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Public Investments in Tourism in Northeast Brazil:

Does a Poor-area Strategy Benefit the Poor?



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Environmentally and Socially Sustainable Development Department (LCSES)

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Abbreviations and Acronyms

BNB	Banco do Nordeste do Brasil (Bank of Northeast Brazil)
EMBRATUR	Brazilian Enterprise for Tourism Development
GNP	Gross National Product
IADB	Inter-American Development Bank
LDCs	Less Developed Countries
NE	Northeast (Brazil)
PRODETUR/NE	Programa de Desenvolvimento do Turismo/Nordeste (Tourism Development Program/Northeast)
RN	Rio Grande do Norte
SEBRAE-RN	Serviço Brasileiro de Apoio às Micro e Pequenas Empresas-RN (Brazilian Micro and Small Enterprise Support Service-RN)
SETUR	Secretaria Estadual de Turismo (State Secretariat of Tourism)

Foreword

Tourism development is often promoted as a pro-poor non-agricultural rural strategy. However, little research exists at the World Bank about the broad impacts of tourism development. This paper is an interesting contribution for researchers and those working in ESSD operations because it examines a wide range of economic, social, and environmental impacts from tourism development. The paper raises critical questions about poverty reduction strategies that target poor areas as opposed to poor households. It paper should be of interest to a broad spectrum of World Bank staff and others dealing with multisectoral dimensions of rural development in LAC and other regions.

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Public Investments in Tourism in Northeast Brazil: Does a Poor-area Strategy Benefit the Poor?

Abstract

In the 1990s the Government of Brazil launched a large investment program in Northeast (NE) Brazil, called PRODETUR/NE (Tourism Development Program/Northeast). One of the program's stated objectives was poverty reduction, given the high incidence of poverty in the NE region. Other economic, social, and environmental objectives were included in the project design. To assess PRODETUR/NE's success in achieving its objectives, a survey of major tourism stakeholders was undertaken in the State of Rio Grande do Norte (RN). The survey investigated attitudes about overall perceptions of tourism growth and its economic, fiscal, social, and environmental impacts. The results indicate a divergence among stated project objectives, allocation of investments, and stakeholders'

perceptions with respect to the project's impacts. A major finding is that PRODETUR/NE was not perceived by stakeholders to have had a major poverty-reducing impact. Stakeholders indicated the need for more investments in human resource development—as opposed to physical infrastructure—to allow the poor to benefit.

Keywords:

tourism, tourism impacts, attitudes toward tourism, sustainable tourism, poverty reduction strategies, rural development, Northeast Brazil, Rio Grande do Norte, Brazil

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Introduction

Governments and development banks in less developed countries (LDCs) have for years looked toward the tourism industry as a source of income and employment growth. Through the end of the 1990s, global tourism was growing at a steady 4 to 5 percent annual rate, with estimates that global tourism accounted for 1 in 14 workers and about 12 percent of global gross product (Godfrey and Clark 2001).¹ There is a widely held belief that tourism development may be particularly appropriate for poverty reduction because many of the poor in LDCs live in areas that provide the natural amenities demanded by tourists. Entry-level tourism jobs require low skills and the tourism industry's links to the informal sector can increase opportunities for low-skill workers. However, achieving poverty-reducing tourism growth requires special efforts (Araujo and Bramwell 1999; Ashley, Roe, and Goodwin 2001; Ghimire 2001). In addition, negative social and environmental impacts are often associated with tourism development (Wells 1997; International Finance Corporation 2000).

The Brazilian Government recognized tourism's economic potential at least as early as 1966 when the National Tourism Council and the Brazilian Enterprise for Tourism Development (EMBRATUR) were created (Diegues 2001). Brazilian tourism has recently exhibited dramatic growth. Foreign tourists grew from 1.8 million in 1994 to more than 5.1 million in 2000, while domestic tourism grew approximately 60 percent during the same period, reaching some 45 million visits by 2000. EMBRATUR estimates that tourists in Brazil create some 6 million jobs, account for about 6 percent of GNP, and generate more than US\$4 billion

in foreign exchange and more than US\$7 billion in taxes.

Tourism Development in Northeast Brazil

Beginning in the late 1970s, the Federal Government of Brazil targeted the Northeast (NE) and Amazon regions as tourism growth poles. This targeting was based on two premises: the natural attributes of both regions make them attractive to tourists, and economic performance had lagged behind that of the nation as a whole. Tourism was viewed as a means of boosting economic growth and reducing poverty in these regions. In particular, the national strategy for poverty reduction in NE Brazil singles out tourism as a possible engine of poverty reduction. Since the late 1970s and accelerating through the 1990s, the Federal Government and state governments in the NE have invested resources in tourism infrastructure and provided other support for the industry.

