a third (current) stage, this process has now been extended to other parts of the country and incorporated in projects supported by at least one other donor, as well.

¹⁹² *Ibid.*, pg. 37. This section also observed that, “after an analysis of the 15 PDITS that had already been presented in the context of Prodetur/NE II, only 9 contained actions to recover environmental liabilities, corresponding to an investment of US\$8.3 million, or just 2% of the total investments included among the priority actions identified in the Plans for those Poles that presented liabilities.”

10.2. Technical Cooperation for Ecotourism Development in the Amazon — Proecotur

10.2.1. Design Aspects

Building on its ongoing experience with tourism development in the Northeast, the Bank approved a US\$11 million Technical Cooperation loan (1216/OC-BR) to be implemented by the Amazon Coordination Secretariat of the federal Ministry of Environment (SCA/MMA) on October 27, 1999. It closed on June 11, 2008, more than five years later than originally expected. According to the Loan Proposal (LP), its goal was to “undertake sustainable ecotourism development in the Brazilian Amazon region” and more specifically “to establish the appropriate framework and to implement the necessary conditions, including required investments, which will allow the Brazilian Amazon states (Acre, Amapa, Amazonas, Maranhao, Mato Grosso, Para, Rondonia, Roraima, and Tocantins)¹⁹³ to prepare themselves to responsibly and soundly manage their selected ecotourism areas.”¹⁹⁴ The LP described the project in general terms as follows:

The proposed Proecotur, which was expected to have a total cost of US\$13,8 million, is essentially a pre-investment stage for a major effort in developing ecotourism in the country’s Amazon region. It is intended to provide essential pre-requisites for the successful implementation of a second stage. These pre-requisites address the need for careful planning of selected ecotourism localities, assessment of market demand, establishment of a legal framework, basic training needs, technical assistance and key required investments at the local level. Simultaneously, this state of the Proecotur will prepare the main elements for a second stage based on the results to be obtained from the planning studies to be undertaken at different levels (Amazon, state, and prioritized localities), and in the preparation of pre and feasibility studies of public investments required in the prioritized localities of the region.¹⁹⁵

For purposes of the project, ecotourism was defined as “an enlightening travel experience that contributes to conservation of the ecosystem while respecting the cultural integrity of host communities.” The LP observes further that “if the resource base is protected, the economic

¹⁹³ The North (or Amazon) census region does not include Mato Grosso, which is in the Center West census region, or Maranhao, which is in the Northeast census region. However, parts of these two states are also included, together with all the states in the North census region, in what is known as the “Legal Amazon” for federal regional development and incentives purposes.

¹⁹⁴ IDB, 1999, Executive Summary, pg. 1.

¹⁹⁵ *Ibid.*, pp. 1-2.

benefits associated with the use of those resources will be sustainable.”¹⁹⁶ The LP goes on to affirm that “in the Amazon context, well planned ecotourism is considered the best available economic alternative to the current exploitation pattern that is leading to an unprecedented rate of deforestation with little short term social and economic benefits.” It also notes that “despite its potential, ecotourism is largely undeveloped in much of Latin America (with exceptions such as Costa Rica, and specific attractions such as Galapagos) [as] at present there is a marked lack of information in most of [the region] regarding the real nature of ecotourism, its markets, effective product development requirements, marketing strategies, and economic opportunity.”¹⁹⁷

The expected results of the project at the end of its estimated three year implementation period were the following: (i) all 9 participating states will have in place their respective strategies to undertake ecotourism development; (ii) recommendations and measures that will strengthen the legal framework that regulates ecotourism and tourist activities in the region; (iii) a strategic assessment of sustainable tourism development for the next 10 years, including a detailed market study; (iv) 4 ecotourism strategies for specific areas (potential new *Polos*); (v) 19 management plans for existing and newly established protected areas; (vi) key pilot investments for the protection of existing ecotourism products and sites; (vii) 19 pre-feasibility and feasibility studies of infrastructure projects for a second phase of investment; (viii) approximately 1,000 trained participants in ecotourism; (ix) approximately 40 to 50 ongoing ecotourism business operators trained in best practices; and several thousand more being informed through publications; and (x) the establishment of the program’s website whereby all information related to the program’s activities will be available to the public.¹⁹⁸

To achieve these results, the project was designed to have the following components and subcomponents (with their anticipated total costs):

¹⁹⁶ *Ibid.*, para. 1.7, pg. 3. It continues: “Therefore, the host populations will be able to benefit as long as the resources are protected, and tourists visiting the area will be able to enjoy the ‘natural experience’ associated with a well-managed environment.”

¹⁹⁷ *Ibid.*, para. 1.9, pg. 3. Given this situation, the Bank commissioned a number of studies on ecotourism prospects in the MERCOSUL countries, especially Argentina and Brazil, which concluded that there was a need for “increasing the awareness of ecotourism as an important segment of the tourist industry and its potential to facilitate environmental conservation and management of protected areas; development of national ecotourism strategies; strengthening of the institutional and legal/regulatory frameworks; strengthening linkages with other sectors; support of local land use planning and tenure/land security programs; and promote greater collaboration between industry and its partners in government, NGOs and local communities.”

¹⁹⁸ *Ibid.*, para. 2.3, pg. 10.

- Ecotourism planning for the Amazon region (US\$5.01 million)
 - Strategy for sustainable tourism in the Amazon region (US\$1.3 million)¹⁹⁹
 - State and local ecotourism strategies (US\$0.76 million)²⁰⁰
 - Studies for the management and/or establishment of protected areas (US\$2.95 million)
- Ecotourism planning of prioritized areas (US\$3.1 million)
 - Planning of the prioritized ecotourism areas (US\$0.25 million)²⁰¹
 - Key investments for prioritized ecotourism areas (US\$1.25 million)²⁰²
 - Studies of infrastructure projects for a second stage of investments (US\$1.7 million)
- Strengthening of ecotourism (US\$1.7 million)
 - Technical advisory services for ecotourism business (US\$0.4 million)
 - Training in ecotourism (US\$1.3 million)
- Program management and equipment (US\$1.9 million)²⁰³

¹⁹⁹ This was expected to include a “federal and state by state analysis of the legal framework affecting tourism and ecotourism as well as of financing regulations.” This study was expected to recommend, *inter alia*, “the corrective measures that need to be adopted to strengthen the policy analysis, regulatory and implementation of state and municipal-level Amazonian agencies responsible for ensuring local compliance with EIAs, implementing zoning regulations, and awarding of concessions to the private sector for both ecotourism operations and infrastructure arrangements.” (*Ibid.*, para. 2.6, pg. 11)

²⁰⁰ According to the LP (*Ibid.*, para. 2.7, pg. 11), “the selection of priority areas for ecotourism development (*Polos*) was carried out in all the 9 Amazon states. MMA and the Bank agreed on the appropriateness of the selected priority areas in 6 states but considered there was insufficient analysis for the selection made in Amapa, Acre and Roraima. Therefore this subcomponent will finance 3 state ecotourism strategies for these three states. These strategies will focus on specific recommendations for high potential, sustainable ecotourism developments in selected geographic areas that will be used to guide investments (future *Polos*). In addition, 4 strategic studies will be conducted for specific areas within the states of Para, Mato Grosso, and Tocantins that may become additional prioritized tourism areas.”

