



# **The impact of tourism on rural poverty through supply chain linkages to local food producers in the Bolivian Altiplano**

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**Abstract**

The extent of linkages and leakages in the tourism food supply chain has an important influence on whether poor rural communities may benefit from tourism revenues. This paper examines the strength of supply chain linkages in the context of the Bolivian Altiplano and identifies obstacles to local sourcing at various levels of the value chains. It is argued that the pro-poor impact of tourism-agriculture linkages depends on the ability of small-scale farmers to participate in high-value agricultural product chains demanded by hotels and restaurants. The findings reveal the importance of social capital in overcoming entry barriers and providing market access.

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## **Acronyms**

DMO	Destination Management Organisation
HVAP	High-value Agricultural Product
NGO	Non-Governmental Organisation
PPT	Pro-Poor Tourism
PPTP	Pro-Poor Tourism Partnership
PRSP	Poverty Reduction Strategy Paper
RQ	Research Question
SSF	Small-Scale Farmer
UNWTO	World Tourism Organisation

## **1 Introduction and research problem**

The impact of tourism on poverty is a central concern for many developing countries. Expectations related to the sector's economic benefits are reflected in 80% of Poverty Reduction Strategy Papers (PRSPs) of low income countries (Mitchell and Ashley 2007). Yet the ways in which poor people are affected by tourism are complex and evidence for both positive and negative impacts can be found in the literature.

In many developing countries, poverty is particularly wide-spread in rural areas where agriculture is a key source of livelihood. Therefore, when analysing the pro-poor impact of tourism, it is particularly relevant to consider the indirect economic impact of tourism on small-scale farmers (SSFs). Academics have studied the tourism-agriculture nexus from mainly two perspectives: The first is a liberal view that primarily analyses the economic impacts of tourism on SSFs and maintains that tourism revenues can alleviate rural poverty through local sourcing of food products (Cox et al. 1995; UNWTO 2006; Mitchell and Ashley 2007,2009). The second perspective is a critical view that emphasises tensions between tourism and agriculture in economic, social and environmental terms. Factors highlighted include the leakages of tourism revenues, conflicts over water and labour, and the reinforcement of existing inequalities (Brohman 1996; Mowforth and Munt 2003; Torres and Momsen 2005).

This dissertation focuses on the economic linkages between tourism and agriculture. It contributes to the debate on the impacts of tourism on SSFs by critically analysing the linkages and leakages in the value chains between the tourism sector and local food producers. Applying the conceptual framework developed by Meyer (2008) to two case studies in Bolivia, obstacles for pro-poor sourcing are examined from the perspectives of the different actors in the value chains. In particular, the extent to which SSFs are able to supply high value agricultural products (HVAPs) demanded by the tourism sector is critically investigated since these products promise higher gains but also present considerable entry barriers (Bebbington 1997; Davis 2006). Hence, the dissertation tests empirically the potentials and obstacles for pro-poor food sourcing and provides comparable data to the existing body of research in this field (Bélisle 1983,1984; Cox et al. 1995; Telfer and Wall 1996; Torres 2002,2003; Torres and Momsen 2004).

The analysis is based on primary data collected in July 2009 through qualitative research methods in two tourist centres in the Bolivian Altiplano: La Paz, the country's capital, and Copacabana, the main touristic town at the shores of Lake Titicaca. Both places feature a considerable number of hotels and tourist restaurants. At the same time, poverty in the Bolivian

Altiplano is widespread and the communities are dependent on crop and livestock farming (Validvia 2004; Kay and Urioste 2005). The analysis of the tourism-agriculture linkages and their impact on SSFs is therefore relevant in the Bolivian context.

The research questions (RQ) that guide the analysis are the following:

RQ1: How strong are the backward linkages of the tourism sector to the food producers in rural communities?

RQ2: Where are the obstacles to the establishment of such linkages located?

RQ3: How do SSFs participate in HVAP supply chains?

Due to time constraints, some of the factors proposed in Meyer's (2008) framework could not be studied in-depth, such as how the tourists' consumption preferences and specific government policies influence sourcing patterns. Furthermore, the number of HVAP chains studied was limited to four.

The structure of this dissertation is as follows: Relevant literature is presented in Chapter 2. In chapter 3, methodological comments are noted, the Bolivian context introduced and the case study findings exposed. Subsequently, the discussion in Chapter 4 highlights how the Bolivian case studies inform the current academic debates. Chapter 5 concludes.

This dissertation argues that assessing the impact of tourism on SSFs is relevant in many developing countries marked by wide-spread rural poverty. Since in these countries tourists generally dispose of higher incomes than the average national resident, the tourist food demand can be considered a high-end market. Therefore it has the potential to stimulate the local cultivation of HVAPs. However, it is argued that one has to look beyond the demand level and also investigate how factors related to production, marketing and intermediaries, as well as government policy influence these supply chains. Even if local sourcing patterns exist, the revenues may not reach the poor food producers due to constraints related to market access and entry barriers.

## 2 Literature review

### 2.1 *Tourism and poverty alleviation*

Over the last fifty years, international tourist arrivals have grown on average approximately 7% annually, making tourism one of the largest economic sectors contributing around 10% to the world's GDP (Hall 2007; Sharpley 2007). The tourism-development nexus has thus attracted researchers' interest since the 1970s. De Kadt's (1979) seminal work entitled "Tourism: Passport to Development" shaped subsequent thoughts about both positive and negative impacts on national and local economic development (Goodwin 2008; Harrison 2008).

The specific focus on the impact of tourism on poverty was, however, only emphasised at the end of the 1990s (Sandbrook 2008). The impetus for tourism and poverty alleviation research came primarily from policy circles, which continue to provide the main traction for work in this area until today. The concept of "Pro-Poor Tourism" (PPT) was coined by several UK researchers (see Ashley et al. 2001). The PPT approach intends to devise strategies that enhance the benefits poor people can derive from tourism through a range of channels: direct effects, such as employment; indirect effects, such as selling goods and services; and induced effects, such as local wage increases (Mitchell and Ashley 2007).

While some research on PPT has found its way into academic journals (Ashley and Haysom 2006; Mitchell and Faal 2007; Goodwin 2008, 2009), the majority has been mainly directed at a practitioner audience. The Pro-Poor Tourism Partnership (PPTP) was founded in 1999 as a collaborative research initiative between the International Centre for Responsible Tourism, the International Institute for Environment and Development, and the Overseas Development Institute. Under the PPTP and with funding from the UK Department for International Development, a number of case studies and working papers have been produced. This research pushed several international development agencies to launch PPT initiatives, notably the UN World Tourism Organisation through its Sustainable Tourism – End Poverty (ST-EP) programme established in 2002.

In the academic literature, PPT is only beginning to be discussed (Carbone 2005; Rogerson 2006; Harrison 2008; Meyer 2008). These scholars present critical analyses of the PPT approach and place it in perspective of the existing work on tourism and development. Particularly useful is Scheyvens (2007) discussion of the theoretical influences of the PPT approach in the context of the main debates on the tourism-poverty nexus. She maintains that the PPT concept was mainly shaped by neo-liberal as well as alternative perspectives on tourism and poverty. Conversely, critical and post-structuralist perspectives had only marginal influence on the development of the

PPT approach. In the following sections, this theoretical conceptualisation will be applied to the tourism-agriculture nexus.

While not necessarily referring to the PPT concept, academics have also analysed some of the specific channels through which tourism impacts on poor people. The objective of this body of research is not to evaluate the overall impact of tourism on poor people, but to understand the complexities of particular types of interrelationships. Studies exist on the interaction between tourism and street children (Gössling et al. 2004), street vendors (Timothy and Wall 1997) and SSFs (Bélisle 1983, 1984; Cox et al. 1995; Telfer and Wall 1996; Torres 2002,2003; Torres and Momsen 2004; König 2007). The largest number of publications falls into the latter group – henceforth called the tourism-agriculture literature.

This dissertation explores the PPT proposal that poor people may benefit from tourism through indirect effects, namely inter-sectoral linkages. However, it takes a narrower focus than most of the PPTP work, analysing in-depth the specific channel of tourism food supply chain linkages, thus contributing to the above-mentioned tourism-agriculture literature. Also, it is rooted in the academic literature as it takes a critical stance considering both positive and negative impacts of tourism on SSFs. Therefore, current debates in this relationship are presented in the following section.

## ***2.2 Tourism-agriculture linkages***

When analysing the tourism-poverty nexus, it is crucial to closely examine tourism's impact on SSFs. This dissertation understands that SSFs are involved in a mix of commercial and subsistence production – or either – including crop and livestock farming and fishery (Narayanan and Gulati 2002). According to World Bank (2007) figures, 75% of poor people in developing countries live in rural areas; among them, many are SSFs (Narayanan and Gulati 2002). While not all rural poor are SSFs (Vorley 2002), farm-related activities remain central to most rural livelihoods.

Given the challenge of rural poverty at hand, it is argued that the potential ways in which tourism may stimulate agricultural production are worth exploring. However, there are numerous channels how tourism may affect SSFs, both positively and negatively. Hence, in the literature there is considerable debate over the tourism-agriculture relationship between a rather optimist and a more critical perspective.



### **2.2.1 The optimist account**

A part of the research in the field predicts positive impacts of tourism on local agriculture and thus rural poverty reduction. This optimist view is rooted in liberal and neo-liberal perspectives since they present a strong belief in the role of the market and the private sector in development (Scheyvens 2007). On the extreme of the spectrum is the assumption that tourism revenues will automatically “trickle down” to other sectors of the economy, including agriculture.