The main pro-tourism strategies in the NE region include "mega-project tourism" and PRODETUR/NE, both of which primarily involve investments in physical infrastructure. Between 1996 and 2001, investments under PRODETUR/NE totaled US\$670 million, with US\$400 million from an Inter-American Development Bank (IADB) loan and US\$270 million coming from the federal and state governments.

Banco do Nordeste do Brasil (BNB) has been the implementing agency and on-lender of PRODETUR/NE funds and is responsible for monitoring impacts of the investments. BNB has also been responsible for monitoring and evaluating impacts of the investments but has not done much in practice. Instead it has concentrated on monitoring the investment process (e.g., disbursement and use of loans).

¹ The global recession and September 11, 2001 have had a negative impact on the tourism industry in many LDCs and DCs.

While the national strategy was to use tourism as an engine of poverty reduction in NE Brazil, state governments have focused more on promoting growth of the tourism industry rather than on its distributional impacts. Concern has emerged that tourism growth in the NE has not yielded widespread benefits, and that negative environmental and social impacts may outweigh the positive economic growth effects of the industry (Araujo and Bramwell 1999; Diegues 2001; Hohl Abrahão 1998; SEBRAE-RN 1996).

Part of the explanation for negative environmental and social effects is the unplanned and unstructured nature of tourism development in the region. Although NE state governments supported the industry through infrastructure development, they did not explicitly plan for providing conditions conducive to generating positive social and environmental impacts. The consultation processes held in each state for planning primarily involved representatives and boosters of the tourism industry. As a result, most investment went toward physical infrastructure with few accompanying investments in human capital. The latter, in the form of education and training, could have enabled the local population to be better equipped to reap more of the benefits of tourism growth.

Depending on the structure of the industry, incomes and employment generated through tourism expansion and linked economic sectors could help lower poverty. However, tourism growth does not necessarily translate into poverty-reducing broad-based development. For example, Wagner (1997) found that tourist spending elsewhere in Brazil was not associated with strong reductions in poverty or even with strong local benefits. Others (e.g., Ashley et al. 2001; Diegues 2001) note that tourism investments in a poor geographic region do not automatically benefit the poor located in that region.

In order to maximize the poverty impacts of tourism development, planning methods

should be sensitive to economic linkages and the distribution of benefits and costs among different subgroups. However, most economic models used to plan tourism development, such as input-output models (e.g., Bergstrom et al. 1990; Hommerding 1993), are often highly aggregated and ignore the specific nature of local linkages and distributional impacts. In most cases, input-output models can only generate an aggregate economic multiplier for tourism. They are thus ill-equipped to measure the distributional impacts of employment changes and inadequately describe social impacts. In practice, tourism planning in NE Brazil has not included efforts to strengthen local linkages or spread benefits to disadvantaged subgroups. As a result, mass tourism, as promoted by governments in NE Brazil, may not reduce poverty.

Objectives of Paper

Recent investments in NE Brazil have clearly helped stimulate tourism growth. The Federal Government and donors are interested in using tourism development to reduce poverty. State governments have not conducted sufficient planning or established appropriate mechanisms for monitoring and evaluation, to ensure that tourism growth in NE Brazil achieves broader social objectives. The objectives of this paper are to: (i) assess potential poverty impacts of investments and actions taken by PRODETUR/NE; (ii) assess attitudes of key tourism stakeholders (representatives of government, business, and civil society) about the economic, fiscal, social, and environmental objectives and outcomes of PRODETUR/NE; and (iii) provide guidance for the future design of poor-area projects of the PRODETUR/NE type.

The NE Brazilian State of Rio Grande do Norte (RN) is used as a case study. Descriptive statistics show divergence among the objectives and attitudes of subgroups of stakeholders and the stated program objectives and realized infrastructure investments that only broadly benefit tourism growth.

While official rhetoric and many stakeholder groups strongly support poverty-reducing tourism development, actions—as indicated by investments in PRODETUR/NE—do not necessarily match this rhetoric.

The paper begins with a description of conditions in RN and recent growth in tourism. PRODETUR/NE investments are then examined, particularly investments in RN. These investments have largely been for infrastructure improvements (e.g., airport and roads) that are not likely to directly benefit the poor. Other support services were virtually ignored during this investment period. Then, results of a survey of attitudes of key tourism stakeholders are presented. Stakeholders were asked to respond to questions about their overall impressions of tourism development in RN and about tourism's economic, fiscal, social, and environmental impacts. Survey results identify consensus among different tourism stakeholder groups about the importance and potential benefits of tourism growth, and a corresponding recognition that investments must be better targeted to achieve broader social objectives. In particular, stakeholders indicated a strong belief that investments in physical infrastructure should be supported with complementary investments in human capital development. The authors hope that the findings will help guide the formulation of poor-area tourism investment projects, including possible follow-ups to PRODETUR/NE.