²⁰¹ This subcomponent would finance the preparation and implementation of five master plans in the prioritized areas (*Polos*) in Amazonas, Mato Grosso, Para, Rondonia and Tocantins, as that for Maranhao was already in place, with the objective of enabling these states “to responsibly and soundly manage their selected ecotourism areas.” (*Ibid.*, para 2.10, pg. 12).

²⁰² These small investments, no single one of which could receive more than US\$80,000 of IDB financing, and all of which needed to have the legally required environmental licensing, would include: (i) fluvial piers to allow ecotourists to safely board river boats and access jungle lodges; (ii) construction of advanced guard posts to protect natural areas under pressure; (iii) small visitors centers and resting areas (wooden docks and kiosks) at the entrances of and within protected areas, as well as other basic infrastructure along existing trails); (iv) protection of caverns and other sites currently being visited and degraded; and (v) installation of fences to protect archaeological sites. (*Ibid.*, para. 2.12, pg. 13)

²⁰³ For greater details with respect to all of these components and subcomponents, see *Ibid.*, paras. 2.4-2.19, pp. 10-15.

In addition to a technical executing unit (UGP) in SCA/MMA, there would be co-executing units in each of the participating states, as well as an Inter-institutional Coordinating Committee (CCI). The latter would be chaired by the Executive Secretary (i.e., Vice Minister) of MMA and composed of the head of SCA and representatives of the Brazilian Environment and Renewable Natural Resources Institute (IBAMA), the Ministry of Sports and Tourism (MET), the Brazilian Tourism Enterprise (EMBRATUR) and the Ministry of Budget and Management (MOG), as well as by local steering committees.²⁰⁴ IBAMA would be specifically responsible for monitoring preparation of the management plans for public use of federal parks and conservation units in the nine participating states.²⁰⁵ As concerns the project's "environmental and social viability," finally, the LP states the following:

Considering the preparatory nature of the first stage of Proecotur, it is expected that it will have minimal positive or negative direct environmental and social impacts....[T]he purpose of Proecotur's first stage is to establish the foundation for the development of activities that will be undertaken during the second stage of investments. However, it is important to differentiate among the activities being considered. The first group of activities is essentially software, aiming at conservation of nature and natural resources directly or through the development of a sound, sustainable ecotourism activity. This group included ecotourism planning at different levels and co-related studies, as well as studies for the establishment of new protected areas, training, and technical support. The second group can be defined as hardware which includes small pilot public works, mostly to better preserve already utilized natural products and facilitate tourist reception and pre-feasibility and feasibility studies of future public investments, including the infrastructure to manage protected areas.²⁰⁶

It was also anticipated that by the end of the project, five new state or municipal protected areas covering roughly 600,000 ha would be "established or ready to be established"; 12 federal and state protected areas "spreading over almost 8 million ha" would have

²⁰⁴ *Ibid.*, paras. 3.2-3.11, pp. 18-21.

²⁰⁵ *Ibid.*, para. 3.12, pg. 21.

²⁰⁶ *Ibid.*, paras. 4.3-4.4, pp. 23-24. It goes on to state that the result of the first set of activities at the end of the first stage was expected to be "that each state and each selected and prioritized area should have an integrated planning that will spell out the rules for: (i) enforcing existing or new environmental legislation, licensing, and monitoring for future infrastructure investments; (ii) effective management of selected protected areas for conservation and high quality ecotourism; (iii) trained staff to protect nature and to avoid negative impacts of tourism; (iv) development, production and dissemination of educational materials, manuals, etc., and (v) managing the interaction of local communities with tourist visitations."

management plans; and four extractive reserves involving more than 1 million ha would have ecotourism planning “and be better protected.”²⁰⁷ The project would also finance “full environmental assessment as part of all feasibility studies of public infrastructure to be considered in the second stage [during which] no public work...will be initiated without corresponding environmental licenses.”²⁰⁸

Finally, in terms of project benefits, the LP affirms that “with the proposed program, the Bank will contribute towards the establishment of a win-win scenario, whereby all interest groups in the Amazon region will benefit from a well-planned and sustained ecotourism development associated with a paramount effort to conserve environment and natural resources, especially biodiversity, in selected locations.” It also identified two major project risks: (i) the recognized limited institutional capacity of the state environmental and tourism agencies and those at the municipal level in the Amazon region; and (ii) the possibility that, once the studies related to the establishment of management plans for both federal and state protected areas are completed and ready to be implemented, there will not be sufficient budget and staff resources to make these plans operational.²⁰⁹

10.2.2. Implementation Performance and Results

A PCR for Proecotur was issued in July 2008. The project was completed 54 months after the initially scheduled closing date (August 2003). Over US\$6.8 million, or some 62%, of the US\$11 million Bank loan was cancelled.²¹⁰ Many of the expected products of the project were realized, though in some cases with considerable delays due largely to “the poor quality of various final consultants’ reports, which had to be redone at the executors request with the Bank’s agreement.”²¹¹ Considerably less than anticipated was spent for each of the project’s components, due in part to the significant devaluation of the US dollar in relation to the Real,

²⁰⁷ *Ibid.*, para. 4.5, pg. 24. It also observes that these areas would “receive necessary infrastructure” during the proposed second stage of the program and that “the studies to establish these areas, as well as the plans to manage them, will be undertaken in accordance with Brazilian legislation requiring full participation of affected populations.”

²⁰⁸ *Ibid.*, para. 4.6, pg. 24.

²⁰⁹ *Ibid.* paras. 4.8-4.11, pp. 24-25. The LP was optimistic, however, that existing and proposed legal and institutional measures would be sufficient to mitigate these risks.

²¹⁰ IDB, 2008b, Informacoes Basicas, pg. 1.

²¹¹ *Ibid.*, pg. 7.

leading to the aforementioned cancellation of loan resources (and local counterpart requirements).²¹² All of the state ecotourism development plans and the planned small infrastructure works were financed. However, the proposed second stage of this program appears to have been abandoned and perhaps folded into the national tourism development program that the Bank has been supporting since 2009 (see part C below).²¹³

The PCR drew from the experience under Proecotur numerous significant lessons, many of which apply to innovative and/or complex projects more generally, regarding project design, execution and results, including the following:

- Initially, the effort to disseminate the promotion of the new concept of ecotourism in an immense region such as Amazonia, together with the institutional limitations in the state and municipal agencies, entailed delays in understanding, acceptance and internalization by the majority of the key stakeholders. Considering these constraints, a planned execution period of 36 months was insufficient.
- Implementation of the planned institutional arrangements proved to be very complex. The premises of decentralization and participation were not always part of the mentality of the state governments in Amazonia. As a result, the introduction of these arrangements in the first instance bumped up against a tradition of centralizing governments in the region.
- Even without a second phase, the execution of practical activities of small projects and improvements in the ecotourism poles, made as part of the second component of the project, gave some visibility and positive credibility to the program.
- Ecotourism being a new concept, the lack of technical assistance for the public executing agencies resulted in slow implementation at all levels. The capacity building in ecotourism should have been initiated with the staff of the UGP and other departments

²¹² *Ibid.*, Costa Table, pg. 9.