Today most scholars accept that backward linkages do not automatically materialize. However, the fact that on average food makes up 30% of tourists’ expenditures continues to stimulate scholarly thinking on positive impacts of tourism on local agriculture (Bélisle 1983; Torres 2002). Most optimist accounts are found among the PPT authors. They maintain that the stronger the local supply chain linkages are, the more a destination is pro-poor (Mitchell and Ashley 2007, 2009). Due to its demand for greater variety and quality, the tourist sector may increase productivity and profitability of local agriculture as it stimulates the diversification of local farmers into high value products such as fresh vegetable and fruit production (Saville 2001). Moreover, it is thought to contribute to more sustainable farming practices and even reverse rural out-migration (Shah and Gupta 2000).

Beyond the PPT research, the potential of tourism-agriculture linkages to keep tourists’ revenue local and reduce leakages via food imports has also been acknowledged (Bélisle 1983; Telfer and Wall 1996; Torres 2003,2004). Some authors suggest that by fostering the local production of high value produce, the tourism sector may not only promote the SSFs entry into high-end domestic but also export markets (Cox et al. 1995, Momsen 1998, Telfer 2000). The prediction of the optimist account would thus be that tourism may contribute to a more even development by channelling revenues to poor rural communities.

### **2.2.2 The pessimist account**

The tourism-poverty nexus has, however, also been conceptualised under dependency and political economy theory, giving rise to a more critical view about the relationship (Scheyvens 2007). This is also apparent in the tourism-agriculture literature, and to a minor degree in the PPT literature. Some reasons why tourism might negatively affect local SSFs are presented in the following.

Firstly, in contrast to the potential supply chain linkages described above, some authors find that foreign tourists and hotels have a propensity to consume imported food. These imports may not

only constitute leakages of tourism revenue, but may also increase competition that harms local production (Bélisle 1983; Pattullo 1996; Momsen 1998).

Secondly, natural resources such as land and water may be diverted away from the agricultural sector for tourism requirements, like swimming pools and golf courses (Telfer and Wall 1996), and tourism real-estate development (Bryden 1973).

Thirdly, competition may also emerge over human resources. Torres and Momsen (2005) find a high rate of rural-to-urban migration due a quest for better job prospects in tourism centres. This loss of labour may lead to agricultural decline.

Finally, due to the above, critical authors argue that tourism development results in uneven and spatially polarized distribution of wealth (Brohman 1996; Mowforth and Munt 2003). Existing socioeconomic inequalities within the rural society as well as between the agricultural sector and the tourism sector are therefore likely to be maintained or even reinforced (Forsyth 1995; Torres and Momsen 2005).

In the context of this polarized debate, Scheyvens (2007:131) urges for more consideration of post-structuralist perspectives that “reject reductionist views of the world which see tourism as either a force of good or evil”. Also Gössling et al. (2004:132) deplore that “few in-depth studies have been carried out to understand the complexities of these interrelationships”.

This dissertation agrees with the need for a more nuanced picture of the factors that influence linkages and leakages in the tourism sector’s sourcing patterns. To achieve this objective, it adopts a micro-level analysis of value chains between the tourism sector and local food producers. In doing so, it takes a holistic view of the tourism-agriculture nexus, giving “voice” to all levels of actors involved in the chain and taking into account power relations between them. In the following, the theoretical elements underlying this type of analysis are exposed.

### ***2.3 Value chain linkages framework applied to pro-poor sourcing***

A value chain “describes the full range of activities that are required to bring a product or service from conception, through the intermediary phases of production (...), delivery to final consumers, and final disposal after use” (Kaplinski 2004:80). While originating from a management science background (Porter 1985), value chain analysis has been introduced into development studies under different concepts, most importantly the French *filière* approach (Raikes et al. 2000) and the Global Commodity Chain concept (Gereffi and Korzeniewicz 1994). According to Posthumus (2007:203), “value chain analysis enables us to understand

(international) competitive challenges, to identify relationships and vertical coordination mechanisms, to understand how chain actors deal with powers and who governs the chain”. The analysis of value chains can take place on different spatial scales: local, domestic, international, regional and global value chains (Sturgeon 2001). Here, the focus is on the first two categories. In this dissertation, value chain analysis is first used to examine RQ1, namely the strength of the backward linkages between the accommodation sector and food producers in the rural communities. In order to analyse RQ2 (obstacles to the establishment of such linkages), the conceptual framework on value chain linkages developed by Meyer (2008) is applied. This framework is introduced in the following section. Finally, to evaluate the participation of SSFs in the value chains (RQ3), Meyer’s framework is augmented by literature on agricultural value chains, presented in the last section of this literature review.

### **2.3.1 Obstacles at different levels of the value chains**

Drawing on academic research on the tourism-agriculture nexus presented above, Meyer (2008) develops a conceptual framework to analyse sourcing and procurement linkages of the accommodation sector. In particular, she proposes four categories of factors that may hinder such linkages to develop. Three categories are linked to different groups of actors in the value chains: demand-related, supply-related and marketing and intermediary-related factors. The fourth category comprises government policy-related factors that influence the chains from outside. Table 1 presents the specific factors that may hinder tourism-agriculture linkages in each of these four categories; they are subsequently explained with evidence from the tourism-agriculture literature that will provide a basis for comparative discussion in Chapter 4.

**Table 1: Factors influencing the creation of tourism-agriculture linkages**

Demand-related factors	Supply-related factors	Marketing and intermediary factors	Government policy
The type of accommodation with respect to ownership, size and class	Physical limitations	Marketing and infrastructure constraints	Over-emphasis on tourism and neglect of other sectors
Tourism industry maturity	Entrenched production patterns	Supply poorly adjusted to demand	Unfavourable investment policy
The type of tourist	The quantity and quality of local production	Spatial patterns of supply	Lack of mediation and cohesion between sectors
The promotion of local cuisine	High prices of locally produced food	Agreements / contract / kickbacks	Lack of credit and micro finance support
Health and safety concerns	Technological and processing limitations	Mistrust	Limited training and education
Training and nationality of chefs	Competition for labour	Distribution infrastructure	
Seasonality	Undercapitalisation of the agrarian sector	Middle-men	
	Landscape		

Source: Meyer (2008)

### **Demand-related factors**

Certain characteristics of the tourism sector are expected to influence the purchasing patterns, such as the type of hotel and tourist, the tourism industry maturity (based on Butler's (1980) destination life-cycle model), the training and nationality of chefs and the promotion of local cuisine. Whereas in the Caribbean, high-end hotels demonstrate high food import needs (Bélisle 1983), Indonesian high-end hotels were found to actively promote local sourcing (Telfer and Wall 1996). Torres (2003) provides evidence from Cancun, Mexico, that health and safety

concerns crucially influence hotels' purchasing decisions. Finally, seasonality of both tourism and agricultural production may dictate the extent of local sourcing (Telfer and Wall 2000).

### **Supply-related factors**

Production-related criteria such as the physical environment, quantity, quality and price of local produce, as well as technological and processing constraints may also determine if local food is used for tourism gastronomy. All these factors were found to hinder local sourcing around Cancun (Torres 2003; Torres and Momsen 2004). Furthermore, entrenched production patterns of the agricultural sector may cause a mismatch between the local production and tourism demand, as revealed by the Caribbean case (Bélisle 1983). The possibility of reduced agricultural productivity due to increasing employment of labour force in the tourism sector is also mentioned in the literature (Torres and Momsen 2005).

### **Marketing and Intermediary-related factors**

Tourism-agriculture linkages may be limited due to a lack of interaction between the two sectors resulting from marketing constraints, deficient distribution infrastructure and the spatially dispersed supply pattern (Bélisle 1983; Telfer and Wall 1996; Torres 2003). In the Cancun case, deep mistrust between the indigenous (Maya) food producers and the elite-dominated intermediaries and hotels considerably hampers the formation of “strategic alliances” that are needed for linkages to strengthen (Torres 2003).

### **Government policy-related factors**

Governmental policies may foster local food sourcing through the provision of training, access to credit, or mediation efforts between the two sectors. Meyer (2008), however, also predicts that an over-emphasis on the tourism development and unfavourable investment policies may pose obstacles to the creation of tourism-agriculture linkages.

## **2.3.2 High-value agricultural product chains**

This dissertation suggests that the literature surrounding different types of agricultural value chains must be included in Meyer's (2008) conceptual framework presented above. This stance is in line with Torres (2003:564) who maintains that the “analysis of hotel procurements, while important for understanding linkages, absent in-depth consideration of the political economy of local agriculture, provides only a partial picture”. Therefore, in order to evaluate if tourism-

agriculture linkages are pro-poor, it is argued that first, high-value and low-value products have to be distinguished, and second, that entry barriers to the former are highlighted.

### **HVAPs and rural poverty reduction**

According to a commonly used definition, a HVAP is a product that “returns a higher gross margin per unit of available resources (land, labour, capital, human capacities) than another product within a given location and context” (GFAR 2006:24). In the context of increasing non-viability of subsistence farming for sustaining household welfare, farmers may be better off in trying to shift to commercial production of HVAPs, which promise higher gains than staple production; however, they usually also entail higher risks and uncertainties (Pingali 1997; Pingali et al. 2005). Often mentioned HVAPs in the literature are horticulture products (fresh fruits, vegetables and flowers), meat, dairy products and fish (Bebbington 1997; Dolan and Sorby 2003; Davis 2006). Empirical evidence from developing countries highlights that HVAPs are increasingly important relative to grains and other starch-based staple crops (Gulati et al. 2007). Authors identify three reasons for this shift: Firstly, a growing domestic demand induced by increasing incomes and urbanisation; secondly, a rising export demand; and thirdly, a reorganisation of food marketing channels (Birthal et al. 2005; Davis 2006; Gulati et al. 2007). This dissertation focuses on the first dimension, the increase in domestic market for HVAPs, namely through tourist demand, and its consequences for SSFs. As apparent in Table 2, higher farm income is one of the possible impacts on rural poverty; however, this depends on the degree of participation by SSFs.