Tourism and Poverty in Rio Grande do Norte (RN)

NE Brazil is particularly well suited for a pro-poor tourism development program because of the region's extremely high poverty rates and its natural assets - notably the long coast line, sandy beaches, and plentiful sun. Average per capita monthly income in Brazil in 1998² was R\$320, while in the NE it was R\$155 (Fiess and Verner 2004). RN is slightly better off than the NE as a whole,

but income in RN was R\$173, still well below the national average and even farther below areas such as São Paulo (R\$437). These income differentials are reflected in indices of poverty: estimates show that about 40 percent of RN's population is poor, compared to about 22 percent for Brazil as a whole (Fiess and Verner 2004). While poverty declined in RN between 1970 and 1990, indications are that the decline slowed or halted during the 1990s. Within RN, the Natal region's incidence of poverty is far below that in any other micro-region in the state (Fiess and Verner 2004).

By all indicators, tourism is growing rapidly in RN (see Figure 1). Growth in hotel visitors to the state was steady through the 1990s, with a temporary downturn in 1996. Between 1991 and 1998, tourists in registered hotels in greater Natal increased by more than 73 percent. Receipts from tourists grew from US\$157 million in 1996 (a slow year) to US\$266 million in 1998 (SETUR 2000). The industry's estimated contribution to GDP in RN grew from 3.5 percent in 1996 to 6.1 percent by 1998.

Tourism is not spread uniformly through the state. The municipality of Natal is clearly RN's tourism center. About 68 percent or 15,186 of a total of 22,292 beds for tourists in RN are located in Natal (Table 1). In fact, tourism activity is more concentrated in greater Natal than indicated by hotel rooms; almost 84 percent of the recorded tourist flows are in Natal (Table 2). Despite the concentration of public investments in growth poles (i.e., selected municipalities along the coast), all of RN is experiencing increased hotel construction and increased tourist visits. The share of total tourists in RN who visited greater Natal has not changed much despite strong overall growth in number of visitors, which means that other parts of RN are experiencing similar rates of growth.

Outside Natal, the South Coast and the interior contain significant amounts of lodging infrastructure (Table 1). The larger and most modern hotels are found in Natal, with aver-

² In 1998 the exchange rate was approximately R\$1.15/US\$1.

age size there being almost twice as large as in other parts of the state. Recently, however, considerable growth in lodging capacity has occurred away from the coast in the interior. The number of rooms and beds in the interior nearly doubled between 1996 and 1998 (SETUR 2000).

PRODETUR/NE Investments in Rio Grande do Norte

PRODETUR/NE was initiated following agreement with the IADB in December 1994. Project investments were prioritized by individual state governments whose main criterion was the multiplier potential of the investment, or the amount of private investment that would be stimulated through public investment. The PRODETUR/NE proposal noted the project's potential for contributing to the "socio-economic development of the poorest region in Brazil...by focusing on areas with a predominantly low-income population." Additionally, the project document (an internal document prepared by the IADB) states that over 50 percent of the direct project benefits will accrue to low-income groups. Thus, an explicit objective of the program was poverty reduction through investments in tourism infrastructure.

PRODETUR/NE's specific objectives were to: (i) increase tourism receipts; (ii) increase the "permanence" of tourists in the NE; (iii) induce new investments in tourism infrastructure; and (iv) generate employment and income through direct and indirect tourism-related activities. The main investment strategy to achieve these objectives focused on basic infrastructure and public services. PRODETUR/NE received external financing from an IADB loan (US\$400 million) and domestic financing from federal, state, and municipal governments (US\$270 million). About three-quarters of the project funds and 95 percent of the IADB's contribution were programmed for infrastructure (Table 3). Of the total funds, 33 percent were used for airport

construction, 31 percent for road improvement (much of which provided access to the airport), and 22 percent for sanitation, mostly sewerage in a new coastal development in Greater Natal. Local funds were more focused on institutional development and operating support, but still were largely dedicated to infrastructure.

The PRODETUR/NE program was revised in 1997 and the local contribution was reduced to US\$270 million. Along with this change in the total amount of investment funds, the allocation of funds among different components of the program was changed (see Table 4). A far higher total (US\$220 million vs. US\$94 million) and share (33 percent vs. 12 percent) of the investment was devoted to airport construction in the revised program. Financing for sanitation, roads, and historical preservation suffered the most severe cuts. These changes represent a reorientation of the program away from more broadly beneficial infrastructure toward infrastructure that tends to directly benefit a small segment of the population.

