

# Following financial tourism flows:

## Linking leakages to multipliers in Tarabuco, Bolivia



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# Glossary

## **Ají**

A spicy pepper, used in many popular Bolivian dishes.

## **Centro Poblado**

A rural or urban settlement, whose inhabitants are linked through social, economic, cultural or historical ties; sometimes fulfilling a central role for neighboring communities.

## **Chiriguano**

An indigenous culture situated in Bolivia, Paraguay and Argentina.

## **Criollo**

An ethnicity of mixed ancestry with an extensive cuisine, popular in Tarabuco.

## **Hacienda**

A large estate where a wealthy patrón let laborers work his fields. Originated during Colonial times and held in place until the Agrarian Revolution of 1952.

## **Mestizo**

A term used to denote people from combined Inca and European ancestry.

## **PDM**

Plan de Desarrollo Municipal. Five year plans of municipalities, often constructed with the help of Non Governmental Organizations and (other) local organizations.

## **Pollo Imba**

A large and popular company selling chicken of its own brand to many stores and restaurants.

## **Quechua**

A native language spoken in large parts of the Andes.

## **Quechuañol**

A mix between Spanish and Quechua.

## **Salvietti**

A well-known Bolivian company producing, selling and distribution various drinks.

## **Tarabuqueño**

Someone from the Tarabuco region.

## **Tejedora**

A woman that knows the art of weaving according to traditional styles and methods. Often living in a rural community.

## **Tejer**

The process of weaving. See also box 2.

## **Tejido**

A fabric produced by weaving in a certain style and according to certain traditions.

## **Trueque**

An old trading system of products without the use of money. Still used in some rural parts of Bolivia.

## **White-mestizo**

A person of combined ancestry, but feeling more European than Inca.

## **Yampara**

An indigenous population from the Yamparaez region in Bolivia.

## **Preface**

With excitement I can finally say that my thesis is finished. Well, it is not actually mine as it is of the people from Tarabuco. I hope it serves their tourism sector, but first and foremost the people linked to that sector. For example the Tarabuqueño wearing proudly his colorful handmade outfit, the weavers from the countryside, the drivers that wake up at 4 am, the restaurant owners that always complain about the small amount of customers. I thank them all and enjoyed the many conversations I had with them. I sincerely hope that the quality of their lives will improve through tourism in the coming years.

The topic of this thesis is actually part of a bigger story. It is solely a page in uncovering the story of the world's highly complex financial system. Hardly anyone knows exactly where their money ends up when using a service or buying a product. Money gets re-spend and products, as well as services, are part of a production chain. Who is profiting and how are benefits and costs shared? There is a lack of information, and financial systems are never transparent. Also when we go on holidays we do not know where our money indirectly might end up. Isn't it time to investigate these 'butterfly effects'?

This thesis hopes to contribute to transparency and awareness.

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Shan Kai Thè

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## Executive summary in English

Tourism is one of the fastest growing and most profitable industries in the world. In 2020 the UNWTO expects 1.6 billion international tourist arrivals worldwide, and at this moment the tourism industry earns US\$ 3 billion per day in export income. In addition, tourism can have numerous positive effects on the economies of developing countries. Increased employment opportunities, economic growth, diversified livelihoods, foreign investment capital inflow, and the preservation of historical and cultural sites, are just a few. Unfortunately, a large sum of money never reaches the tourism destination area. A big part of a tourist's budget goes to airline companies and/or tourist agencies that are often in the hands of Western actors. The money that does arrive at the destination area is subject to leakages and may very well flow to other areas. The aim of this thesis is to investigate: *to which degree tourism augments and diversifies the incomes of people in Tarabuco, Bolivia, taking into account the underlying role of leakage, linkage and multiplier effects, and to research if this lead to local economic development.*

By determining the economic impact of tourism on a local economy it is insufficient to investigate solely tourists' initial expenditures. Local people receiving this money may re-spend it, causing a ripple effect, which is termed a multiplier. Also through backward and forward linkages other local actors may indirectly profit from a tourist's spending. These financial flows are not to be underestimated, but often academic literature and (local) authorities and planners in developing countries do not account for these effects.