### **Determinants of SSFs’ participation in HVAP chains and the role of social capital**

Since HVAP markets generally have high quality standards, the entry barriers for SSFs are relatively high even when demand is strong. Common problems include the lack of appropriate technologies, limited access to financial capital, insufficient market information, high cost of specialized inputs, high risk and distance to markets and infrastructure (Davis 2006). Bebbington (1997) provides a relevant analysis of agricultural practices in the Bolivian and Ecuadorian Andes and finds “islands of sustainability” where farmers have successfully accessed HVAP markets. He recognizes the above-mentioned challenges and examines the factors that helped the successful farmer communities in overcoming them. Most importantly, he finds that the access to social capital, in the forms of organisations and networks, was crucial in achieving socially-inclusive intensification. According to Putnam (1995:N/A), social capital refers to “features of social organization such as networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit”. While being an end *per se*, these interpersonal networks can also

be instrumental in ensuring access to markets. Authors agree that social capital formation beyond primary social groups is particularly important to overcome resource and information constraints as well as power imbalances (Evans 1996; Woolcock 1998; Gootaert and Narayan 2004).

**Table 2: Potential impact of HVAPs on poverty**

	Upstream/ downstream effects	Employment/ income effects	Poverty outcome	Small-scale farmers Challenges
Growth in demand for HVA commodities	Demand for additional/ new inputs	Employment/ income growth in input sectors	Lower poverty if input sectors are labour intensive	Slow growth in demand from export and/or domestic sector
	Demand for HVA commodities	Higher farm income, but higher risk	Lower poverty if (poor) small-scale farmers participate	Maintaining increased productivity and quality
	Demand for labour by large HVA farms and processors	Higher wages/ employment	Lower poverty if HVA production and processing is labour intensive	Competitiveness locally and regionally
	Effect of HVA on food prices	Production of HVA commodities may affect staple food prices	Possibly higher urban poverty if staple prices rise	

Source: Davis (2006)

### **3 Case study**

#### ***3.1 Methodology***

The case study uses qualitative research methods. Primary data were collected through semi-structured interviews carried out in La Paz and Copacabana during three weeks in July 2009. The author received valuable operational and financial support from the NGO Swisscontact that is interested in obtaining external academic inputs for its technical assistance carried out in the area of tourism. Operational support was also kindly provided by the local Destination Management Organisation (DMO) La Paz-Beni.

As for the study's locations, La Paz and Copacabana were chosen because they are both among the three most visited places in Bolivia and the two most visited in the Bolivian Altiplano (INE 2008).

Respondents were selected at all levels of the relevant value chains:

At the demand level, the accommodation sector was the principle object of study, as proposed by Meyer (2008). However, restaurants were also included where they featured clear tourist market characteristics such as higher price level, speciality foods or menus in English. As suggested by the literature, in both locations, the hotels and restaurants sample was split into a higher quality and a lower quality group. At the intermediary level, interviews were conducted with processing and distribution companies as well as with informal traders. Finally, at the supply end, interviewees were primary producers in rural communities and to a minor degree in open markets. A list of interviews is provided in the Annex I.

Where possible, a snow-ball principle was used in selecting the interviewees along the value chain, starting with demand-level respondents. This method allowed for informant triangulation, a technique that can be used to enhance trustworthiness in qualitative research (Decrop 2004). In some cases among hotels and intermediary firms, the author also took advantage of the supporting organisations' contacts. While this allowed access to valuable key informants within the given time constraints, a certain selection bias may affect the results. Finally, semi-structured interviews were also conducted with outside observers of the value chains from governmental and non-governmental institutions.



In terms of product categories, in order not to bias the results, the examination of the hotels' and restaurants' sourcing patterns initially included the *four most important categories*: meat and fish, vegetables (including tubers) and fruits, dairy products, and grains. For in-depth study, the range of value chains was then, however, limited to *four types of HVAPs* that are currently produced in the Altiplano:

1. Llama meat
2. Trout
3. Fresh vegetables (greenhouse production)
4. Dairy products (milk and cheese)

Due to time constraints, among the grains, the quinoa value chain was only superficially examined and thus not specifically addressed in the analysis.

A methodological limitation is the lack of time-series data since the field research has been conducted within a short time period and thus only allowed for a cross-section. In order to reduce a seasonality bias and to capture trends, the interviews comprised questions investigating changes over time.

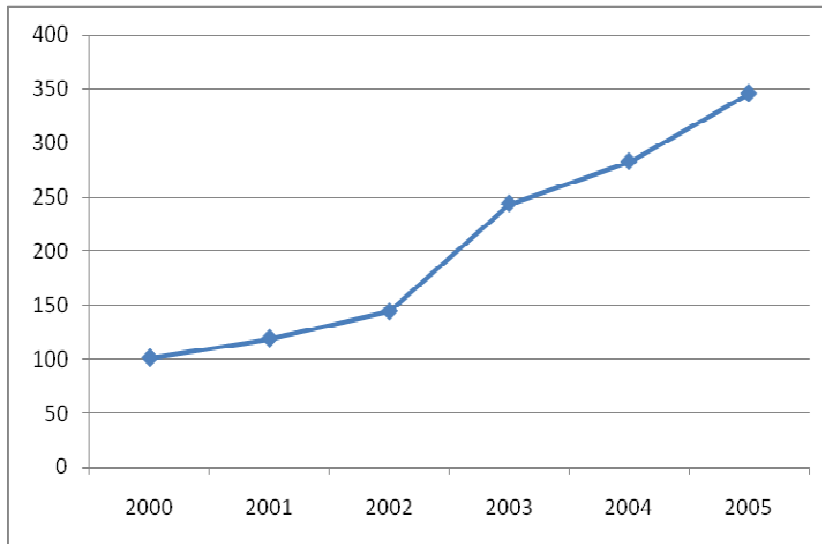
Primary data are complemented by national statistics where appropriate.

## **3.2 Context**

### **3.2.1 Tourism in Bolivia**

Bolivia is not a typical and well known international tourism destination. Nevertheless, over the past years, tourism receipts have increased quite fast (Chart 1). Thus, the tourism and travel economy is an important source of income for Bolivia and is estimated to constitute 6.1% of its GDP (WEF 2009). Tourism also figures in the country's PRSP for its potential benefits in the area of employment creation (Kakrowski 2003).

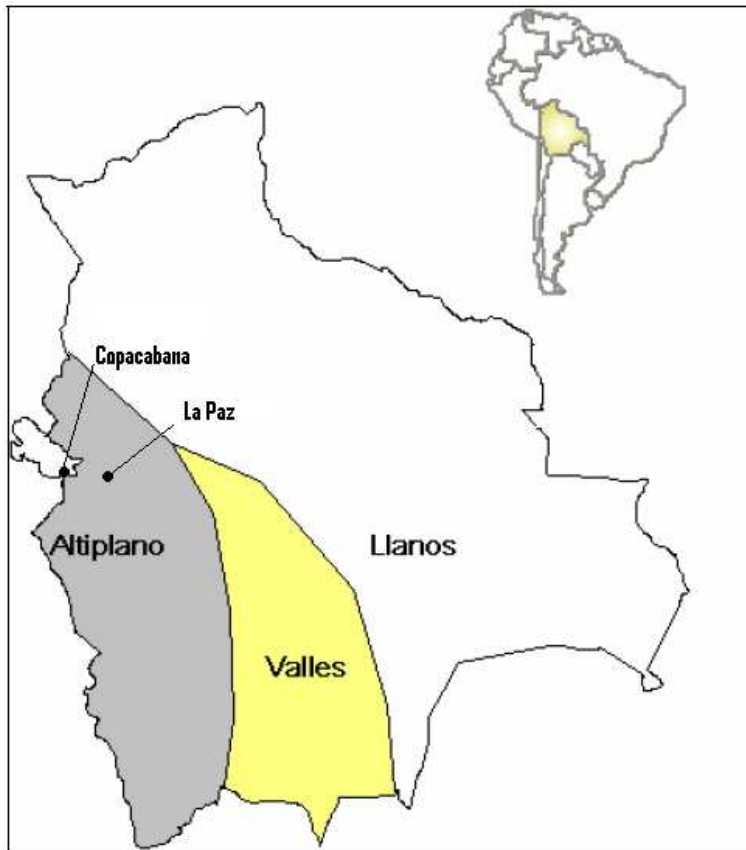
As mentioned above, the case study locations figure among the top-three tourist destinations in Bolivia; with La Paz being visited by 24.2% and Copacabana by 8.5% of the surveyed tourists (INE 2008). Both are located within the La Paz jurisdictional department and three to four hours bus ride away from each other (Figure 1).