²¹³ According to the PCR (*Ibid.*, pg. 6), “until the present time, the second phase has not been included in the Bank’s pipeline or presented to COFIEX [the Brazilian Government committee that approves requests for external financing]. The federal government has indicated that the eventual continuity of the program could be the responsibility of the Amazonian states, which would negotiate it directly with the Bank...In this case, the Ministry of Tourism would have a fundamental role in the coordination of the program and in the provision of its counterpart resources. Tocantins and Amazonas would perhaps be the states in the best position to negotiate directly with the Bank.”

involved in MMA. The need for technical assistance for management was evident throughout project execution.

- There is a need to improve the capacity of coordination between the levels of execution (state and federal), as these need to be in permanent harmony in terms of planning, execution, control and monitoring of the implementation of project targets and activities. This is to avoid discontinuities and promote improved management, exchange of information and sharing of successful experiences among the executing agencies without proposing complex execution arrangements.
- Participatory development actions and awareness efforts resulted in synergy and a positive demand for government actions to include communities in the process of tourism development, as well as for other actions and projects in the region.
- Proecotur is responsible for the incorporation of the concept of ecotourism in the national agenda. For example, the Ministry of Tourism is now promoting the theme of “sustainable tourism,” whose most logical starting point is ecotourism. The program also created a positive context for the discussion of environmentally sustainable tourism in the Amazon region. **The experiences developed under Proecotur should be used in the design of projects under Prodetur Nacional.**²¹⁴

10.3. Prodetur/NE-II

10.3.1. Principal Environment-related Design Aspects and Innovations

The US\$240 million Bank loan for the second Prodetur operation for the Northeast was approved on March 4, 2002, and the project closed on November 7, 2012, despite originally (like Prodetur/NE I) having an anticipated five-year implementation period. According to the Loan Proposal (LP), its goal was “to improve the quality of life of the permanent population of tourism poles as measured by increased employment and increased municipal revenues to provide urban services and **better environmental quality.**” This was expected to be achieved by “generating

²¹⁴ *Ibid.*, pg. 13. Emphasis mine.

and properly managing increased income from tourism, which is the Program's purpose."²¹⁵ The accompanying project description observes the following:

The Program will continue support for the tourism sector in the Northeast region of Brazil by financing infrastructure investments necessary for an adequate provision of public services to keep up with the expected tourism growth in the area, as well as to improve the quality of life of the local population. However, the Program takes the lessons learned from Prodetur/NE-I and moves away from isolated individual investments by establishing the mechanisms to ensure future investments in the sector are consistent with the concepts underlying sustainable and responsible tourism. These concepts are **tourism poles,**²¹⁶ **an integrated and participatory planning process,**²¹⁷ and **adequate planning, environmental and fiscal management capacity at the local level prior to any infrastructure investment.** The Program is organized according to: (i) municipal actions that will ensure that local governments and populations will have the instruments and capacity to ensure **long-term sustainable and responsible tourism development;** (ii) state actions that will ensure that state governments have the capacity for **strategic planning and project development,** for implementing awareness campaigns and training programs so that the local populations can benefit from tourism development and consolidate and upgrade basic infrastructure and public services in the tourism poles; and (iii) promotion of private investment.²¹⁸

With these objectives and procedures in mind, the second project, which gave much greater attention than its predecessor to actions at the municipal level and dropped a separate

²¹⁵ IDB, 2002, Executive Summary, pg. 1 (emphasis mine).

²¹⁶ According to the LP, "tourism poles" are "groups of contiguous municipalities with similar or complementary tourism attractions, and a shared commitment to developing local capacity for managing tourism flows in a sustainable manner." It goes on to affirm that "tourism poles allows [*sic*] municipalities to capture economic and social benefits that might be lost if they acted individually. The benefits include longer stays in the area, better management of environmental spillover impacts, and a more efficient use of resources allocated to public infrastructure and marketing." *Ibid.*, para. 1.24, pg. 6

²¹⁷ According to the LP, "an integrated and participatory planning process facilitates the definition of priority actions and investments. The development planning process integrates the current environmental and social situation and needs in a tourism pole with a strategic approach and investment action plan to meet the potential tourist demand in the pole. A participatory approach in the planning process ensures the necessary transparency and consideration of local concerns and needs to render tourism development sustainable. The expected result of this process is a prioritization of investments and actions based on their contribution to increasing the revenue from tourism, as well as the capacity of local governments to capture part of these rents and to minimize negative environmental impacts associated with substantial tourism growth and immigrations [*sic*] inflow." *Ibid.*, para. 1.25, pg. 7.

²¹⁸ *Ibid.*, Executive Summary, pp. 1-2 (emphasis mine).

component for airport improvements (which nevertheless continued to be a part of the Program), was structured into three basic components:

Strengthening municipal capacity to manage and benefit from tourism (US\$65.3 million)

This is to support: (i) access to municipal administrative and fiscal management programs; (ii) municipal capacity for tourism management; (iii) solid waste management; (iv) protection and conservation of natural and cultural assets (beaches, reefs, parks, and historical sites); and (v) urbanization of tourist areas.

Strengthening of state capacity for strategic planning, training and infrastructure for tourism growth (US\$253.9 million)

This is to support state government actions in the following areas: (i) strategic studies, managerial information systems and training to strengthen state capacity to plan, monitor and evaluate tourist activity; (ii) awareness campaigns; (iii) employment training and skill development for the local population; and (iv) the investments needed to support tourism growth in the poles, such as rehabilitation and expansion of water and sewerage systems, transportation and other infrastructure.

Promotion of private investment (US\$20.3 million)

This is to finance: (i) training seminars and workshops targeting owners of small and medium-sized local travel and tourism businesses, as well as NGO leaders, in the areas of basic tourism management, quality control, labor certification, tourism marketing and promotion, plus sector organization; and (ii) consulting services for the preparation of comprehensive marketing plans and campaigns that will promote the main tourist attractions of tourist poles.²¹⁹

Expected project benefits were summarized as supporting the Northeast's "socioeconomic development efforts by promoting investments in a sector with comparative advantage, the tourism industry." More specifically, it was expected to "directly benefit low-income populations estimated at more than 1.3 million people in over 200 municipalities in 11²²⁰ participating states." As in the case of the first stage of this Program, BNB was the main

²¹⁹ *Ibid.*, pg. 2. Emphasis in original.