Financial leakages in tourism occur when revenues arising from tourism-related economic activities in destination areas are not available for reinvestment or consumption of goods and services in the same region. Estimations of leakage effects in developing countries can be as high as 90%, meaning that the local economy hardly profits from tourism, since almost none of the earnings are retained. Other studies find percentages around 40 to 50%, depending on the type of tourists and the characteristics of the destination area. The main sources of leakage are: a) re-location of profits due to non-local ownership, b) outflow of wages, due to imported labor, c) sums to be paid for imported commodities and services, and d) the payment of national and regional taxes. Walpole and Goodwin (2000) even give three reasons to explain that certain leakages in developing countries are inevitable. Firstly, there is a lack of local financial capital, second a lack of necessary skills, and thirdly, weak linkages among local actors make that much of the money spent by tourists in an area eventually flows to other areas.

A multiplier effect is the chain of re-spending that follows after the initial expenditure of a tourist in the tourist area. In general it holds that the lower the amount of leakage, the higher the multiplier, since more money is available for re-spending in the area. Some studies have found that by taking multiplier effects into account, tourism contributes approximately 23.5% to GDP (Archer & Fletcher, 1996). However, from a poverty alleviation perspective, it is not only interesting to see how often money gets re-spent, but also to see who are the people that are receiving this money. These local distributional effects from tourism are still a relatively under-researched field in current academic literature.



Local linkages are key in decreasing leakages and increasing multiplier effects. More and stronger relationships between different actors in an economy means that more outputs from one business can be used as inputs for another business. Especially, linkages between restaurants in the tourism sector and the local agricultural sector are first to be developed and of vital importance to the local population. However, one of the barriers to develop linkages between local actors, are strong linkages with external suppliers that take the form of hierarchical monopolies (Hemmati & Koehler, 2000).

The field research for this study is done in Tarabuco, Bolivia, where on Sundays there is a large market that attracts many international tourists and locals from surrounding communities. This region is characterized by a high rate of indigenous populations, a lot of (extreme) poverty, and a strong cultural identity. Agriculture is the main source of income and due to a lack of employment opportunities, out-migration and urbanization take place. However, Tarabuco is recently putting more effort in attracting more tourists and diversifying its offer in order to profit more from tourism.

In order to investigate the economic impact of tourism the research design is based on following financial flows. 207 questionnaires with tourists were held in order to determine how they spend their money. Consequently, the sectors profiting from tourism money were investigated by means of interviews, centered on leakages, multiplier effects, and linkages. Where possible, the money was followed one step further. Also the influence of local authorities was researched by means of interviews and secondary sources.

Tourists arriving in Tarabuco all come from the nearby city of Sucre, which acts as a hub from where tourists make small day trips to nearby areas. The majority of these tourists can be characterized as young backpackers from Europe, who come to visit the market for a few hours. According to an estimation of a study executed by the city of Sucre, 15.094 tourists visited Tarabuco in 2007. On average a tourist spends 158 Bolivianos (approximately 15.8 Euros) during their visit to Tarabuco. This money mainly goes to three sectors.

Firstly, the transport sector, which receives 17% of a tourist's budget. Although there is a very good public transport connection between Sucre and Tarabuco, 54% of tourists prefer to go with transport arranged by a tourist agency from Sucre. Tourists going with public transport make up 35%. However, irrespectively of the type of transport, the proprietors of the vehicles, the persons arranging the transport and profiting from this activity, are people from Sucre. Practically all drivers come from Sucre and also most expenses, such as maintenance, getting gas and paying the syndicates, occur in Sucre. The estimation of this study is that around 95% of the money that tourists spend on transport does not end up in Tarabuco, but flows to the nearby city Sucre. Also academic literature finds that the transport sector is the one with the highest leakage rate. Main reason for this is the strong position of actors based in the city, who have the first contact with tourists, often more capital available to invest in vehicles, enjoy more contact with the syndicates that are also based in the city, and profit from the backward linkages.