**Chart 1: International Tourist Receipts (in million US\$)**

Source: UNWTO (2008)

According to Butler's (1980) well-known tourism life cycle evolution model, a destination is expected to follow a succession of different stages in its development over time, namely exploration, involvement, development, consolidation, and stagnation. After this last point, it can either decline or revitalize. At the present moment, Bolivia's tourism maturity is rather low, attracting mainly independent tourists (92.4% on national average, INE 2008). The tourism industry maturity differs, however, between the two case study locations: Copacabana is mainly a backpackers' destination and the highest quality hotels have three stars, of which two are branches of La Paz hotels. Local residents, however, reported that a new four-star hotel is in construction. La Paz, on the other hand, has the whole range of hotels up to five stars and a more diversified range of visitors; according to the Municipal Government, around 70% are independent tourists.

In a survey conducted by the National Statistical Institute (INE 2008), tourists reported to spend on average 22.6% of their total daily expenditures on food; thus a bit less than the 30% average found by other tourism case studies (Bélisle 1983; Torres 2003).

**Figure 1: Map of Bolivia, its three geographical zones and case study locations**

Source: Kay and Urioste (2005), adapted by author

### 3.2.2 Poverty and agriculture in the Altiplano

In order to analyse the tourism-poverty nexus in Bolivia, this dissertation focuses on the tourism sector's impact on food producers in the Altiplano region. In the following, this choice is set into context by presenting some of the region's characteristics of poverty and agriculture.

The Altiplano is a high plateau (3500-4500 m.a.s.l.) that spreads over several countries; in this dissertation, however, the term refers to the Bolivian part only (Figure 1). It is located in the country's western part, occupying 28% of its territory, but is home to almost half of its population. In the rural areas of the Altiplano, inhabited mainly by indigenous people, the incidence of poverty (86.1%) and extreme poverty (59.4%) is much higher than the national average of 64.6% and 36.8%, respectively (Kay and Urioste 2005).

As a result of the agrarian reform in 1953, the indigenous communities assumed ownership over the Altiplano lands; conversely, in the eastern and southern tropical areas (*Llanos*), the reform prepared the ground for large landholdings – *latifundios* – by new agricultural elite (Healy 2004). With subsequent population growth in the Altiplano, the land plot size decreased steadily, giving

rise to a pattern of very small land properties – *minifundios* – that are technically and economically difficult to maintain (Kay and Urioste 2005). Thus, “Bolivia is characterised by a dual model of land tenure which a corresponding dual system of production” (Kay and Urioste 2005:26), namely subsistence agriculture in the west and capitalist agro-enterprises in the east. Not only the extreme altitude and the increasing land fragmentation contribute to difficult agrarian livelihood conditions in the Altiplano, but also changing environmental conditions including more frequent droughts (Healy 2004; Valdivia 2004) and soil erosion due to over-use and neglect of crop rotation traditions (Kay and Urioste 2005). Also, rural areas have been neglected for decades by the state and thus lack road, irrigation and electricity infrastructure. These conditions have led to out-migration and livelihood diversification into non-farm activities, such as wage employment and trade, including smuggling. Agriculture remains, however, central to the Andean livelihoods (Healy 2004). Traditional food crops include tubers (potatoes, ocras, ulluco), vegetables (broad beans, peas), and grains (quinoa, corn, barley, wheat), grown under a rotational system. Additionally, in garden-like plots, vegetables (carrots, onions, cabbage) and flowers are cultivated. Often, however, solar-heated greenhouses are needed to protect fresh vegetables from the cold and be able to produce lettuce, beet, field salad, celery, parsley, tomatoes, spinach and radish. Furthermore, livestock is reared (cattle, pigs, sheep and llama) and fish (trout) cultivated in hatcheries in Lake Titicaca. While many of these Altiplano products can be grown elsewhere in the country as well, llamas are interesting insofar as they fill an ecological niche in the high altitude environment and are often the only resource available to the poorest inhabitants of these areas. Healy (2004) estimates that more than 50’000 families are involved in llama breeding. While traditionally the llama meat is marketed in its dried form (*charque* – jerky), the HVAP is the fresh meat, which has seen a steep price increase in the past years.

This background information shows that rural poverty is acute in the Altiplano region and that the subjects of study, food producers, are characterised by being SSFs working under difficult environmental conditions.

### ***3.3 Case study 1: Strength of backward linkages in La Paz***

#### **Strength of national linkages**

Almost all products in the four examined categories (meat and fish, vegetables and fruits, dairy products, grains) are sourced nationally. This can be explained, first, by Bolivia’s broad range of

climatic regions, which allow for a much diversified food production; and second, by the case study's location, the capital city, where markets converge.

### **Strength of local linkages**

The case study in La Paz shows that out of the national food supply of hotels and restaurants, only a relatively small share comes from the Altiplano. Nevertheless, in all four examined categories, there are products that are sourced in the region, namely llama meat, trout, vegetables, dairy products and Andean grains. Worth highlighting is an increase in popularity of Andean specialities in La Paz hotels and restaurants with llama meat featuring on the menu of all respondents except two and Andean grains such as quinoa and amaranth offered by 75% of the interviewees. Interesting to note is furthermore the lack of experience of direct procurement from primary producers; La Paz hotels and restaurants seem to rely exclusively on intermediaries. Thus, local supply chain linkages exist, but are weaker than national ones.

### **Strength of leakages**

Imports reported by La Paz hotels and restaurants are few and come exclusively from the neighbouring countries Peru, Chile and Argentina. Seafood and conserves are the mostly mentioned imported food items, which is unsurprising given Bolivia's lack of production in these areas. The case of speciality cheeses shows that an increased local supply and the tourism sector's awareness thereof can curb imports. Remarkable is furthermore the fact that many La Paz hotels and restaurants are not conscious of a number of imports in the area of vegetables and fruits, grains and trout since these products are available on the local market, mixed with national produce.

## ***3.4 Case study 2: Strength of backward linkages in Copacabana***

### **Strength of national linkages**

As far as linkages to the national food production are concerned, the supply patterns in Copacabana's tourism sector are similar to those in La Paz. This is the case, firstly, because Copacabana's higher-quality hotels and restaurants buy their food supply to a large extent in La Paz. Secondly, even a large part of the products sold daily in the local market building and in the stores is traded through La Paz; a fact that reflects the low level of market development around Copacabana.

### **Strength of local linkages**

Linkages with producers from the Altiplano communities around Copacabana are generally weak. They sell their traditional crops in the streets outside the local market building only once a week; thus exposure to the tourism sector is rather weak compared to the products from La Paz, mentioned above. Also the milk production in the Copacabana region is mostly for subsistence purposes and no commercial processing takes place. Only in the case of meat, the Copacabana tourism sector is more likely to buy from Altiplano livestock production than the one in La Paz, a fact that reflects the former's lower concern about quality. However, it is interesting that in Copacabana none but one of the interviewed hotels and restaurants offers llama meat.

Contrary to findings in La Paz, direct procurement from small-scale producers does exist among Copacabana hotels and restaurants. Reasons include family links between procurement manager and producer, direct sales by producers from neighbouring communities around Copacabana market and direct distribution by producers to hotels and restaurants.

### **Strength of leakages**

Due to its special location at the border, many products from Peru are available in Copacabana, mostly arriving through smuggling. Hotels and restaurants buy Peruvian products either on a regular basis or as an alternative when politically motivated road blockages hinder local or national supply channels. Thus imports in Copacabana are not motivated by high-end gastronomy needs as in some La Paz hotels, but rather by a comparison of price and quality. Interesting is the case of trout from Lake Titicaca, which in La Paz is considered a national purchase. In Copacabana, however, more than two thirds of the respondents are sure that all or part of their trout supply comes from Peruvian producers around the lake.

## ***3.5 Obstacles to local sourcing in La Paz and Copacabana***

Applying Meyer's (2008) framework (see Table 1), factors are identified that hinder the tourism sector's food supply linkages with Altiplano producers as compared to producers from the rest of the country and from abroad. The analysis is based on findings from both the La Paz and the Copacabana case studies and particularly emphasises obstacles in four HVAP supply chains, namely fresh vegetables, llama meat, dairy products and trout.

### **3.5.1 Demand**

Among the demand-related obstacles proposed by Meyer (2008), the following are identified in the case studies:

The **type of hotel** influences the extent of local sourcing both in La Paz and in Copacabana. High-end hotels in La Paz rely slightly more on imports, but also provide a bigger market for local HVAPs than lower-end hotels. In Copacabana, the higher-quality hotels buy less from local producers since they purchase mostly in La Paz.

**Health and safety concerns** are stronger among the tourist sector in La Paz than in Copacabana. They reflect not only higher overall hotel quality, but also greater doubts concerning the water quality around La Paz than Copacabana, affecting particularly the sanitary conditions of greenhouse vegetables production. The hotels' high health and safety concerns are also strongly recognized by llama meat producers and intermediaries who struggle to obtain animals that are not affected by sarcosystiosis disease.

**Seasonality**-induced fluctuations in tourist demand are mentioned as a problem by intermediaries in vegetables and dairy chains, but less so in llama meat and trout chains. This difference can be explained by a mismatch between agricultural and milk production and the tourist peak season.

The **promotion of local cuisine** is generally high and hence does *not* represent an obstacle to local food sourcing. This may not be very surprising in relatively low-end hotels and restaurants in Copacabana and La Paz. However, it is remarkable that even in high-end hotels and restaurants in La Paz local products are relatively well represented although not necessarily as authentic local dishes but as “fusion” cuisine. This seems like a relatively recent trend and was apparently facilitated by promotion events for Altiplano produce (“*Feria a la inversa*”, “*Novoboliviano*”). Furthermore, four of the hotels and restaurants interviewed in La Paz explicitly mentioned the promotion of the local economy as motivation behind local sourcing.