²²⁰ In addition to the nine states of the census Northeast, the northern parts of the southeastern states of Espirito Santo and Minas Gerais were also expected to participate in the second stage. *Ibid.*, para. 3.2, pg. 14.

executing agency, supported by a specialized firm (whose functions are described below), with participation of the federal Ministry of Sports and Tourism (MET). Sub-loan agreements and arrangements were to be made with each of the eligible participating state governments. The LP also affirmed that “by using the concept [*sic*] of tourism poles and integrated participatory planning, the Program **ensures that the expected growth of tourism in the Northeast is environmentally sustainable in the long-run** and the returns can be adequately captures to benefit the permanent population of the region.” In this regard, the Program would “require each state to prepare an integrated development plan that will assign priority to investments and actions based on their contribution to increasing revenue from tourism. Likewise, it will foster the development of state and municipal capacity to manage tourism flows by strengthening its [*sic*] **environmental management** and fiscal management functions.”²²¹ The principal project risks, in turn, were identified as relating to the expected growth of tourism demand, the fiscal and administrative management of the municipalities, possible delays in execution and limitations in public banks’ lending to the public sector.²²²

The Executive Summary of the LP also briefly comments on the “environmental and social review” for the project, concluding that:

The Program will have **a number of positive environmental and social impacts from improved solid waste management, potable water and sanitation, protection of fragile areas such as beaches, coral reefs, coastal dunes and freshwater lagoons, and protection and management of Atlantic Forest and mangrove areas.** Community participation in municipal planning and setting of priorities for tourism development actions will ensure that the local population will have an active voice in deciding the direction of tourism development. Community education on tourism and environment and worker training will have positive social impact. **To avoid and mitigate the potential negative direct impacts, the Operating Regulations establish a set of technical guidelines and procedures for project environmental analysis, evaluation, supervision and monitoring that are incorporated in all stages of the project cycle.**²²³

²²¹ *Ibid.*, pg. 4. Emphasis mine.

²²² *Ibid.*, pp. 4-5. As concerns execution delays, the LP observes, more specifically, that “due to the complex execution scheme necessary to address the complex nature of tourism development, the Program runs the risk of delays in execution. The Program has a five year execution period to address this risk and includes quarterly coordination reviews to identify execution difficulties and suggest solutions.”

²²³ *Ibid.*, pg. 3. Emphasis mine.

Finally, from the perspective of local environmental management and subproject effectiveness and sustainability, it is noteworthy that one of the contractual conditions included in the Loan Agreement for this project stipulated that:

the disbursement of sub-loan resources for infrastructure (urbanization of tourist areas, water and sanitation and roads and other transportation works)...will be subject to evidence that: (a) each municipality where infrastructure will be built has: (i) land use master plan approved by the competent authority and put into force; (ii) completed the first module of the tourism management activities set forth in the respective ITDP [Integrated Tourism Development Plan]; (iii) **established the Municipal Environmental Council according to existing legal procedures and requirements;** (iv) in case infrastructure requires municipal O&M [Operation and Maintenance], that the municipality complies with the criteria set forth in federal programs for administrative and fiscal management, or are participating in such programs; (v) the infrastructure to be financed complies with the specific conditions and technical criteria established in the Operating Regulations; and (b) **the necessary measures were adopted by the responsible institution to correct environmental problems identified in the respective ITDP as resulting from Prodetur/NE-I.**²²⁴

In relation to the environmental problems associated with implementation of Prodetur/NE-I more specifically, the LP for the follow-on operation observed the following, which, due to its importance for the changes and improvements in project design introduced by the Bank as conditions for its financial and technical support to the second stage of the regional Program, merits quoting in full:

During Program [i.e., second stage] preparation, three studies were developed to assess the execution and results of Prodetur/NE-I to date: a thorough evaluation of Costa de Descobrimento [Coast of Discovery] in Bahia, including social and environmental aspects; an environmental analysis of projects in three states (Ceara, Rio Grande do Norte, and Sergipe); and an ex-post evaluation of socioeconomic and environmental aspects for a sample of projects throughout the region. From the studies, it was concluded that Prodetur/NE-I stimulated new investments and employment and contributed to the economic success of the region. However, **the increase in tourism and migration inflows generated environmental and social problems in several municipalities that, while not overwhelming the benefits of Prodetur/NE-I, need to be addressed.**

²²⁴ *Ibid.*, pp. 6-7. Emphasis mine.

[T]ourism growth produced environmental problems such as uncontrolled settlement of people looking for jobs, private building in environmentally sensitive areas, encroachment on rainforests and mangroves, impacts on coastal reefs and other coastal ecosystems, and insufficient collection and disposal of solid waste in urban areas. These problems arose mainly due to:

- a. **The lack of an integrated and participatory planning process at the state level** that could sequence infrastructure investments over time, given improvements in municipal land use planning and control capacity. Evaluation studies of the results of Prodetur/NE-I demonstrated that **municipalities that did not dedicate time to planning and controlling building densities along the coastline, managing impacts and setting up participative councils to deal with unforeseen problems has significant problems with uncontrolled tourism growth.**
- b. **Uneven quality of project analysis by the executing agency, specifically from an environmental point of view.** The executing unit was experienced in engineering and works design but not in environmental analysis or tourism development. This resulted in **uneven depth of the environmental impact assessments among different projects.** It also strained BNB's ability to oversee and provide timely guidance to the states in the preparation of studies; and
- c. **Weak environmental supervision capacity at all levels of the execution scheme.** In some cases, the **mitigation measures recommended in the environmental impact assessments were poorly applied during execution of the works.** Likewise there was a **lack of specific requirements for environmental protection in many construction contracts.** This was the result of limited capacity for project supervision in the BNB, state executing agency [sic], and local co-executing agencies.²²⁵

²²⁵ *Ibid.*, pp. 3-4. Emphasis mine. Other critical problems identified in the LP were: (i) benefits from tourism growth were not fully captured by some participating municipalities because of their limited fiscal management capacity — few municipalities took advantage of the possibility to increase their tax revenues and use them to benefit their permanent populations and the activities and emphasis placed on worker training for the local population so that they could take advantage of the emerging employment opportunities brought by increased tourism were not sufficient to cover the wide range of needed services and provide the minimum quality that tourists demand; (ii) tourism development is a complex undertaking involving numerous stakeholders and areas of activity and the overall execution scheme of Prodetur/NE-I was **not adequate to address this complexity**; in 1996, BNB was reorganized and project review and supervision was decentralized adding to the difficulties of not having a sufficient number of core specialists for project analysis and supervision while the execution structure did not include systematic reviews of the program that included the broad range of stakeholders, **nor provide opportunities to respond to the dynamic changes that tourism brought.** (my emphasis) Direct quote.

Although it is not explicitly stated as such, the key lesson from the above statement is that **physical infrastructure investments to facilitate and spur increased tourism can, and often do, have significant indirect (including induced development) and cumulative negative environmental and social impacts, some of which may be unforeseen and many of which may be difficult to manage unless they are properly identified and addressed/mitigated in advance of the likely occurrence of such impacts.** The LP for, and design of, the second stage of the regional tourism development project for Northeast Brazil clearly recognizes this, and the project includes a number of measures to better anticipate and help manage such relevant indirect and cumulative environmental and social impacts.