Secondly, tourists spend on average 9% of their budget on food and drinks in restaurants in Tarabuco. There are five popular restaurants, often serving local foods with some serving the international cuisine. Also here, there is a strong influence from Sucre, which is expressed in the fact that more than half of the restaurant owners have (also) a

residence in the city. In addition, a significant amount of buildings in Tarabuco is owned by non-locals, who rent them to Tarabuqueños. This poses significant room for leakage. Furthermore, most backward linkages of the restaurant sector lead to Sucre, where they buy many supplies. However, there are also linkages with the local agricultural sector, which benefits many poor farmers in the region. Other positive effects of tourism in the restaurant sector in Tarabuco relate to a decrease in gender inequality, since many workers in the restaurant sector are female and of local origin.

The sector that receives the biggest part of tourism receipts (53%) is occupied by the merchants of textiles and clothing. Almost all of them act as intermediaries, buying their products from small producers or straight from factories, without adding physically something of value to the product. Also in this sector the external urban influence is prominently present. Estimates on salespeople coming from Sucre range from 33 to 60%. External competition has made it difficult for locals to make a decent profit. In addition to an outflow of financial means, there is an inflow of non-local products, which significantly increases the amount of leakage, and also interferes with the original character of the Tarabuco market. Textiles from factories are now competing with original hand-woven designs, produced by economically challenged local rural women, who find themselves out-priced by external competition. External linkages overrule local linkages and even with the help of NGOs this is difficult to change. Therefore, leakages are very high and not much money is retained in Tarabuco. Nevertheless, the part that does stay behind, profits many poor people, which indicates the distributional character of tourism.

Continuing to follow the financial tourism chain we arrive at the *tejedoras*, who supply salespeople on the market with part of their stock. They make traditional weavings, sold at the market. These women come from rural areas and generally live below the poverty line. They use tourism indirectly to diversify their livelihoods and augment their income, which is mostly derived from agriculture. Although leakages would reduce significantly if the *tejedoras* would be able to sell their products directly to tourists, there are certain barriers, such as language, time and financial constraints, which are difficult to overcome.

In regulating the large external influence in Tarabuco, which poses the biggest source for leakage, local authorities are the appointed party to take action. However, lack of priority and skills of local management, in addition to a non-existing relationship with Sucre on the topic of tourism, has made the regulation of tourism in Tarabuco very weak. Also pro-poor distributional effects can very well be increased if there would be proper management that would strengthen local linkages and favor local producers. Now, Tarabuco is not only seeing the majority of its profits flowing out, but also loses much of its character. Nevertheless, it must not be forgotten that there is a significant part of tourism profits that stays in Tarabuco. In addition, Tarabuqueños sell their original products in Sucre and other parts of Bolivia, thereby countering leakages with inflowing finances. Therefore, tourism can have very positive and pro-poor effects on the economy of Tarabuco if leakages are limited and multipliers increased through the stimulation of local linkages.

## Resumen en Español

El turismo es una de las industrias que crece lo más rápido del mundo con altas ganancias. En 2020, la OMT pronostica 1,6 mil millones de llegadas de turistas internacionales en el mundo, y en este momento la industria del turismo genera 3 mil millones dólares por día en ingresos. Además, el turismo puede tener muchos efectos positivos en las economías de los países en vía de desarrollo. La aumentación de las oportunidades de empleo, el desarrollo de la economía local, sustentos diversificados, más atracción del capital externo, y la preservación de sitios históricos y culturales, son solamente algunos de estos efectos. Por desgracia, gran parte del dinero turístico nunca llega al destino turístico. Una gran parte del presupuesto de un turista va a las compañías aéreas y/o las agencias de turismo, que frecuentemente están tenido en manos de actores occidentales. El dinero que sí llega al destino turístico está sujeto a las fugas y tiene mucha probabilidad de fluir a otras áreas. El objetivo de esta tesis es investigar: *a qué grado el turismo puede aumentar y diversificar los ingresos de la gente en Tarabuco, Bolivia, posiblemente resultando en desarrollo económico local, y determinar cuál es el papel subyacente de las fugas, las vinculaciones y los efectos multiplicadores.*

Al determinar el impacto económico del turismo en una economía local en un país en desarrollo no es suficiente investigar solamente los gastos iniciales de los turistas. Personas locales que reciben este dinero puede re-gastarlo, causando un efecto dominó, que se llama un multiplicador. También a través vinculaciones con otros actores locales, se puede beneficiarse indirectamente de un turista. Estos flujos financieros son bastante grandes y importantes, pero la literatura académica, las autoridades (locales) y los planificadores frecuentemente no se dan cuenta de estos efectos.