In sum, the comparison between La Paz's and Copacabana's tourism sector highlights that higher quality of hotels and stronger health and safety concerns increase the requirements vis-à-vis local production. At the same time, this does not constitute an absolute obstacle for local linkages but can also constitute an incentive for higher quality and higher value production. The third demand-related obstacle – seasonality – emphasises the vulnerability that local producers and intermediaries may face when dependence on tourism demand is high.

### 3.5.2 Supply

On the supply level, a number of factors are found to affect the strength of the local food supply chain linkages.

**Physical limitations** appear to be a very strong obstacle for local sourcing in the Altiplano context where environmental conditions and small plots hamper agriculture and livestock breeding. *Altitude* and the resulting cold affect both the supply of fresh vegetables and milk production. Llamas, on the other hand, are very resistant animals and fill an ecological niche in the high altitude context; the trout production did not seem to be affected either. *Water shortage* was mentioned as an obstacle by vegetable and dairy producers. Interviews held during dry season and after a particularly low rainfall during the past wet season have probably exacerbated these responses.

**Entrenched production patterns** are one of the reasons why farmers fail to switch to greenhouse vegetables production and trout cultivation, both products demanded by the La Paz and Copacabana tourism sector. Farmers keep producing traditional crops due to subsistence and risk considerations and are thus less responsive to market incentives.

The **quantity and quality of local production** are both very important factors determining the extent of local sourcing and are thus treated separately:

- The **quantity** of supply is problematic in the area of llama meat and trout, and to a lesser extent for fresh vegetables. The shortage in *llama* meat is recognized by La Paz hotels and confirmed by both intermediaries and producers. Reasons are that only a small part of the animal can be used for steaks, SSFs often lack the technical knowledge needed for increasing the weight of each animal and commercial breeding is very rare. Therefore, stocks are decreasing rapidly. The shortage of Bolivian *trout* cultivation is recognized by Copacabana hotels and confirmed producers. Entry barriers are high, so supply is slow to react to demand. In the area of fresh vegetables, shortage is only noted by Copacabana higher-quality hotels, confirmed by a high share of fresh vegetables brought in from La Paz and producers admitting that they would earn more tourist revenues growing fresh vegetables. Since recently *milk* production has increased, supply is not a problem in this category.
- The **quality** of local production is thought to have increased, particularly in llama, vegetables and dairy production. Many hotels and restaurants are satisfied with quality and



mention the freshness and naturalness as positive points. Yet the latter is put into question by some La Paz hotels and restaurants due to health and safety concerns (see above). The lack of certification in this area is an obstacle, particularly in high-end markets, and is felt most in the area of llama meat. As seen above, in Copacabana health and safety concerns are generally less expressed, so quality is measured rather in terms of size and taste of products. Many Copacabana hotels and restaurants consider Peruvian trout to possess better quality. This may be because one of the crucial elements in determining quality is the fish meal, which is expensive and has to be imported from Peru.

- The findings furthermore show that the tourism sector is not only interested in absolute quantity and quality of local produce but value them in relative terms as well. In La Paz, hotels often criticize the failure of local supply to *sustain* quantity and quality over time. Conversely, in Copacabana, purchasers miss the local availability of a *range* of different types of products rather than particular levels of quantity and quality.

**High prices of locally produced food** are mentioned by Copacabana hotels and restaurant as a reason for buying food in La Paz or Peru. Interestingly, this obstacle has even motivated one Copacabana hotel to vertically integrate the vegetable production, and another one is about to follow this example. The small-scale production is in part responsible for higher costs and thus price.

**Technological and processing limitations** are obstacles for local production in all four examined value chains. Comparing the situations around La Paz and Copacabana, the situation is most acute in milk processing, which is relatively well developed in the former, but virtually absent in the latter. At the same time, it is worth noting that some hotels and restaurants actually demand less processed goods than the average consumer because they undertake part of the transformation process themselves. Thus, the tourism sector does not necessarily present a market for value-added products.

In sum, supply-related factors are very influential in all value chains and both case study locations, particularly related to the physical environment as well as quantity and quality. The former affects vegetable and dairy production most, whereas the latter create the largest obstacles in the llama and trout chains.

### 3.5.3 Marketing and Intermediaries

Several obstacles to local sourcing in the Altiplano context are located between the demand and supply.

**Spatial patterns of supply:** Altiplano food producers (llama, vegetables, dairy) are geographically much dispersed. However, proximity is crucial for all fresh produce and especially llama meat, fresh vegetables and fresh milk. This means that many producers that are not located close to the tourism centre or processing facilities (or both) are excluded from the market.

The study found a relatively high amount of **mistrust** at all levels. For example, it constitutes one of the reasons why hotels do not buy directly from producers. Most of them phrase it as scepticism that SSFs will comply with a constant and agreed quantity of supply. These doubts are probably pertinent since individual producers would find it hard to guarantee a constant flow of products. However, it is important to keep in mind that most farmers are indigenous and most intermediaries and purchasing managers in hotels and restaurants are mestizo; this segregation is stronger in La Paz than in Copacabana. Although the mistrust was never voiced in ethnical terms, some respondents did base their scepticism on socio-cultural grounds saying that farmers are complicated, closed people with whom it is difficult to communicate and do business. Several hotels and intermediaries related bad experiences of cheating within the supply chain. But mistrust is not only operating upstream in the value chain. Several dairy producers also reported that they were cheated by the milk collector. Furthermore, the representative of the farmers' association in Copacabana noted discrimination against farmers in town, e.g. by not letting them use the indoor market. Finally, mistrust also operates among actors on the same level of the value chain: llama producers named it as a reason for why individual producers do not organize.

The deficient **distribution infrastructure** is also an important obstacle. *Road infrastructure* is considered bad; but even if roads were in better condition, *means of transport* would still be too costly for many producers. The lack of *cold storage* facilities is problematic for llama meat, trout and milk producers since these products are highly perishable; thus, proximity is important for all of them. Finally for llama meat producers, access to a *certified abattoir* is key for accessing high-end markets.

**Middle-men:** While hotels generally try to cut levels in order to reduce costs of food, they are not inclined to forge direct supply linkages with producers and recognize the important role of intermediaries in smoothing the supply flow. More high-end hotels would like the middle-men to be more formal and client-oriented, offering a selection of products. Llama meat, vegetables and trout producers voiced their dissatisfaction with middle-men being the main beneficiaries in the value chains. However, due to access to processing facilities, the distance to markets and transport constraints, most admit that middle-men are necessary all the same.

In sum, many factors proposed by Meyer (2008) under the marketing and intermediary category are relevant in the case of tourism-agriculture linkages on the Bolivian Altiplano. The most important among them are related to mistrust and distribution infrastructure.

### **3.5.4 Government**

Government-related factors have not been studied in-depth, so the data do not support any of the specific factors mentioned in Meyer's (2008) framework. However, it is worth noting that producers in all four value chains complained about not receiving enough governmental support.

It is important, however, to mention how the current political situation influences tourism-agriculture linkages. In both La Paz and Copacabana, hotels and restaurants complained about how socio-political tensions lead to frequent road blockages that present obstacles to the constant flows of food supply and result in higher product prices. Some of them also deplored the costly visa requirements for American and Israeli tourists that started under Evo Morales' government and that have apparently decreased the number of tourists from these countries. The suggested causal relationship might, however, be more complex and is beyond the scope of this research.

## **4 Discussion of findings**

Keeping in mind that case studies cannot be detached from the context in which they are embedded (Yin 2003), the findings from La Paz and Copacabana are selectively compared other tourism-agriculture case studies that use a similar conceptual framework.

### ***4.1 The strength of food supply chain linkages***

The Bolivian case studies reveal strong national tourism-agriculture linkages, which are due primarily to the high and diversified national production potential in Bolivia. Conversely, leakages through food imports are relatively few. Thus the Bolivian situation is similar to the one found in other tourism-agriculture literature case studies from Mexico (Torres 2003) and Indonesia (Telfer and Wall 2000). It differs, however, sharply from the Caribbean case that features strong leakages through food imports (Bélisle 1983).

The supply chain linkages to local – Altiplano – food producers, on the other hand, are hindered by a number of obstacles and thus rather weak compared to national linkages.

### ***4.2 The obstacles hindering local sourcing***

The analysis has shown that in the Bolivian Altiplano demand-related obstacles affect local sourcing less than supply and marketing and intermediary factors. While high-end hotels and restaurant do present greater health and safety concerns and rely slightly more on imports, they also provide a greater demand for local HVAPs. In these respects, the findings contrast strongly from the analysis of the Caribbean hotels' sourcing patterns (Bélisle 1983), and rather resemble the situation in Indonesia, discussed by Telfer and Wall (2000). However, whereas those hotels actively promoted direct procurement, this is a very rare practice in Bolivia.

The local food supply is problematic due to shortcomings in quantity, quality, range, price and consistency of local produce. Obstacles include physical, financial and technical limitations faced by SSFs, which will be discussed more in detail below. While all these obstacles were also found in Mexico (Torres 2003) and Indonesia (Telfer and Wall 2000), the physical constraints seem most pervasive in the Altiplano region.

Marketing and intermediary-related factors are at least as important in determining the strength of linkages as the supply constraints. Particularly interesting is the comparison with the Mexican case (Torres 2003) that highlights the socio-cultural basis of mistrust between the elite tourism

and the indigenous agricultural sector. In the Bolivian context, and especially in La Paz, it was found that ethnic divisions may also obstruct linkages, but that people are very reluctant to frame mistrust along these lines.