PRODETUR/NE Loans in Rio Grande do Norte

PRODETUR/NE loans to RN totaled US\$22.45 million, or about 5.5 percent of the total PRODETUR/NE project funding³. The RN subregion that qualified for the loans was a coastal area called "Pólo Costas Dunas." An analysis of the loans to RN (Table 5) shows that: (i) a higher share went to transport infrastructure—airport and roads—than the NE average; (ii) a smaller share went to sanitation infrastructure; (iii) investments in RN were highly concentrated in Natal (about 60 percent of the value of loans, whereas Natal accounts for about 26 percent of the State's population), and all the loans for the airport, environmental reclamation, and sanitation infrastructure were for investments in Natal; (iv) a high share of loans to RN was allocated to infrastructure

³ RN contains about 5.8 percent of the Northeast's 47.7 million population.

built in Ponta Negra, a relatively wealthy beachfront community; and (v) investments in human capital were not given priority.

Despite the Federal Government's professed goal of using tourism to reduce poverty in the NE region and despite statements in PRODETUR/NE's plans to support poverty-reducing tourism, the RN Government used its tourism-related resources to promote growth-oriented mass tourism. These investments could have benefited the poor in the short run if: (i) the poor were frequently employed in the construction industry; (ii) the poor were intensive users of the infrastructure; or (iii) the spillovers or induced economic activity from these investments largely benefited the poor.

Evidence related to the first point shows that construction workers are disproportionately under-represented among the poor. The headcount of poverty among construction workers is 37.6 compared to 49.2 for the entire population in the neighboring state of Ceará (World Bank 2000). Although members of poor households do work in the construction industry, benefits from growth in construction employment will largely accrue to non-poor households. Likewise, it is unlikely that the poor will benefit disproportionately from infrastructure improvements. They are unlikely to use airports and the sanitation infrastructure was built in support of high-end development near the coast. However, the poor will benefit from lower transportation costs and increased marginal productivity of their labor. Both of these outcomes are by-products of the infrastructure.

The third outcome depends on underlying linkages and the nature of the change induced by the investments. Unfortunately, investigations of these linkages and whether the poor would indirectly benefit from PRODETUR/NE investments were not part of the project planning; no contingencies were made for monitoring these impacts over time. Whether this pattern of resource use is desirable depends on the long-run goals particularly of tourism's stakeholders,

and how modern infrastructure can be used in more sustainable, broad-based tourism (e.g., Araujo and Bramwell 1999).

Since the start of PRODETUR/NE, the RN Government completed a strategy for tourism development, stressing the objective that tourism should provide a source of sustainable development for the state by optimizing the use of cultural and natural resources (SETUR 1999). The plan mentions the following steps: (i) promoting and consolidating the region as a national and international tourism destination; (ii) identifying local resources and minimizing adverse environmental impacts; (iii) identifying specific localities for tourism development; and (iv) building local capacity to work in the tourism industry. While data do not exist on the distribution of benefits among population groups from infrastructure investments, sentiment is growing in the state, reflected both in official documents and in interviews with tourism-related officials, that tourism should be guided more toward achieving social goals now that the infrastructure is in place. In order to understand more formally how key tourism stakeholders in RN view the industry, a survey of these stakeholders was conducted.

Attitudes Toward Tourism: An Analysis of Survey Results from Rio Grande do Norte

A meeting of the RN Tourism Council of PRODETUR/NE's "Pólos Municípios" was held on April 30, 2001 in Natal. This council is an official advisory body that was organized to include all major tourism stakeholders. It was established as a condition for PRODETUR/NE loans. In addition to Council members, others involved in tourism development in RN were invited to the meeting. About 200 people attended. The survey was distributed to all attendees, and a total of 117 usable surveys were completed. About 28 percent of respondents were members of the RN Tourism Council of "Pólos

Municípios.” About 75 percent of respondents were from Natal, with the remainder from other coastal municipalities in RN.

Surveys were divided into several sections, beginning with general questions about the respondents.⁴ Next, general attitudes toward tourism development were solicited, followed by perceptions of economic, fiscal, social, and environmental impacts of tourism development in RN since 1995. Respondents were asked whether they strongly agree, agree, are uncertain, disagree, or strongly disagree with statements about the direction and impacts of tourism development. Selected results of the survey are presented in Table 6.

General Characteristics of Respondents

Attendees were invited to the meeting because they are policymakers, planners, and researchers or represent groups of civil society. Thus, this is a survey of people who are influential in designing and implementing RN's tourism strategies. About 41 percent of respondents identified themselves as government-related, 21 percent as business-related, and 38 percent came from civil society. About 21 percent reported that they work for government agencies directly dealing with tourism, and 8 percent with government agencies not directly dealing with tourism; 20 percent work for universities or other research institutions; 9 percent work for NGOs or are volunteers; and 19 percent reported that they own, manage, or are employed by a tourism-related enterprise. Over 80 percent of the respondents had some college education, and only 2 did not complete high school.