The LP for Prodetur/NE-II also summarizes several key additional generic lessons learned from the uneven implementation experience and results of the first project and indicates (in *italics*) how they have been reflected in the design of this new operation. Due to their critical importance they are also cited in full as follows:

- Tourism development can be an effective strategy to: (i) attract national and international private investment in an amount greater than public investment; (ii) increase tourist visits; and (iii) generate employment. *The Program will continue contributing to the economic development of Northeast Brazil by promoting investments in a key sector with competitive advantages in the region: the tourism industry.*
- Careful planning and sequencing of investments is needed to minimize negative environmental impacts associated with substantial tourism growth and immigrations [sic] inflows. Municipalities must have adequate land use planning and control before executing infrastructure investment projects, especially in new tourist areas. *The Program will require structured and integrated planning before approving investments. It will also consolidate and complement first-stage investments before going on to new areas.*
- Tourism projects require full involvement of stakeholders in the planning process. Joint participation by the public sector (state and municipal), private interests, and civil society in planning makes it more likely that tourism will benefit the permanent population and improve the environmental sustainability of investments. Effective participation requires the use of permanent local councils comprised by municipal authorities, the private sector, civil society and private citizens. Permanent councils are needed because of the time required to develop, discuss, and sequence the actions of plans. *The Program requires that standing tourism*

councils review, discuss, and prioritize all development actions in the tourism development pole.

- Tourism development programs need an execution scheme that responds to the complex dynamic nature of tourism development, and that projects need to be evaluated by a highly qualified core of technical experts in areas of tourism planning and socio-environmental analysis, as well as tourism development economics and finance. The core skills need to be available at the executing agency, which is responsible for ensuring the quality of project designs. *The Program will include an execution structure that incorporates the needs for careful planning and participation in systematic reviews of the Program's progress. The executing unit will be comprised of highly qualified professionals and a specialized firm will assist BNB in the assessment of project feasibility studies.*
- Tourism development programs should balance investment in infrastructure with investment in strengthening the capacity of municipalities to capture the benefits that result from increased tourism flows. *To address problems caused by the limited capacity to manage and benefit from tourism flows, the Program will emphasize strengthening municipal administrative and fiscal and human resources to manage tourism flows and operate and maintain municipal investments.*²²⁶

The LP likewise observes that, based on the aforementioned guiding concepts of tourism poles; integrated and participatory planning; and the strengthening of municipal capacity to capture and manage additional revenues resulting from increased local tourism activity, “the Program strategy will require that all infrastructure investments respond to an integrated development plan for tourism development poles with clearly defined geographic limits.” In addition, these plans will “assign priority to activities associated with strengthening tourism management capacity at the local level prior to any public infrastructure investment” and will “consolidate investments financed by Prodetur/NE-I prior to expanding into new areas.”²²⁷ As part of project preparation, this approach was reportedly applied to specific tourism poles in the states of Bahia, Rio Grande do Norte and Sergipe.

²²⁶ *Ibid.*, paras. 1.15-1.19, pp. 4-5. Italics in the original.

²²⁷ *Ibid.*, para. 1.26, pg. 7.

Among project components and subcomponents, the largest shares of anticipated direct costs were allocated to investments in water supply and sanitation (US\$110.75 million) and other infrastructure works (US\$101.05 million) under the “state actions” component. This component also included subcomponents for strategic planning (US\$16.3 million), awareness campaigns (US\$5 million) and employment training (US\$18.8 million). The “municipal actions” component was comprised of subcomponents for fiscal management (US\$1.99 million), tourism management (US\$13.2 million), solid waste management (US\$15.09 million), urbanization of tourism areas (US\$15 million) and protection of natural resources and cultural heritage (US\$10 million each).²²⁸ Of total project financing, 60% would come from IDB loan resources, 20% from the federal government channeled through the Ministry of Tourism and 20% from the participating states. Project subcomponents with significant environmental relevance and/or impact were described in the LP as follows:

Municipal tourism management

Technical assistance and computer equipment will be provided for the development and implementation of environmental plans and instruments necessary for tourism management, including municipal land use master plans (*Plano Diretor de Municipio*), urban development plans and land use legislation, zoning, building codes, monitoring systems, local tourism plans, training for municipal and local leaders in tourism management and impacts, establishment of environmental councils and of inter-municipal and municipal-state coordination mechanisms.

Solid waste management

This subcomponent will finance technical assistance for developing integrated solid waste management plans for tourism poles; feasibility studies and final designs for transfer stations, composting stations, recycling, final disposal sites and the closure and recovery of existing disposal sites; options and bidding documents for future private sector participation in waste collection, minimization and final disposal; institutional studies and design proposal for improving regulatory functions; and environmental education regarding solid waste management, [as well as] works and equipment necessary for the first year’s operation of

²²⁸ *Ibid.*, Table 2.1, pg. 12.

sanitary landfills and other final disposal sites, mitigation of environmental and social impacts of existing sites, and the closure and recovery of existing sites.

Protection and conservation of natural assets

Technical assistance and training will be provided for the development and implementation of management plans for conservation units that include options for their financial sustainability and for the personnel responsible for managing protected areas. Small scale infrastructure investments needed for park and protected area management such as education/visitor centers, access roads and fencing/ boundary marking, computer and information systems equipment, and support material will also be financed.

Strategic planning and project preparation

Technical assistance will be provided for: (i) a regional tourism demand study, a strategic environmental assessment (SEA) of the Northeast necessary for justifying expansion into new areas and for preparation of ITDPs for tourism poles; (ii) strengthening the capacity of State Tourism Secretariats and Planning Secretariats to do strategic planning and management of sustainable tourism development; and (iii) strengthening the State Executing Units to develop and implement monitoring systems, technical, environmental and socioeconomic pre-feasibility and feasibility studies of projects, as well as final designs for specific investments in municipal and state infrastructure.

Potable water and sanitation

This subcomponent will finance: (i) studies and technical assistance for improving the institutional and financial viability of the public entities responsible for provision of potable water and sanitation in the tourism poles, including the incorporation of the private sector in the provision and/or management of the service; and (ii) rehabilitation and construction of water and sanitation works (distribution and collection systems, sewers, wastewater treatment plants, outfalls, house connections and plumbing, water meters, etc.)