Government policy is not considered by respondents as supporting in the establishment of tourism-agricultural linkages. Since the issue was not deepened in the analysis, the findings do not lend themselves for further comparison.

### ***4.3 The participation of SSFs in HVAP chains***

Among the HVAPs mentioned in the literature, four products were chosen in the Bolivian Altiplano context (fresh vegetables, llama meat, dairy products, and trout). The case studies reveals that the tourism sector contributes to the domestic demand for HVAPs (Birthal et al. 2005), especially in the more developed tourism centre of La Paz. As seen in the literature review, the pro-poor impacts of HVAPs depend on how SSFs are able to participate in these HVAP chains (Davis 2006). Therefore, the potential benefits and the challenges encountered by SSFs in the Bolivian context are discussed in the following. The way in which these challenges have been overcome by some farmers will then contribute to the discussion on how entry barriers to HVAPs can be overcome.

#### **Potential benefits and challenges in HVAP chains**

The literature on HVAPs predicts higher potential income gains compared to staple crops (Davis 2006; Pingali 1997). Where farmers are able to participate in HVAP chains, the Bolivian case study has found positive impacts on income. The higher revenues compared to traditional crops are particularly stressed by milk producers and trout cultivators. In the area of greenhouse vegetables, successful producers reported additional benefits due to almost year-round production. Finally, in the llama meat value chain, the premium price for fresh llama meat accrues mainly to the processing intermediaries. The primary producers do, however, benefit from the growing demand due to an overall price increase and a reliable market outlet for their animals.

However, also the high entry barriers to HVAP markets mentioned in the literature were confirmed by the case studies. Many of the obstacles highlighted in the analysis of tourism-agriculture linkages in the Bolivian Altiplano relate to the difficulties of the mainly poor and SSFs to access the tourism market. Table 3 summarizes these entry barriers within Meyer's (2008) framework. It becomes apparent that while the demand-related factor of health and safety

concern does influence the participation of SSFs, the supply-related and intermediary-related are much more important in determining who accesses the HVAP chains. Furthermore, entry barriers are found in each of the four chains and include all factors mentioned by Davis (2006), and in particular lack of technology and technical knowledge, limited access to financial capital, high cost of specialized inputs, high risk and distance to markets and infrastructure. The financial capital and technology requirements vary between the chains and seem to be highest for trout production. Distance and infrastructure constraints plague SSFs in all four chains.

**Table 3: Reasons for exclusion of SSFs from four HVAP supply chains**

	<b>Fresh vegetables</b>	<b>Dairy products</b>	<b>Llama meat</b>	<b>Trout</b>
<b>Demand</b>				
<b>Health and safety concerns</b>	Concerns about water pollution around La Paz		Concerns about sarcosystiosis infected animals	
<b>Supply</b>				
<b>Physical limitations</b>	Water shortage and Altitude			
<b>Quantity and Quality</b>		Difficulties to meet company requirements	Lack of technical knowhow	
			Absence of commercial breeding	Lack of financial capital
<b>Technological and processing limitations</b>		Around Copacabana, relative to production around La Paz		
<b>High price of local production</b>	Around Copacabana, relative to production around La Paz			Relative to Peruvian production
<b>Marketing/Intermediary</b>				
<b>Mistrust</b>	Hinders selling to intermediaries and tourism sector as well as organizing among producers			
<b>Distribution infrastructure</b>	Transport		Cold storage	
			Access to certified abattoir	
<b>Spatial patterns of supply</b>	Remote and isolated producers lack access to market			
<b>Government</b>				
<b>General</b>	Lack of governmental support for small-scale production			

### **Identification of entry barriers and determinants of market access**

The findings of the Bolivian case studies confirm Bebbington's (1997) position that while a demand for high-value products by middle class or elite markets is important, it is not enough for rural poverty alleviation. His argument follows that social capital in the form of networks and organisations is crucial in overcoming the challenges related to market access. Also Gootaert and Narayan (2004), in studying the relationship between Bolivian household's membership in local associations and their economic welfare, find that "the results indicate that the correlation between social capital and household welfare is almost twice as strong for smallholders than for households with more land". The case study finding that widespread mistrust is an obstacle in all four HVAP chains suggests that social capital formation may foster tourism-agriculture linkages. It is thus interesting to examine if cases of producers who successfully supply hotels and restaurants in La Paz and Copacabana feature the influence of social capital. As proposed by Bebbington (1997), particular emphasis is given to the SSFs' access to networks through key individuals and external organisations, as well as through indigenous organisations.

It appears that in the areas of vegetables and dairy production around La Paz, *key individuals* acting as brokers were influential in providing market access to SSFs. In the former, an entrepreneur provided farmers in the community with training and seeds in order to expand his irrigated greenhouse production. In the latter, the establishment of a speciality cheese plant by a foreign entrepreneur provided a market outlet to small-scale milk producers that had previously not been able to reach the quantity cut-off levels of the leading dairy company.

Efforts by *outside organisations* (NGOs and international donors) were crucial in building distribution infrastructure (cold storage, certified abattoirs) in rural areas and in providing technical assistance to Altiplano dairy and llama producers. Also, it seems that most of those people who successfully produce trout in the Bolivian side of Lake Titicaca have received training from external institutions.

Finally, *indigenous organisations* between producers can also overcome entry barriers. Associations among llama producers can reduce isolation and facilitate market access through agreements with processing and distribution companies. Likewise, dairy producers mentioned the need to organize in order to receive capacity building for by outside organisations to improve milk quality.

There is thus evidence that in all four chains social capital was important in at least partly overcoming market access constraints identified by the case study analysis. Therefore, the research confirms the findings by Bebbington (1997) and Gootaert and Narayan (2004).

#### ***4.4 The impact of tourism on rural poverty through supply chain linkages***

Based on the above analysis, the Bolivian case studies inform the debate between the optimist and the pessimist views on tourism-agriculture linkages.

##### **The optimist account in light of the case study findings**

While the findings show that local sourcing can reach poor rural communities, it only supports the optimist account to a certain degree. As advocated by Scheyvens (2007), the Bolivian case refutes the neo-liberal belief of a “trickle down” effect: poor farmers indeed encounter many obstacles in accessing the high-end tourism market. Interestingly, some farmers are, however, able to respond to incentives and increase productivity and profitability as predicted by several authors (Cox et al. 1995, Momsen 1998, Telfer 2000). Usually, these successful producers are the ones who have built up social capital: links to external institutions and network between producers (Bebbington 1997). Entrenched production patterns are in general quite strong and diversification into new products as mentioned by Saville (2001) is thus rather low in the Bolivian context. Furthermore, the case studies raise scepticism about the potential of current tourism-agriculture linkages to reverse rural out-migration (Shah and Gupta 2000, Bebbington 1997), but research over a longer time period would be necessary to come to a conclusion on this point. Ultimately, it is doubted that tourism will lead to a spatially more even development due to the importance of marketing and intermediary obstacles (infrastructure constraints penalizing distant communities, mistrust).

##### **The pessimist account in light of the case study findings**

To a certain extent, the pessimist account can be refuted on the basis that leakages through imports are found to be relatively weak in the case study. Reasons for this can be located at the demand level, with a relatively strong promotion of the local cuisine, and at the supply level, since the national production potential of Bolivia is high due to very diverse climatic zones. As a result, among the four HVAP chains examined, only in the case of trout international competition is found to harm local production as suggested by Bélisle (1983), Pattullo (1996) and Momsen



(1998). At the same time, however, leakages out of the Altiplano region to the rest of the country are relatively high.

As far as the conflicts between the tourism and agricultural sector over resources (land, labour, water) are concerned, the case studies are not able to make a clear judgement since the emphasis of the analysis was on the economic supply chain linkages.

As explained above, despite local food sourcing, some findings support the view that tourism leads to uneven development as suggested by Brohman (1996) and Mowforth and Munt (2003). This is based on the observation that due to supply and intermediary-related factors, poor and remote communities with limited social capital are often not able to benefit from tourism revenues through food supply chain linkages.

### **The assessment of pro-poor impacts of tourism**

The complexities found in the analysis of tourism-agriculture linkages in the Bolivian Altiplano shows that pro-poor impacts of tourism are best researched by adopting a narrower focus than most of the PPT literature. Rather, it supports the study of specific channels through which poor rural communities are affected. Also, it is important to take into account different viewpoints of the actors involved. The findings thus confirm Torres' (2003) position that to grasp the multifaceted interaction between tourism and agriculture, "it is necessary to examine in-depth the precise nature of linkages, as well as the constraining factors and areas of potential". In this regard, Meyer's (2008) framework is useful.

However, when analysing tourism-agriculture linkages, it is important to also consider the literature on agricultural value chains and to critically evaluate entry barriers for SSFs. The analysis of potential gains and challenges they encounter in supplying products demanded by the tourism sector is crucial for assessing if local sourcing is indeed pro-poor.

## 5 Conclusion

To understand the impact of tourism on poverty, this dissertation has highlighted the relevance of assessing the sector's indirect effects on SSFs. In the literature, both optimist and pessimist accounts of the tourism-agriculture nexus were identified. While authors discuss various theoretical channels through which tourism may affect small farmers, the extent of linkages and leakages in the food supply chain is central to this interrelationship. This dissertation contributes to the debate through case studies conducted in the Bolivian Altiplano. In particular, obstacles to local sourcing were analysed at different levels of the value chains and the participation of SSF in HVAP markets were examined.