⁴ See Liu and Var (1986), Milman and Pizam (1988), Siegel and Jakus (1995) for examples of similar surveys. The complete surveys used for this study are available from the authors.

Attitudes toward Tourism Development

Almost 90 percent of respondents strongly agreed or agreed that tourism had improved the quality of life in their community. However, the economic benefits and improvements to environmental quality from tourism were not as widely accepted. A substantial proportion disagreed with the statement that economic benefits outweighed environmental and social costs. A widely held perception is that investments in infrastructure had not been sufficient, and there was near-unanimous agreement that more infrastructure investments are needed. Respondents exhibited substantial concern about the priorities reflected in infrastructure investments, with about 67 percent agreeing that public services available as a result of infrastructure investments were not in accordance with community priorities. Thus, a substantial proportion of respondents expressed some dissatisfaction with infrastructure investments and felt that existing investments did not meet local needs.

Poor and local residents were not perceived to be major beneficiaries of tourism development, even though almost all respondents agreed that a major objective of tourism development should be jobs for the poor. The overall impression from the general attitudes part of the survey was that tourism was good for the community, but improvements could be made so that the industry would better serve local objectives. Suggested improvements to infrastructure investments become more obvious as we move through the remainder of the survey results.

Economic Impacts of Tourism

Nearly all respondents thought tourism brings good jobs to the community, but a majority also agreed that tourism jobs are seasonal, part-time, or low paying with little potential for advancement. About 62 percent thought that most new tourism jobs tend to go to residents of the community as opposed to in-migrants. Surprisingly, only about 50

percent of respondents believed that there are many qualified workers for the jobs made available in the community. On the other hand, there was near-universal agreement that more training courses are needed for tourism workers, indicating only limited public investments in the region's human capital.

The need to increase economic linkages within the local economy was noted: about 35 percent of the respondents disagreed that most tourism enterprises purchase goods and services produced by local businesses. There was an interesting divergence of opinions with respect to the impacts on self-employed people in the informal sector; while most thought tourism stimulates informal sector employment, 22 percent disagreed. A similar divergence of responses was found with respect to the question of whether tourism development caused prices of local goods to increase. Clearly some local segments have not benefited from the pattern of tourism growth since 1995, because the industry is perceived to have brought limited employment opportunities and increased prices.

Government Involvement and Fiscal Impacts

In the case of government involvement in tourism promotion, several signs of problems exist. Over 90 percent of the respondents thought that public investments in tourism infrastructure had helped promote tourism growth. Many, however, expressed concern that local governments and communities do not adequately plan tourism development. Twenty percent disagreed with the statement that tourism policies are responsive to civil society needs. Many stated concerns that education and health services had not improved as a result of tourism development. Only 64 percent agreed that tourism development increases local tax revenues. This section of the survey showed support for infrastructure investments, tempered by concern for its limited beneficial impacts and the lack of adequate responsiveness to local needs.

Social Impacts

Social problems associated with tourism growth are widely recognized and include rapid population change, crime, and displacement of residents. New residents attracted to the area by tourism opportunities were perceived to be a positive influence on the community. However, concern emerged that tourism development was causing the community's population to grow too rapidly. Respondents felt that young people benefit more than older people, but impacts of tourism are perceived as gender neutral.

Negative social impacts such as tourism-related crimes, including drugs and prostitution, are widely recognized as problems in the community. Prostitution was the greatest concern, with about 53 percent of respondents identifying it as a problem.

Another impact of tourism development is the possible displacement of some of the local population. About 57 percent agreed

that tourism has forced some of the local population to move. The development of beachfront areas in Ponta Negra did involve substantial relocations.

Environmental Impacts

Responses to statements about environmental impacts of tourism development were characterized by a high proportion of uncertain answers and a considerable amount of dissatisfaction. Fewer respondents agreed with positive statements about the impact of tourism on the environment, and more were uncertain or disagreed. About 64 percent agreed that many tourism-related activities are dirty, noisy, and harmful to the environment. The unregulated spread of sand dune buggies is frequently associated with environmental degradation. Litter and excessive noise from other activities are also cited as environmental problems. A substantial proportion disagreed that existing land use and zoning laws adequately protect the environment, but about

56 percent agreed with the statement. Respondents were split in their attitudes about statements that tourism development improved water supply, sewerage, and sanitation, and that the beach and ocean are cleaner. Least satisfaction was expressed over water supply and improvements in sanitation. Investments in such improvements were concentrated in limited areas of Greater Natal and did not produce widespread benefits.

With the importance of environmental quality for tourism development, and the purported environmental focus of PRODETUR/NE, these results deserve more attention. In particular, the environmental problems emerging from rapid growth cast doubt on the future ability to promote environmentally friendly tourism in the coastal areas.