Las fugas financieras en el sector turístico se muestran cuando los ingresos de las actividades económicas relacionadas con el turismo en la zona turística no están disponibles para la reinversión o consumo de productos y/o servicios en la misma región. Las estimaciones de las fugas en países en desarrollo pueden ser tan altas como el 90%, lo que significa que la economía local casi no se beneficia del turismo, porque no se mantiene casi ninguna de las ganancias. Otros estudios encuentran porcentajes alrededor de 40 a 50%, dependiendo del tipo de turista y las características de la zona turística. Las principales fuentes de las fugas son: a) Re-locación de ganancias debido a dueños no-locales, b) la salida de los salarios, debido a la mano de obra importada, c) Las sumas pagados por productos y servicios importados, y d) el pago de los impuestos nacionales y regionales. Walpole y Goodwin (2000), dan tres razones para explicar que ciertas fugas en los países en desarrollo son inevitables. En primer lugar, falta suficiente capital financiero local, en segundo lugar, falta de habilidades importantes, y en tercer lugar, la debilidad de las vinculaciones entre los actores locales tienen como consecuencia que el dinero de los turistas pasa a otras destinaciones.

Un efecto multiplicador es la cadena de re-gastos que sigue después del gasto inicial de un turista en la zona turística. En general, se puede decir que cuanto más baja la cantidad de fugas, mayor será el multiplicador, porque hay más dinero disponible para volver a pasar en la zona. Algunos estudios han encontrado que, tomando en cuenta los efectos multiplicadores, el turismo contribuye aproximadamente 23,5% al PIB (Archer & Fletcher,

1996). Sin embargo, desde una perspectiva de pobreza, no sólo es interesante ver cómo se gasta el dinero turístico, sino también a ver quiénes son las personas que reciben este dinero. Los efectos distributivos al nivel local siguen siendo un campo poco investigado en la literatura académica.

Las vinculaciones locales tienen una gran importancia en la disminución de las fugas y el aumento de los efectos multiplicadores. Más relaciones y relaciones más fuertes entre los diferentes actores en una economía significa que más salidas de un negocio puede ser utilizado como entradas de otras empresas. Especialmente las vinculaciones entre los restaurantes y el sector agrícola local son los primeros desarrollados y de vital importancia para las poblaciones locales. Sin embargo, uno de los obstáculos para desarrollar vinculaciones entre los actores locales, son vinculaciones fuertes con los poderosos proveedores externos (Hemmati y Koehler, 2000).

Como parte de esta tesis se llevó a cabo una investigación en el campo en Tarabuco, Bolivia, donde, en los domingos hay un gran mercado que atrae a muchos turistas internacionales y gente de las comunidades alrededores. Esta región se caracteriza por un alto porcentaje de indígenas, una gran cantidad de personas que viven en pobreza (extrema), y una identidad cultural fuerte. La agricultura es la fuente principal de ingresos y debido a la falta de oportunidades de empleo, hay mucha migración y urbanización. Sin embargo, recientemente las autoridades de Tarabuco hacen más esfuerzo en atraer a más turistas y crear una oferta turística más diversa con el objetivo de aprovechar más del turismo.

La manera de investigar el impacto económico del turismo fue de seguir los flujos financieros en el sector del turismo. Se realizó 207 cuestionarios con turistas para determinar dónde y cómo los turistas gastan su dinero. Después, los sectores que se benefician del dinero del turismo se investigaron por medio de entrevistas, pagando atención a las fugas, los efectos multiplicadores, y las vinculaciones. En algunas instancias, el dinero le siguió un paso más profundo. También la influencia de las autoridades locales estuvo investigada, usando entrevistas y fuentes secundarias.