Overall, it is argued that indirect revenues from tourism through supply chain linkages can constitute an important source of income for SSFs. The case studies have shown that producers who are able to enter the HVAPs that are demanded by the tourism sector benefit from relatively reliable market outlets and higher levels of prices for their produce. However, support for the optimist account of tourism's pro-poor impact on agriculture is cautious. Obstacles to local sourcing were identified at all levels of the supply chain as well as in the area of governmental policy. Hence, tourism revenues do not trickle down to SSFs, who face high entry barriers located mainly at supply and marketing and intermediary levels. Thus, the findings reveal that despite the existence of local supply chain linkages, these sourcing patterns may not necessarily be pro-poor. Therefore, tourism will not be a viable strategy for poverty reduction as long as rural communities are neglected in terms of public sector investments in distribution infrastructure, rural finance, as well as agricultural research and extension. Also, the formation of social capital in form of networks between the two sectors and among food producers was identified as crucial to overcome the lack of communication and trust.

For a comprehensive understanding of the tourism-poverty nexus, further research needs to assess other specific channels through which the tourism sector affects poor people. In the Bolivian context, an analysis of the linkages between tourists and handicraft producers may be useful. Another interesting dimension for further investigation is the formation and preservation of social capital in low trust environments.

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## Annex I: List of interviewees

<b>Hotels La Paz</b>
Presidente
Gloria
Rosario
Suites Camino Real
Aparthotel Camino Real
Europa
España
Oberland
Calacoto
<b>Restaurants La Paz</b>
Consulado
Chalet La Suisse
<b>Traders, processing/distributing companies, La Paz</b>
PID
Ricafrut
Biosol
Flor de Leche
Mayquen
Prosol
Rodriguez Market
Procabol
Nogales
Irupana
<b>Producers La Paz</b>
ACOPROCCA (Camelidae producers' association)
Procahuma (Camelidae producers' association)
Milk producers Achocalla
Milk producers Tuni
Milk producers 5 de Agosto
<b>Hotels Copacabana</b>
Ecologe La Estancia
Rosario de Lago
6 de Agosto
La Leyenda
Gloria
Utama
La Cúpula



<b>Restaurants Copacabana</b>	
Bambu	
El Pueblo Viejo	
Copacabana	
<b>Traders Copacabana</b>	
Copacabana Market	
<b>Producers Copacabana</b>	
Trout producers in Tiquina and Sicuani	
Farmers' association	
Farmers Sampaya	
Farmers Sicuani	
Farmers Titicachi	
Greenhouse vegetables farmers next to Copacabana	
<b>Experts - Institutions</b>	
Municipal Government La Paz	<b>Topic</b> Tourism
Destination Management Organisation La Paz-Beni	Tourism
Swisscontact	Value Chains
Swisscontact	Camelidae
Nuevo Norte	Camelidae
Nuevo Norte	Dairy Products
SDC	Development Cooperation
Proreca	Camelidae

## **Annex II: Resumen en Español**

Este estudio tiene como objetivo analizar el impacto del turismo en la pobreza rural. Específicamente, examina en qué medida los hoteles y restaurantes turísticos pueden crear fuentes de ingresos para pequeños productores agrícolas por vía del suministro alimenticio. Existen varios estudios de este tipo en diferentes lugares del mundo: México, Indonesia, el Caribe y Sierra Leona (Torres 2002, 2003; Torres and Momsen 2004; Telfer and Wall 1996; Bélisle 1983, 1984; Cox et al. 1995; König 2007). La autora Meyer (2008) propone un marco conceptual para analizar la intensidad de los vínculos económicos entre el sector turístico y los productores agrícolas. Según ella hay cuatro tipos de obstáculos que pueden inhibir la creación de vínculos entre estos dos sectores: factores relacionados con la demanda, la oferta, los niveles intermediarios y las políticas gubernamentales. Los factores gubernamentales no han sido analizados de manera profunda.

El presente análisis toma como estudio de caso el Altiplano de Bolivia. Por un lado, esta zona tiene varios centros turísticos, de los cual se toman en cuenta la capital del país, La Paz, y Copacabana. Por otro lado, la pobreza rural está muy pronunciada y la agricultura continúa siendo la actividad principal de la población rural en el Altiplano.

En términos metodológicos es una investigación cualitativa basada en entrevistas semi-estructuradas que han sido ejecutadas durante tres semanas en julio 2009. Los interlocutores se sitúan en diferentes puntos de las cadenas de valor ya que se han entrevistado hoteles y restaurantes en La Paz y Copacabana, empresas procesadoras y distribuidoras, campesinos y expertos gubernamentales y no-gubernamentales. La recolecta de datos ha sido apoyada y facilitada por la ONG suiza Swisscontact y la Organización de Gestión de Destino (OGD) La Paz-Beni. La autora agradece mucho esta valiosa cooperación.

En lo que sigue se presentan las tres preguntas de investigación y los resultados más importantes para cada una.

1. ¿En qué medida compran los hoteles y restaurantes los productores nacionales y locales?
  - a. A nivel nacional

Los hoteles y restaurantes turísticos compran la mayoría de sus productos alimenticios a nivel nacional. La principal razón es que la producción alimenticia en Bolivia está muy diversificada gracias al abanico de condiciones climáticas que se encuentran en el país. Las importaciones son relativamente pocas, vienen casi exclusivamente de los países vecinos y se concentran en las categorías conservas, mariscos, quesos, frutas. Es interesante notar que muchos hoteles y restaurantes no están conscientes de todas sus importaciones ya que compran los productos

extranjeros en el mercado local donde están mezclados con productos nacionales. Un ejemplo es la trucha: en La Paz casi todos los hoteleros están convencidos de que es un producto nacional. Sin embargo en Copacabana, que está pegado a la frontera Peruana, se nota que la trucha se compra en gran parte del Perú.

b. A nivel local

La intensidad de los vínculos a nivel del Altiplano es menor que a nivel nacional y varía según los diferentes tipos de productos. Lo que casi no se compra en el Altiplano son carne de res, carne de puerco, pollo y frutas. Los granos y las hortalizas se compran tanto del Altiplano como de otras partes del país. La leche también se produce tanto en el Altiplano como en zonas más bajas del país pero en la transformación el proceso es centralizado en la empresa PIL Andina de la cual todos los hoteles y restaurantes entrevistados compran al menos una parte sino todos sus productos lácteos. Entre los pocos productos que solo se compran del Altiplano y no del resto del país están la carne de llama y la trucha.

En el caso de Copacabana es interesante ver que alrededor de la mitad de los hoteles compran muchos de los productos alimenticios directamente en La Paz y no en el mercado local.

c. Suministro casi nunca directo

Se puede destacar que raramente el suministro alimenticio se hace directo entre el productor y el hotel/restaurante. En La Paz eso no pasa casi nunca, en Copacabana un poco más, pero tampoco es muy común.

En la siguiente sección se explican unas razones del porqué los vínculos entre los hoteles/restaurantes y los productores locales son menos frecuentes que los nacionales y la razón de la carencia casi total de suministro directo.

2. ¿Cuáles son los obstáculos en la creación de los vínculos económicos entre los dos sectores?

a. Obstáculos relacionados a la demanda

El tipo del hotel y por consecuencia los estándares de higiene influyen los patrones de compra de los productos. En hoteles de calidad alta, las importaciones son un poco más frecuentes. Sin embargo estos hoteles también compran los alimentos de más alto valor, lo que puede beneficiar a los productores locales. Este punto será estudiado bajo la pregunta 3.

En general, sin embargo, resulta que los hoteles y restaurantes tienen una demanda bastante fuerte de productos locales. Por eso, para entender los verdaderos obstáculos, hay que mirar otros niveles de la cadena de valor.

b. Obstáculos relacionados a la oferta

Un importante obstáculo es la limitación física que presentan las condiciones en el Altiplano para la agricultura con su altura y su clima frío y seco. Además, la producción que existe es deficiente en términos tanto de cantidad como calidad. Con respecto a la cantidad, la oferta no cubre la demanda en la carne fresca de llama y la trucha. En los alrededores de Copacabana hace falta también la producción de vegetales frescos cultivados bajo carpas solares. Al mismo tiempo, la producción de carne de llama y de trucha tiene deficiencias cualitativas. Eso es el caso también con los vegetales alrededor de La Paz en las zonas donde el agua está contaminada. Otros obstáculos relacionados a la producción alrededor de Copacabana específicamente son el precio elevado y la falta de capacidad de procesamiento, lo que se nota sobre todo en una total falta de un comercio local para productos lácteos.

c. Obstáculos relacionados a los niveles intermediarios (transformación, distribución, marketing, etc.)

En las etapas intermediarias entre la producción y el consumo de los productos del Altiplano también se encuentran obstáculos importantes. Una traba general pone el nivel relativamente alto de desconfianza entre los diferentes actores en las cadenas. Eso se nota por ejemplo en el escepticismo a la hora de hacer negocios entre hoteles, intermediarios y productores. Pero también hay desconfianza entre actores que se encuentran al mismo nivel de la cadena. Entre productores por ejemplo es una razón por qué les cuesta asociarse.

Otro obstáculo importante es la infraestructura distributiva. En eso se incluye las malas condiciones de las carreteras, el relativamente alto costo de transporte, la falta de tanques y cadenas de frío y de acceso a mataderos certificados.