Future of Tourism Growth and Development

All survey respondents recognized the important role of tourism in RN's future. However, only 11 percent claimed that tourism development should continue as it had in the recent past. Despite overwhelming support for tourism, concern emerges about the path tourism development has taken. This concern is evidenced by the nearly unanimous agreement that local government and the community should do more to plan tourism development. Even strong tourism supporters represented at the meeting thought more aggressive planning measures were important.

Major priorities to improve tourism's impacts are investments in public infrastructure and training for workers. Targeting of poor and local residents (as opposed to residents of other Brazilian states or foreigners) as tourism beneficiaries is also perceived to be important. About 70 percent agreed that tourism development should do more to help poor residents and that new tourism business opportunities should be targeted toward residents of RN and not "outsiders." All respondents agreed or strongly agreed with the statement that more training courses for

tourism workers need to be provided. Strong support also exists for increasing local business linkages to tourism enterprises.

Perceptions about specific roles for government to attract tourists and improve tourism impacts also emerged from the surveys. Near-unanimous agreement exists that local government should do more to improve: (i) the marketing of tourism to attract tourists, (ii) residents' understanding of tourists and tourism, and (iii) the community's attractiveness to tourists. Better zoning and land use laws are clearly recognized as necessary to improve tourism impacts.

Summary of Survey Results

There was consensus among tourism-related stakeholders in RN on a need to better plan the future path of tourism growth in order to achieve development objectives such as improved economic, fiscal, social, and environmental impacts. However, opinions on whether economic benefits from tourism exceed its costs contrasted considerably. Although the majority believes that positive economic impacts have resulted from tourism growth and that many of the new jobs created were "good jobs," there were concerns that many of these jobs are seasonal, part-time, or low paying with little chance for advancement.

The majority believes that public investments in physical infrastructure have helped contribute to tourism growth. However, consensus also exists about the need for more infrastructure investment and about improved priority setting for these investments. In particular, there is a perception that the views of civil society are not necessarily taken into account. Broadening the consultation process among different stakeholders is important. Many respondents are concerned about the need for improved land use laws and zoning regulations, improved training, improvements in water and sanitation systems, and more attention to protecting environmental quality. The results also high-

lighted conflicts about whether the future path of tourism should follow its recent path.

Conclusion

Investments in physical infrastructure in RN have yielded benefits in terms of strong tourism industry growth. However, this growth has not led to some of the positive social impacts originally envisioned. In particular, the Federal Government and PRODETUR/NE planning documents stress the poverty-reducing potential of state-supported tourism growth, but the investment priorities do not follow a poverty-targeted pattern. A potential explanation for this failure is the conflict between stated investment goals and actual planning and implementation of the investments. An alternative explanation is that the time horizon for evaluating tourism's impacts on the poor is too short, and that over time the pattern of growth may contribute to lowering poverty in the region. Testing the alternative explanation is beyond the scope of this paper, but evidence gathered at the time of the study indicates that the direction of investments was not inherently pro-poor.

This paper provides evidence of a conflict between stated goals and actual implementation in RN. PRODETUR/NE investments were almost exclusively focused on physical infrastructure improvements, and many of the infrastructure investments were not of the sort that generate broad benefits. Moreover, the investments were targeted within RN to relatively wealthier areas on the coast. Stakeholder responses highlighted this conflict. While there was general agreement that tourism growth was beneficial to the area, opinions varied about whether tourism

growth *should* be targeted to reduce poverty. Stakeholders agreed about the need for serious changes in the priorities of future investments, with fairly unanimous agreement on the need to devote more resources to human resource development. Finally, stakeholders in general expressed the need for better planning by state and local governments to improve (or mitigate the negative) social and environmental impacts associated with tourism growth.

The results point toward a need for better targeting and planning of tourism investments and attention to enhancing poverty-reducing impacts. Targeting and planning may be easier now that the essential physical infrastructure is in place. Without such infrastructure, tourism growth, whether poverty reducing or not, would not have occurred. Respondents recognize that investments in poor regions such as RN do not necessarily translate into pro-poor investments for residents. Changes in planning and investment are now needed. Stakeholders unanimously endorsed the need for more investments in human resource development—targeted to the poor—as an investment priority for the future. This should be taken into consideration for the follow-up PRODETUR/NE II project.

Results also showed substantial disagreement about stylized facts, particularly whether the poor benefit from tourism-related employment.

This disagreement reflects a real need to improve efforts to monitor and evaluate the impacts of investments and tourism growth on the poor. Without adequate data, it will be impossible to plan and revise plans toward poverty-reducing tourism development.