Todos los turistas que llegan a Tarabuco vienen de la ciudad Sucre, que actúa como un centro desde donde los turistas hacen viajes pequeños a las zonas en la cercanía de la ciudad. La mayoría de estos turistas se puede caracterizar como mochileros jóvenes de Europa, que vienen a visitar la feria de Tarabuco por unas horas en el domingo. Según estimaciones de estudios, 15,094 turistas visitaron a Tarabuco en 2007. En promedio un turista gasta 158 bolivianos (unos 15,8 euros) durante su visita a Tarabuco. Este dinero está recibiendo principalmente por tres sectores de la economía (el transporte, los restaurantes y los vendedores en la feria).

En primer lugar, el sector del transporte recibe el 17% del presupuesto de un turista. Aunque hay una buena conexión de transporte público entre Sucre y Tarabuco, el 54% de los turistas prefieren ir con el transporte organizado por una agencia de turismo de Sucre. Los turistas que vienen a Tarabuco con transporte público constituyen el 35%. Sin embargo, independientemente del tipo de transporte, los propietarios de los vehículos, las personas organizando el transporte y se benefician de esta actividad, son personas de Sucre; y no de Tarabuco. Prácticamente todos los choferes vienen de Sucre y también la mayoría de los gastos, el mantenimiento, echar la gasolina y el pago de los sindicatos, se hacen en Sucre. La

estimación de este estudio es que aproximadamente el 95% del dinero que los turistas gastan en transporte, no llega a Tarabuco, pero fluye a la ciudad de Sucre. También la literatura académica considera el sector del transporte es el sector con las fugas más grandes. La causa principal de esta fuga es la posición fuerte de los actores de la ciudad, que tienen el primer contacto con los turistas, tienen en general más capital disponible para invertir en vehículos, disfrutan un mayor contacto con los sindicatos que también se basan en la ciudad, y los actores se benefician de más vinculaciones.

En segundo lugar, los turistas gastan un promedio del 9% de su presupuesto a alimentos y bebidas en restaurantes en Tarabuco. Hay cinco restaurantes populares, que sirven comida local con algunas que sirven comidas internacionales. También en este sector, hay una influencia fuerte de Sucre, indicando por la mayoría de los dueños de los restaurantes, que tienen (también) una residencia en la ciudad. Además, una gran cantidad de edificios en Tarabuco es propiedad de residentes no-locales, que los alquilan a Tarabuqueños. Esto aumenta la cantidad de dinero que escape Tarabuco. También las vinculaciones que los restaurantes tienen con tiendas en Sucre, donde se compran los alimentos tienen fugas como consecuencia. Sin embargo, existen también vinculaciones con el sector agrícola local, que beneficia a muchos campesinos pobres en la región. Además, el turismo tiene efectos positivos en el género, porque casi todos los trabajadores en los restaurantes son mujeres, y de origen local.

El sector que recibe la mayor parte de los ingresos del turismo (53%) es la categoría de los vendedores de textiles y ropa. Casi todos de ellos son intermediarios, comprando los productos de pequeños productores o directamente de las fábricas, sin añadiendo físicamente algo de valor al producto. En este sector también hay una influencia externa fuerte. Las estimaciones de los vendedores que vienen de Sucre son entre 33% y 60%. La competencia externa ha dificultado la situación para la población local de ganar dinero. No sólo hay una salida de recursos financieros, sino también existe una importación fuerte de productos no-locales, lo que incrementa significativamente la cantidad de las fugas, y además interfiere con el carácter original de la feria de Tarabuco. Ahora, los textiles de las fábricas son la competencia de los tejidos hechos a mano con diseños originales, producidos por los campesinos pobres de la localidad de Tarabuco. Estos campesinos no pueden hacer competencia a los precios bajos de las fábricas. Vinculaciones con actores externos son más fuertes que las vinculaciones locales y tampoco con la ayuda de las ONG se puede cambiar esta situación. Por eso, las fugas son muy altas y no mucho dinero se queda en Tarabuco. Sin embargo, la parte pequeña que se queda en Tarabuco, beneficia a muchas personas pobres, lo que indica el carácter distributivo del turismo. Para ellos el turismo es muy importante.