3. ¿Cómo participan los pequeños productores en las cadenas de Productos de Alto Valor (PAV)?

a. Productos de alto valor en el Altiplano

Aparte de analizar la intensidad de los vínculos entre el sector turístico y la agricultura, es importante también distinguir entre diferentes tipos de productos alimenticios que se cultivan en el Altiplano, ya que algunos tienen mayor valor en el mercado que otros. Los PAV que se han estudiado en el caso presente son la carne fresca de llama, la trucha, los productos lácteos y las hortalizas frescas (cultivadas en su mayoría bajo carpas solares). Son productos que se pagan relativamente caros en el mercado turístico y por ende tienen potencial de crear una importante fuente de ingresos para los productores que los venden. Por eso, es importante mirar quiénes logran entrar en estos tipos de producción y quiénes no.

#### b. Barreras de entrada para pequeños productores

La mayoría de los PAV presentan unas barreras a la entrada al mercado bastante altas para pequeños productores. Como son productos frescos, en todos los casos, es importante que los productores estén cerca del comprador o tengan una cadena de frío o un método de transportar los productos rápido. Hay otras dificultades que a veces afectan los pequeños productores en varias categorías, a veces son características de solo una categoría, por eso se presentan de manera separada para los diferentes productos:

Trucha: Las inversiones financieras necesarias son altas (alevines, comida). Además se necesita bastantes conocimientos técnicos para lograr una producción satisfactoria en cantidad y calidad.

Llama: Los conocimientos técnicos también son importantes en la ganadería de llama, especialmente para evitar que los animales se enfermen de sarcosistiosis. Además es importante el acceso a un matadero certificado sin el cual no logran cumplir estándares de higiene y calidad.

Productos lácteos: Las inversiones financieras se necesitan sobre todo para la compra de forraje en temporadas secas. Comparados con otros PAV los productos lácteos parecen más accesibles.

Hortalizas: Se necesita invertir en la carpa solar y la irrigación.

Muchos problemas de acceso se pueden superar con capital social constituido por el contacto con ONGs y con intermediarios, la confianza en las relaciones comerciales, etc. Por eso son los productores con mejores conexiones los que más se benefician de la venta de alimentos al sector turístico.

En conclusión se puede decir que el suministro alimenticio puede constituir una fuente importante de ingresos para productores de alimentos y para compañías intermediarias. Sin embargo, los beneficios no se consiguen de forma automática: Hay varios tipos de obstáculos que limitan la creación de vínculos económicos en el Altiplano. Mayoritariamente se encuentran de los lados de la oferta y de los niveles intermediarios de las cadenas productivas. Además hay que destacar que no todos los pequeños productores pueden acceder con sus productos al mercado turístico. Hay barreras importantes que dificultan la participación en las cadenas de PAV para los pequeños productores. Son sobre todo los productores con alto nivel de capital social los que logran beneficiarse de los ingresos turísticos.

## **Annex III: Recommendations**

### **1. Recommendations for Swisscontact**

Due to Swisscontact's expertise in the areas of tourism promotion and enterprise development, the NGO is well placed to enhance the pro-poor impact of tourism through food supply chain linkages.

First of all, it is important for Swisscontact to **continue and scale-up existing initiatives** in the Altiplano, namely:

- Promote tourism destinations in the Altiplano region in order to keep up and increase tourist arrivals, therefore maintaining the demand side of the value chains.
- Promote the use of local products with events such as *Novoboliviano* and *Feria a la Inversa*; four hotels in La Paz mentioned that these events encouraged them to purchase food locally. This type of events may be replicated in Copacabana. However, it has to be kept in mind that compared with La Paz hotels, Copacabana hotels will on average care more about the price of food products than their quality.
- As found in the results, the supply side of HVAPs that are interesting for the tourism sector is not sufficiently developed. Particularly in the areas of llama meat and trout, Swisscontact should continue supporting productive capacities and commercial breeding.
- Also in the area of marketing local production, Swisscontact may scale up existing efforts. It appears to be particularly necessary to enhance specific marketing skills of local producers and distributors in order to deal with hotels and restaurants. Namely, it is important to stress the need to market products to both tourism business administration AND cooks.

Secondly, Swisscontact may **start new initiatives** in order to support the value chains between the tourism sector and Altiplano food producers. The following areas are identified:

- Organic vegetables production: There is a demand for organic vegetables among La Paz hotels and restaurants. They appreciate fresh and natural produce but are concerned about polluted water and (unconscious) pesticide use in the local production. Thus, Swisscontact could foster the production of organic vegetables. However, it remains to be seen what kind of certification process is most appropriate. While some hotels would welcome the introduction of internationally recognised certification, others are worried that this may increase the price of the produce. A clearly needed element, however, is awareness raising about organic production among all participants in the value chains. Several hotels seem to value organic production, but do not market it as such to their customers and thus forgo the price premium that tourists may be willing to pay.

- Market development around Copacabana: Since Copacabana is the third most visited place in Bolivia, the potential tourism demand is high. Swisscontact may contribute to foster the food production around Copacabana, including technical capacity building (greenhouse vegetables, trout), and to promote intermediaries (particularly in the area of dairy products).
- Rural tourism: By bringing the demand to the supply, problems related to marketing and intermediaries, namely distribution infrastructure, may be alleviated. It is however necessary to check if the touristic potential exists in the rural areas. Also, conflicts may arise between farmers if the food supply of rural tourism businesses leads to a new situation of competition.

Thirdly, when promoting the tourism-agriculture value chains, it is important for Swisscontact to keep in mind **potential conflicts between the ecological and the economic dimensions**:

- The demand of HVAPs by the tourism sector may not always have ecologically sound consequences. In the area of lama meat, as pointed out in the results, the demand surpasses the production capacities and thus stocks shrink. Therefore, instead of fostering more demand, it is more important to promote the production so that the lama meat value chain becomes sustainable. Also, it is important to not only promote high-value fresh meat demand, but also the traditional demand (*charque, chalonga*) in order to take advantage of more parts of the animal.
- The cultivation of greenhouse fresh vegetables may induce farmers to give up the rotation system inherent to traditional crops. This could have negative consequences for soils.
- Tourism and agriculture activities both need a relatively large amount of water. By promoting both tourism demand and local agricultural production, tensions may arise over the use of scarce water resources.

Finally, certain obstacles that have been found may be **very difficult to influence** by Swisscontact; nevertheless, they have to be kept in mind when setting up objectives and indicators:

- Physical limitations: The environmental conditions in the Altiplano constrain the food production potential. Also, seasonal fluctuations in both tourism demand and agricultural production are unavoidable and may create vulnerabilities among the participants in the value chains.
- Infrastructure deficiencies: There are serious constraints for transportation and distribution that need long term investments beyond Swisscontact's programme.
- Mistrust: Commercial relations will be hindered as long as value chain participants do not trust each other nor respect contractual agreements. Initiatives linking tourism and food

production will have to comprise trust-building elements, foster cooperation between actors and promote their capacity to resolve conflicts. However, the formation of social capital is a long term process. Therefore, in the short and medium term, Swisscontact is bound to work in a low-trust environment.

## 2. Recommendations for the DMO La Paz-Beni

The motivation for the present study stems from the observation made by the DMO that rural communities in the Altiplano are not sufficiently integrated into the tourism sector. Given the limited tourist attractions in large parts of the Altiplano, indirect income through the food supply chains is the most viable way for these communities to access tourism benefits. However, for the time being, it would **not be appropriate** for the DMO to make the topic one of its main tasks; this is due to several reasons:

- The obstacles to pro-poor linkages that have been identified are not primarily located on the demand side. Rather, supply-side and intermediary-related factors are more likely to hinder the establishment of such linkages. As the DMO works primarily with hotels and restaurants – thus the demand – it is not well placed to tackle the most important challenges in the concerned value chains.
- Furthermore, the DMO's membership in La Paz is currently quite small and unstable. In Copacabana, the DMO does almost have no members at all. Thus even if initiatives were taken on the demand side, the ultimate effect would be relatively small.
- In order to be effective the DMO should focus its resources on a narrower array of activities. In this context, initiatives targeting the linkages between the tourism sector and local food producers are probably not a priority area for the time being.

However, this does not mean that the DMO should not treat the topic at all. It **may be woven into core activities** of the DMO. Several suggestions:

- Corporate Social Responsibility (CSR): The topic may be treated as part of activities carried out by the DMO in the context of CSR promotion. In a study<sup>1</sup> on sustainable tourism, conducted in relation to the DMO's work, the supply chain has been identified as an important aspect of CSR. The DMO may raise awareness among hotels and restaurants about local food sourcing as a way to practice CSR.

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<sup>1</sup> Schmid M. and Cárdenas Robles J., „Turismo sostenible en Bolivia y zonas vecinas del sur del Perú dentro del Programa de Cooperación Comercial (PCC) que TULUM S.A. administra para la Secretaría de Estado de Economía de Suiza (SECO)”, Jan – Jul 2007



- Foster trust: The study has shown that mistrust is a major obstacle for the establishment of commercial relations between the tourism and the agricultural sector as well as within these sectors. In order to tackle this situation, it may be helpful to start trust-building efforts within the tourism sector. The DMO is well placed to serve as a platform for cooperation and exchange between hotels and restaurants. For instance, the DMO could organise an information exchange about local food suppliers.
- Rural and agro-tourism: As explained above, bringing the tourists close to the food producers is a way to overcome obstacles linked to distribution. Furthermore, by making food a tourist attraction by itself (agro-tourism), new places of interest could be opened up. If the DMO decides to venture into this area, this should be done in cooperation with food producers and food processing companies (e.g. Flor de Leche).