Infrastructure works

This subcomponent will finance: (i) rehabilitation and recovery of existing roads, bridges, and ferry crossings, including correction of environmental liabilities and urban interference resulting

from investments in Prodetur/NE-I; (ii) traffic control safety and signing equipment; and (iii) construction of new roads and transportation infrastructure needed to attend the expected tourism growth based on regional demand studies. The component will also finance the following activities to improve air transportation: (i) rationalization, maintenance, rehabilitation, remodeling or expansion of existing airports and their aerial navigation and safety systems. [It] will also finance up to US\$20 million for market feasibility, design studies, and construction of convention centers.²²⁹

In addition to the participation of the federal Ministry of Tourism (MET), one innovative and important new feature of stage II project management was the **requirement that a specialized firm be hired** to support the Central Management Team (CMT) at BNB. The main responsibilities of this firm were expected to include: (i) **performing the technical, socioeconomic and environmental analyses of the ITDPs** and subprojects prior to approval and training the technical staff of the CMT; (ii) **performing independent periodic environmental audits of subprojects during execution**; and (iii) evaluating the overall impact analyses of the Program with the CMT.²³⁰ The CMT was also required to have “a **social-environmental specialist**, a professional with a degree in environmental sciences and experience in environmental assessments,” among other core team staff members.²³¹ These provisions were a direct response to the need to strengthen the capacity of the program-executing unit at BNB, especially with respect to environmental management aspects, which had been identified as one of the principal institutional and operational shortcomings of Prodetur/NE-I according to the ex-post assessment briefly summarized above. Another interesting feature of project coordination was the requirement that BNB organize periodic “regional integration and monitoring seminars” involving the CMT, MET, state executing units (SETs) and Tourism Councils, which would be

²²⁹ *Ibid.*, paras. 2.5-2.7, 2.11, and 2.14-2.15, pp. 9-11. The LP also contains brief descriptions of the subcomponents for: (i) municipal administrative and financial management; (ii) protection and conservation of cultural heritage assets; (iii) urbanization of tourist areas under the municipal actions component; (iv) awareness campaigns; and (v) employment training and skills development for the local population under the state actions component. There are also descriptions of (i) training seminars and workshops; and (ii) consulting services under the promotion of private investment component, which are not reproduced here.

²³⁰ *Ibid.*, para. 3.7, pg. 15.

²³¹ *Ibid.*, para. 3.6, pg. 15.

established or strengthened for each tourism pole.²³² Similar seminars with the same objectives would be organized by each of the SEUs at the state level.

As in the case of Prodetur/NE-I, each state would have to meet pre-determined eligibility criteria, including the establishment of an SEU, establishment of one or more tourism poles and presentation of the ITDP or ITDPs — the declared purpose of the latter being to “ensure the sustainable development of the tourism sector in each of the participating states.”²³³ The SEU would prepare the ITDP in consultation with affected communities and other interested parties, as well as the relevant Tourism Council. It would then be evaluated by the CMT, assisted by the specialized consulting firm hired for this purpose, and submitted to the Board of BNB for approval and to the Bank for its “no objection”.²³⁴ Once an ITDP is approved, a sub-loan agreement would be signed between BNB and the state in order to provide financing for “a group of specific projects and activities taken from the ITDP action plan.”²³⁵ As noted above, each participating municipality would also need to meet certain conditions prior to disbursement of project resources for any infrastructure subproject, including that it has “established the Municipal Environmental Council according to existing legal procedures and requirements [and] the necessary measures have been adopted by the responsible institution to correct environmental problems identified in the respective ITDP as resulting from Prodetur/NE-I.”²³⁶ Specific execution arrangements for each of the three major components are also described in the LP and in the Program’s Operating Regulations (OR).²³⁷

²³² According to the LP, the purpose of these Councils would be to “ensure participation of stakeholders and civil society.” More specifically, they would provide a “forum for agreeing upon the tourism strategy for the pole, as well as the priorities within the pole [and] (i) discuss, recommend modifications and ratify the ITDPs, the projects that comprise them, and the priority of each; (ii) contribute to the process of reviewing and updating the Plans; (iii) be the means for disseminating results and actions of the Program to the local population; and (iv) facilitate adequate consultation with affected and interested parties during execution and monitoring processes.” *Ibid.*, para. 3.16, pg. 18.

²³³ *Ibid.*, para. 3.23, pg. 21.

²³⁴ *Ibid.*, para. 3.24, pg. 22. The LP also provides a brief summary of an ITDP for the Costa de Descobrimento, involving the municipalities of Porto Seguro, Santa Cruz Cabralia and Belmonte, along the southern coast of Bahia.

²³⁵ *Ibid.*, para. 3.25, pp. 22-23. The LP also observes that “because of debt capacity limits for each state at the time of requesting a sub-loan, more than one sub-loan may be necessary for financing of all the priority projects and activities presented in the approved ITDP and action plan.”

²³⁶ *Ibid.*, para. 3.26, pp. 23-24.

²³⁷ *Ibid.*, paras. 3.31-3.41, pp. 24-27.

The LP summarizes the social and environmental management arrangements for the second stage in the following terms:

As a result of the socio-environmental evaluation of Prodetur/NE-II, an environmental management strategy was developed to ensure tourism development [would be] environmentally and socially sustainable. The strategy encompasses a number of tools and measures for project review, supervision, evaluation and long-term monitoring, which were incorporated in the OR: (i) development of ITDP for each pole, which incorporates treatment of environmental and social impacts; (ii) establishment of the tourism councils with participation of civil society; (iii) a set of detailed criteria, guidelines and procedures for addressing environmental and social impacts for project development; (iv) a comprehensive scheme for environmental and social supervision, monitoring, evaluation of program components; and (v) the establishment of public information systems and mechanisms for participation of civil society. In addition, the subcomponent for municipal strengthening includes activities to improve land use planning and management of natural and cultural assets, as well as [to] promote the establishment of local environmental councils (COMDEMA), as a condition prior to disbursement of resources for infrastructure.

The institutional responsibilities for these tasks were to be distributed among the three levels of Program execution as follows:

- CMT would oversee and enforce compliance with the OR with regard to socio-environmental requirements for project design and execution, with technical assistance of a specialized firm for project appraisal and independent environmental auditing; coordinate mechanisms for public participation and information disclosure; monitoring and evaluation of the social and environmental benefits of the program.
- SEU would implement/comply with the requirements defined in the OR regarding socio-environmental assessments and management of investments in coordination with the sectors [sic] executing institutions; ensure environmental licenses are timely obtained [sic] and public consultations are performed.
- Participating co-executors would comply with socio-environmental requirements in the OR and licenses for project design and construction; obtain the applicable licenses according to the legal requirements; comply and enforce contractual conditions for environmental and social mitigation with the support of supervisory firms that include environmental specialists; implement all environmental programs included in

Environmental Management Plans that are not the responsibility of contractors.²³⁸

In addition, the investment plan that is part of each ITDP would be “evaluated for potential impacts of the group of investments identified, including potential cumulative impacts.” It would also be evaluated “at the project investment level, in addition to the general OR, which defines overall rules for program execution, technical annexes have been prepared for each type and category of projects, consistent with program components.” In the case of infrastructure projects — such as for transportation, sanitation, solid waste management and coastal urbanization — these technical annexes “include specific guidelines for environmental and social assessment and control, organized into an ‘Environmental Manual’ attached to each technical annex.” The LP also affirms that “the OR will require public consultations for all infrastructure projects, regardless of what is required by the state environmental authority.”²³⁹ The associated Environmental Management Plans (or PBAs in Portuguese) will detail “all environmental and social impact measures to prevent, mitigate and/or compensate for the potential impacts analyzed in the previous studies, including detailed costs and specific time-frame and responsibilities for execution.” Beyond this, “all applicable environmental measures and projects for construction are then incorporated into bidding documents for contractors and supervisory firms.”²⁴⁰ Program environmental supervision by the CMT would “be supplemented with periodic environmental audits of project, according to terms of reference defined for the specialized firm assisting the CMT to evaluate the performance of contractors and supervisors with regard to compliance with environmental specifications and contractual conditions for construction.”²⁴¹

²³⁸ *Ibid.*, paras. 3.47-3.48, pp. 28-29.