Siguiendo la cadena del turismo encontramos a las tejedoras, que venden sus productos a los vendedores en la feria de Tarabuco. Ellas producen los tejidos tradicionales, que dan el carácter especial a la feria. Estas mujeres vienen de zonas rurales y, en general viven en pobreza (extrema). Ellas usan el turismo indirectamente para diversificar sus actividades y para aumentar sus ingresos, que se derive, principalmente de la agricultura. Las fugas se reducirían significativamente si las tejedoras serían capaces de vender sus productos directamente a los turistas, pero hay ciertos obstáculos que son difíciles de superar.

Los actores que tienen el poder de manejar y regular la influencia externa – y las fugas - en Tarabuco son las autoridades locales. Sin embargo, falta de prioridad y falta de las capacidades de habilidades locales, encima de una relación no-existente con Sucre en el tema del turismo, ha resultado que la regulación del turismo en Tarabuco es muy débil. También los efectos económicos positivos para la población pobre podrían aumentar fácilmente con manejo adecuado que fortalezca las vinculaciones locales y favorece los productores locales. Ahora, Tarabuco no sólo está perdiendo la mayoría de sus ganancias, pero también mucho de su carácter. Sin embargo, no hay que olvidar que hay una parte significativa de los beneficios del turismo que se queda en Tarabuco. Además, Tarabuqueños venden sus productos en Sucre y en otras partes de Bolivia, lo que podría balancear las fugas. Por lo tanto, el turismo puede tener efectos positivos y pro-pobres en la economía de Tarabuco si se limitan las fugas y aumentan los multiplicadores a través de la estimulación de las vinculaciones locales.

## Introduction

Using tourism as a strategy to augment and diversify the incomes of people in poor rural areas of developing countries can have numerous advantages. Among others, tourism can create employment opportunities, has relatively low market entry requirements, can improve socioeconomic conditions, is often intertwined with other parts of the economy, and has in general greater market stability than the export of agricultural products or raw materials. It is also a multi-billion industry. The overall export income generated by international tourism worldwide reaches currently more than US\$ 3 billion a day (UNWTO, 2009). Moreover, the tourism industry is one of the fastest-growing industries in the world and thus offers a huge potential for future development. According to the World Tourism Organization there will be 1.6 billion international tourist arrivals worldwide by 2020.

Especially for a country such as Bolivia, which is classified as the poorest country in South-America, tourism is an interesting industry. Bolivia does not have a highly skilled population, nor high value industries or a transport connection to the sea, but it does provide home to numerous population groups with unique cultures. It is also one of the most biodiverse countries in the world. Some natural wonders, such as the salt planes of Uyuni have no equivalent in the world. So, in order to benefit from its positive features and help to improve the country's negative attributes, tourism can play a vital role.

The government of Bolivia seems to agree. Recently, more attention is paid to the development of tourist attractions and the promotion of these attractions in the international arena. In 2000 Bolivia adopted a special tourism law – *Ley de la Promoción y Desarrollo de la actividad Turística* – for the promotion and development of tourism. In addition, in 2008 Bolivia was home to the 12th International Tourism Fair, which took place with the participation of national and international tourist operators. The exhibition was designed to display Bolivia's tourism and hotel industry along with its ecological and ethnological attractions. Current plans of the Ministry of Tourism state that 133 new tourism companies are supported by the government and special attention is paid to involve local actors and community based groups in the benefits of tourism (Hoybolivia, 2010).

However, developing tourist areas and attracting more tourists is not enough. Figures about quantity of sites and tourists do not provide information about how much of the money is actually staying in the tourist destination area and how much profit local actors make. (Inter)national tourism operators, foreign investors, national elites, and large companies may capture the majority of the tourism receipts as academic literature suggests (see for example Meyer, 2006; Walpole and Goodwin, 2000). Estimates on the share of tourism receipts that actually flow to or stay in the destination area, can be as low as 10 percent (Cater, 1987). If indeed the profits from tourism are so low that they do not outweigh the costs of tourism – e.g. infrastructure, promotion, construction of accommodations and facilities – then tourism is detrimental, instead of beneficial, to the development of an area. In addition, what is important from a poverty perspective is not simply how much money stays in the country, but also how that money is distributed within a society and spent on goods and services for the poor. Economic capital and control frequently stem from outside sources, resulting in

leakages, external dependency, and an unequal distribution of the benefits and costs (Walpole & Goodwin, 2000).