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Figure 1

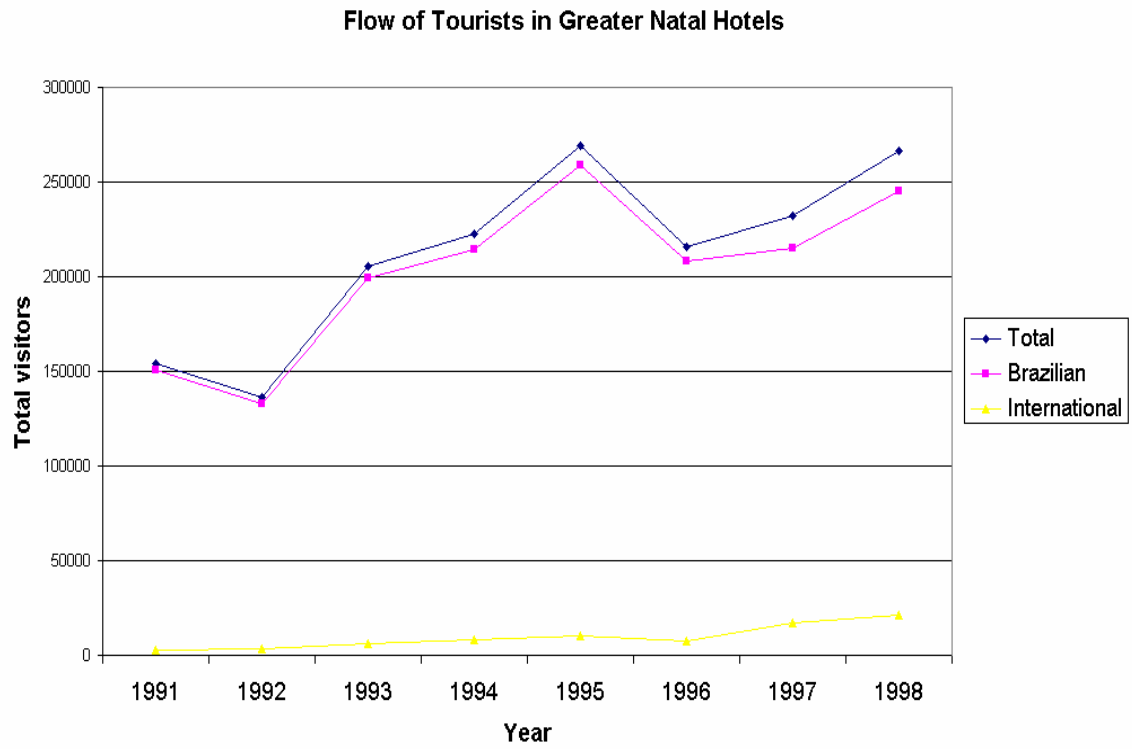


Table 1. Hospitality Capacity in RN, 1998

	Establishments	Rooms	Beds	Share of Total Beds (%)	Beds/Establishment
Natal	187	6,249	15,186	68	81.21
South Coast	88	920	2,438	11	27.70
North Coast	27	426	1,214	5	44.96
Other Coast	28	318	773	4	27.61
Interior	67	1,186	2,681	12	40.01
Total	397	9,099	22,292	100	56.15

Source: SETUR 2000

Table 2. Flow of Tourists, RN, by Country of Origin

Year	Brazilians	Foreign	Total	% Total in Greater Natal
1996	545,413	17,811	563,224	83.6
1997	834,336	23,086	857,422	83.5
1998	1,000,188	52,232	1,052,420	83.7
% Change, 1996-1998	83%	193%	87%	

Source: SETUR (2000, p.45)

Table 3. Proposed (1994) Project Allocation and Source of Financing (in US\$ million)

Category	IADB	% of IADB Loan	Local Funds	% of Local Funds	Total	% Total Investment
Engineering and Administration	---	---	58	15	58	7.4
Institutional Development	12	3	18	5	30	3.7
General Infrastructure	328	82	175	44	503	62.9
Of which:						
Sanitation	132	33	77	19	209	26.2
Solid Waste	9	2	5	1	14	1.8
Roads	77	19	39	19	116	14.6
Historical Preservation	39	10	19	5	58	7.3
Environmental Protection and Reclamation	9	2	5	1	14	1.8
Other	50	13	30	8	80	9.9
Airport Improvement	47	12	47	12	94	11.7
Other*	13	3	90	23	103	14.2
TOTAL	400	100%	400	100%	800	100%

Source: IADB Loan Proposal Document

Note: Figures are rounded.

* Operating costs, contingencies and financial costs.

Table 4. Revised (1997) Project Allocation and Source of Financing (in US\$ million)

Category	IAD B (\$)	% IADB Loan	Local Funds (\$)	% of Local Funds	Total (\$)	% Total
Engineering and Administration	15	4	37.3	14	52.3	8
Institutional Development	18.8	5	11.2	4	30	4
General Infrastructure	252	63	46.4	17	298.4	45
Of which:						
Sanitation	123.2	31	22.8	8	146	22
Solid Waste	8.5	2	2	1	10.5	2
Roads	71	18	11.8	4	82.8	31
Historical Preservation	30	8	5.9	2	35.9	5
Environmental Protection and Reclamation	19.5	5	4	1	23.5	4
Other	--	--	--	--	--	--
Airport Improvement	110	28	110	41	220	33
Other*	4	1	65	24	69	10
TOTAL	400	100%	270	100	670	100

Source: IADB.