²³⁹ *Ibid.*, para. 3.49-3.51, pg. 29. More specifically, these Manuals “include specific guidelines for environmental and social analysis for each stage of project development (preliminary assessment; Environmental Assessments — EA — and Environmental Management Plan — PBA), guidelines for involuntary resettlement plans, for public consultation and instructions for obtaining environmental licenses from the proper authority in compliance with local regulations.”

²⁴⁰ *Ibid.*, para. 3.52, pg. 30. The LP then observes that “the OR established that during construction, supervision of compliance by contractors will be supported by supervisory firms to [be] contracted by the participating co-executors, and will include as part of its technical team environmental specialists specifically responsible for supervising compliance of [*sic*] environmental requirements and projects established in the PBA and in the construction contracts.” (para. 3.53, pg. 30)

²⁴¹ *Ibid.*, para. 3.55, pg. 30. The projects to be audited would be “selected based on their complexity and/or history of environmental problems reported by supervision teams in the field. The project evaluation reports will be submitted to the CMT and the Bank.”

Finally, the LP contains a section on the environmental and social viability of the project, which provides additional information regarding public consultations during preparation of the operation in three sample states (Bahia, Sergipe and Rio Grande do Norte) and a socio-environmental assessment. As concerns the latter, the PL affirmed that:

The social-environmental viability of the Program was evaluated by assessing the environmental and social impacts of the ITDPs for three existing tourism poles that need investments to consolidate sustainable tourism development. To summarize the results of these analyses, the Project Team prepared a *Program Environmental Feasibility Report*, which was translated into Portuguese and made public on January 11, 2002. The report also includes the social-environmental management strategy to ensure social and environmental quality that were [sic] incorporated into the Program's design. The strategy includes quality control instruments, continuous supervision and monitoring and periodic independent auditing, and is laid out in detail in the OR.²⁴²

This section then summarizes the project's expected positive environmental and social impacts (already cited above), but also cautions that "the Program may result in direct negative impacts related to the infrastructure projects that will be financed." It likewise observes that "the Program **could also result in indirect and induced negative environmental impacts, including uncontrolled development in coastal and fragile areas, spillover development in neighboring municipalities and land speculation. Increased immigration, exclusion of the local and traditional population from tourism benefits, loss of cultural identity, and increased prostitution,**²⁴³ **drug use and crime are potential indirect social impacts.**" It then affirms that:

Spillover impacts will be addressed through the multi-municipality planning of tourism poles. Transparency of the planning and project execution process will minimize land speculation. Education campaigns on tourism investments and land speculation issues, as well as [to] inform local communities on the means for obtaining cultural identity and on keeping crime low through community action groups, and open reporting of statistics and trends. The local population will have the opportunity to find solutions through participation in tourism planning at the municipal level. The Program will also include education and awareness

²⁴² *Ibid.*, para. 4.24, pg. 41 (emphasis mine).

²⁴³ This, together with sexual abuse of minors, is a matter of particular concern in some of the major international tourism destinations in Northeast Brazil, especially Recife, Fortaleza, Salvador and Natal. "Sexual tourism" is one of the principal motives for visits to the region by some — mainly young male European — tourists. The more recent state-specific Prodetur projects in Northeast Brazil have given increasing attention to this persisting problem.

campaigns for tourists, tour and hotel operators. Specific training for employment in the tourism sector for the local population will help them [sic] take advantage of new job opportunities.

In order to minimize and mitigate the direct, indirect and induced negative impacts, the Program encompasses a multitude of actions and investments involving several sectors, actors, and levels of public authority, in order to establish effective mechanisms of project environmental analysis, evaluation, supervision and long-term monitoring. These mechanisms are...detailed in the OR established for the Program, and include rules and procedures for project development and the planning, design, execution, and operation stages.²⁴⁴

It is extremely important that the Bank recognized that investments in support of increased tourism development can, and frequently do, have **significant adverse indirect, induced and cumulative environmental and/or social impacts** within “tourism poles,” and possibly in adjoining areas as well. This was a major lesson learned from the evaluation of the implementation experience and results of Prodetur/NE-I. The second-stage follow-on project sought to incorporate measures to better anticipate and address such potential impacts. This represents a significant step forward in project design and in the proposed arrangements to monitor and manage potential environmental and social impacts of tourism-related investments and activities. It remains to be seen, however, how — and how well — such measures were implemented in practice and with what results.

10.3.2. Implementation Performance, Results and Environmental Aspects

A PCR for Prodetur/NE-II was issued on October 10, 2012, roughly seven months after the last disbursement of the Bank loan for this project, which took place late March 2012, in turn 54 months after the originally planned closing date (September 2007).²⁴⁵ By this time, the next round of state-specific Prodetur projects was already underway, as was a somewhat earlier loan to the federal Ministry of Tourism to provide further support to what had now become a national program, rather than one focused exclusively on the Northeast. In the process of this transition, loan repayment and executing responsibilities were transferred directly to the individual states rather than going through BNB as a financial intermediary, as had been the case under both stages of the regional tourism development project. However, other important features of the

²⁴⁴IDB, 2002, paras. 4.27-4.28, pp. 41-42.

²⁴⁵ IDB, 2012, Informacao Basica, pg. 1.

design and implementation arrangements for Prodetur/NE-II were retained and/or enhanced, both from an environmental management perspective and more generally (see the next sections below for further details on this evolution of the program from a regional to a national one).