Note: Figures are rounded.

* Operating costs, contingencies and financial costs.

Table 5. IADB/PRODETUR Loans to Rio Grande do Norte (US\$ million)

Category	IADB Loan (\$)	% of IADB Loan
Engineering and Administration	--	--
Institutional Development	1.5	7
General Infrastructure	13	58
Of which:		
Sanitation	4.9	22
Solid Waste		
Roads	6.9	31
Historical Preservation		
Environmental Protection and Reclamation	1.2	5
Other		
Airport Improvement	7.8	34.5
Other*	0.15	0.5
TOTAL	22.45	100%

Source: IADB

Table 6. Survey Results

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
General Attitudes Toward Tourism					
Tourism has improved the overall quality of life	33%	54%	10%	1%	3%
Local residents have benefited economically	22%	60%	15%	1%	3%
Tourism growth improved environmental quality	11%	44%	33%	6%	5%
Economic benefits from tourism are greater than social or environmental costs	20%	44%	22%	4%	11%
Infrastructure investments have been insufficient and more are needed	49%	37%	14%	0	0
Investments made were not in accordance with community priorities	14%	53%	23%	4%	5%
Economic benefits of tourism go mostly to poor people	3%	30%	54%	10%	3%
A major objective of tourism development is job opportunities for the poor	34%	38%	21%	2%	5%
Economic Impacts of Tourism					
Tourism brings good jobs	60%	36%	4%	0	0
Most tourism jobs are seasonal or part-time	13%	44%	34%	1%	9%
Most tourism jobs are low paying with little potential for advancement	9%	43%	35%	4%	8%
There are many qualified workers for jobs in tourism	4%	8%	60%	18%	10%
Training courses for tourism workers are important	84%	15%	1%	0%	0%
Most new tourism jobs go to community residents	18%	44%	32%	3%	3%
Tourism has created more opportunities for self-employed people in the informal sector	24%	54%	0	18%	4%
Tourism has caused prices of goods and services to increase	30%	44%	0	19%	7%
Tourism development has caused real estate values to increase	36%	54%	0	6%	4%
Government and Fiscal Impacts					
The community and local government adequately plan tourism development	13%	45%	35%	3%	3%
Government and private businesses are responsive to suggestions from civil society	17%	35%	27%	2%	17%
Education and health services are better now because of tourism	7%	27%	46%	8%	13%
Tourism development is good because it increases tax revenues for local government	19%	45%	30%	1%	4%

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
<i>Social Impacts</i>					
New residents associated with tourism development are a positive influence	25%	59%	11%	1%	3%
Tourism development has caused population to grow too rapidly	17%	47%	24%	1%	11%
Young people benefit more than older people from tourism development	20%	58%	18%	1%	2%
Men benefit more than women from tourism development	1%	15%	66%	4%	14%
Tourism increases crime	9%	32%	42%	6%	11%
Prostitution is a problem associated with tourism	17%	36%	31%	9%	8%
Drugs are a problem associated with tourism development	12%	30%	41%	6%	11%
Tourism development has forced some of the local population to move	18%	39%	35%	2%	6%
<i>Environmental Impacts</i>					
The beach and ocean are cleaner because of tourism development	12%	28%	50%	7%	1%
Because of tourism development, sanitation systems have improved	13%	37%	35%	12%	3%
Existing land use and zoning laws protect the environment	16%	40%	22%	6%	16%
Many tourism-related activities are dirty, noisy, and harmful to the environment	16%	48%	28%	5%	1%
<i>Tourism's Future</i>					
Tourism development should continue as in the recent past	3%	8%	67%	19%	1%
The community and local government should do more to plan tourism development	68%	32%	0	0	0
Tourism development should be more sensitive to the needs of residents	35%	47%	13%	0	4%
More money needs to be invested in public infrastructure	68%	30%	2%	0	0
Tourism development should do more to help poor residents	27%	42%	28%	1%	1%
Tourism enterprises should try to use more locally produced goods and services	56%	42%	1%	0	0
New tourism business opportunities and jobs should be for residents of RN, not for others	31%	39%	25%	3%	1%
Better zoning and land use laws and enforcement are needed to improve tourism impacts	59%	37%	0	1%	1%
It would be better to have more international tourists	39%	50%	0	7%	3%
The Tourism Council of RN should take a more active role in promoting appropriate tourism development	51%	45%	1%	0	3%

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