Although originally intended to benefit parts of as many as 11 different states, including the northern regions of Espírito Santo and Minas Gerais, only six states in practice eventually signed sub-loans with BNB to carry out subprojects under Prodetur/NE-II. These subprojects were in 10 tourism poles, half of which were in the state of Bahia.²⁴⁶ As concerns physical infrastructure targets, the project contributed directly to an increase in the population resident in the tourism poles that was served with potable water networks from a baseline of 59.6% in 2004 to 66% in 2011 (exceeding the target of 65%). Coverage of sewer networks rose from 26.4% to 32% over the same period (again exceeding the target of 30%). In addition, the area of environmental liabilities (*passivos ambientais*) recovered over this period was 333 hectares (again surpassing the initial target of 270 ha), while 427km of roads were built or rehabilitation (as compared with a target of 533km).²⁴⁷ In addition, more than 25,500 people were trained in tourism sector-related activities in four poles under the project. In terms of actual project costs, these were slightly higher than anticipated (at 8.3%) for the state infrastructure component, but considerably lower than initially planned (at 73.3%) for the promotion of private investment component and slightly lower than expected for the municipal component (0.77%).²⁴⁸

As in the case of Prodetur/NE-I, project implementation experienced significant delays. These are attributed by the PCR to the “difficulties in meeting the prior conditions [to first disbursement] in the IDB loan contact, some on the part of BNB and some on the part of the states seeking sub-loans. For example, the requirement for participatory planning for sustainable development, represented by the ITDPs, as a prior condition for contracting sub-loans

²⁴⁶ These were five in Bahia (Descobrimento — Costa do Descobrimento and Costa das Baleias, Litoral Sul, Salvador e Entorno, and Chapada Diamantina), and one each in Minas Gerais (Vale do Jequitinhonha), Rio Grande do Norte (Costa das Dunas), Pernambuco (Costa dos Arrecifes), Ceara (Costa do Sol) and Piaui (Costa do Delta). Even though the Costa dos Coqueirais pole in Sergipe had been included as part of the representative sample analyzed by the Bank prior to project approval, because the state failed to meet the prior conditions necessary to become eligible for support, it was subsequently dropped from the program. *Ibid.*, pg. 3.

²⁴⁷ *Ibid.*, pg. 8. The reason for the decrease in the number of roads built or rehabilitated was that certain roads that originally were part of the investment plans were withdrawn due to the significant decline in the value of the U.S. dollar in relation to the Real over the project implementation period.

²⁴⁸ *Ibid.*, Project Cost and Financing Tables, pp. 9-10. In terms of the sub-loans and local counterpart funds, the largest amounts went to Pernambuco (US\$75 million and US\$37 million, respectively), Ceara (US\$60 million and US\$27 million), and Bahia (US\$39 million and US\$47 million).

contributed substantially to the start-up delay of the Program, even though other factors, such as the fiscal situation of some states, which constrained the signature of sub-loans during the first two years after the Bank loan was approved, also contributed in this regard.”²⁴⁹ As a result, the first sub-loan (with Rio Grande do Norte) was not signed until March 2004; however, according to the PCR, the “effective execution of the project only began in early 2005, when the first disbursement for the state of Bahia occurred.”²⁵⁰ Other factors that adversely affected project implementation were devaluation of the US dollar in relation to the Real; changes in state and municipal administrations as the result of elections in 2005 and 2008, respectively; institutional weaknesses in and the fiscal situation of the municipalities; civil society complaints regarding environmental impacts of some subprojects; the poor quality of some subproject engineering designs; and climate-related factors (drought conditions); among others.²⁵¹

The PCR, finally, draws a substantial number of lessons learned from the implementation experience and results of Prodetur/NE-II including in relation to projects’ preparation phases; execution of engineering projects; priority setting; ex-post analysis of the viability of a sample of subprojects; administration of project execution; relations with communities; protection against risks in exchange and transfer of financial resources; and ex-post evaluation of the project. Among these key lessons are the following:

- The choice of prior conditions should be adequate and realistic in terms of the length of time required in order for them to be complied with so that the [loan] contract can become effective within a reasonable period after it has been signed.
- Develop studies to determine the profile of potential tourism demand generating elements for the development of tourism products adjusted to this demand.
- Revise the model of ITDPs proposed in the Terms of Reference with a view toward institutionalizing a system of integrated planning and not the elaboration and validation of an action program.

²⁴⁹ *Ibid.*, pp. 10-11. In fact, by the end of 2006, just 2.8% of project resources had been spent, and by the original closing date (end of 2007), that total only amounted to 13.7%, making a significant extension of the closing date necessary. Project expenditures and loan disbursements increased subsequently, being more than double in 2008 than they were in 2007.

²⁵⁰ *Ibid.*, pg. 11. The sub-loan with Bahia was signed in December 2004, but, as this state was more advanced than Rio Grande do Norte, it was able to utilize the resources made available through the sub-loan more quickly.

²⁵¹ *Ibid.*, pp. 11-14 sets out these factors in greater detail, together with the positive features of project execution.

- For programs having multiple activities it is vital to keep in mind that there will be investments in transport, water supply and sewerage, urban renewal, restoration of buildings, environmental actions, etc. — in short, there will be responsibilities that go well beyond the capacity of the executing agents which are typically tourism departments. This requires intense cooperation with other public departments (Roads, Water, Sanitation, Environment) and an indispensable coordination of actions through formal cooperation agreements (*termos de cooperacao ou convenios*).
- It can be considered a good practice to include a percentage of the value of each subproject for environmental investments to be defined jointly with the communities during execution. However, these investments should be supported by guidelines contained in the Environmental Impact Assessment/Environmental Impact Report [EIA/RIMA in Portuguese] to avoid politically motivated actions.²⁵²

The annex to the PCR presents a list of the specific actions and investments supported in each of the six states that participated in the project, though it does not indicate the total cost of each of these subprojects. Even though it included preparation of a number of solid waste management studies and plans, Preodetur/NE-II does not appear to have provided financing for their actual implementation, as compared with substantial investments for water and sanitation and road improvements. The project also financed the preparation of ITDPs for three tourism poles in Bahia and one each in Ceara, Minas Gerais, Pernambuco and Piaui. However, the number of environmental improvement subprojects *per se* appears to have been rather limited, with examples including the following: recuperation and environmental education in the Marau Peninsula in Bahia, execution of an environmental control project for the dunes at the Lagoa de Portinho in Piaui, revision of the management plan for the APA of Gualdalupe in Pernambuco and elaboration of management plans for the APAs of Jenipabu and Bomfim/Guararira in Rio Grande do Norte. However, there were four subprojects to recover “environmental liabilities” (*passivos ambientais*) in the Piaui.²⁵³

²⁵² *Ibid.*, pp. 17-19.

²⁵³ *Ibid.*, Annex 5. According to Annex 6, of the 136 subprojects executed under the project, nine (or 7%) were for solid waste management (i.e., the studies and plans referred to above); another nine were for conservation of natural resources (including the four to recover *passivos ambientais* in RN); 15 (11%) were for protection and conservation of historical and cultural patrimony; 16 (12%) were for sanitation and water supply, mainly the former; 24 (18%)

Unfortunately, moreover, the PCR does not discuss the existence, nature or effectiveness of any project-supported efforts to strengthen capacity for environmental management at the state and municipal levels (i.e., within the ten tourism poles that were assisted), nor does it assess the environmental performance of the project more generally. This includes experience with respect to the application of Bank environmental and safeguard policies, any lessons learned and/or the need for follow-up in this regard. In terms of the latter at least, it is not as comprehensive as the PCR for Prodetur/NE-I that, as observed above, did include such an assessment. Nor is there any discussion, or even identification, of the four “environmental liabilities” associated with the first stage of this program in Rio Grande do Norte, which needed to be corrected during the second phase, or of any such liabilities in other states that were not “recovered” under the follow-on project.

were for strategic planning and subproject preparation; and 33 (24%) were for infrastructure works, primarily road improvements.

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