The purpose of this study is to examine if tourism is indeed a beneficial development strategy for small poor rural communities or if too much money leaks away. Can tourism raise and diversify the incomes of people in poor rural areas? What happens with the money that tourists spend during their visit of an attraction? How much money is 'leaking away' and what is done with money that stays in the community? Tourism as a tool for development is viewed as a method to enhance opportunities for local people by integrating tourism into broader economic and social developments (Hunter, 1995). The aspect of leakage and the importance of linkages and multiplier effects, stimulation of local ownership and community participation, is under-researched, but of fundamental importance to academic literature on this topic, as well as governments and actors investing in tourism. As many communities in Bolivia embark on investments in tourism it is important that they can base their expectations and projections on sound academic studies. Many policymakers and national and local levels are not fully aware of the façade that tourism receipts can be. As money flows into the country or area through tourist earnings, much of it may silently leak away; not captured by most of the statistics. Literature suggests that the use of small-scale tourism services provides the highest per capita returns on the tourist dollar. This should be an incentive for governments to promote more locally owned small-scale business instead of foreign owned tour operators.

In order to investigate to what extent local and/or poor actors are actually benefiting from tourism, the main research question is formulated as follows:

***To which degree does tourism augment and diversify the incomes of people in Tarabuco, Bolivia, taking into account the underlying role of leakage, linkage and multiplier effects, and to what extent does this lead to local economic development?***

The manner of investigating this matter is by following the route of the money that tourists spend in the touristic village Tarabuco in Bolivia. By tracking financial flows it can be seen how much money stays in the community and if this leads to local economic development.

First a theoretical framework will be presented, in which tourism trends, benefits, as well as leakages, linkages and multiplier effects will be discussed. This framework is followed by a geographical chapter on Bolivia, and specifically the research area, Tarabuco. Afterwards, the research design and methodology will be presented. The next sections will follow the route of the money as it is spent on the market of Tarabuco. This route passes from the tourists to the transport sector, restaurants, salespeople, and eventually the *tejedoras*. Also the relationship between Sucre and Tarabuco will prove to be of importance. In the end, some final conclusions will seal this thesis.



# 1. Theoretical framework: Tourism money flows

In order to provide necessary information about the topic of this thesis and to place the field research in a theoretical context, this section will begin with some developments and global trends of the tourism industry, displaying the magnitude and economic potential of the tourism industry around the world. Afterwards deeper insights are provided into the workings and specifics of the economic effects of this industry. Also the tourism lifecycle model will be explained, as it influences the investments and profits of a tourism destination area. Then, the three central concepts of this study will be explained and discussed: leakages, multiplier effects, and linkages. In the end, some views on local economic development will be discussed to explain why is it important according to academic literature to retain tourism earning in a certain geographical area.

## 1.1 Tourism

Amidst the forces of globalization and technological advances, it seems that distances have become smaller, borders opening up and tourism has become one of the most booming and profiting industries. Over the past decades, international tourist arrivals have continued to grow from 25 million in 1950, to 438 million in 1990, reaching 922 million in 2008 (UNWTO, 2009); see also figure 1.1. As already been mentioned, prospects indicate 1.6 billion international tourist arrivals in 2020. Although tourism is more frequently observed in developed countries, also the developing world increasingly participates in this industry. The impact of strong economic growth in many developing countries, liberal economic policies, dramatic changes in the efficiency and cost of transport, and a growing global middle class with rising living standards, have created a new dynamic in international tourism flows (OECD, 2010). The share of developing countries receiving tourists has steadily risen from 31% in 1990 to 45% in 2008 (UNWTO, 2009). Future prospects are promising, as globalization is likely to continue to encourage the growth of business travel with the increasing mobility of businesses and global enterprises with expanding expatriate workforces.



Figure 1.1: Inbound Tourism 1990-2008 Worldwide  
Source: UNWTO 2009

From a poverty alleviation perspective, tourism can contribute in various manners the economic development of a region. Tourism can be considered as an economic locomotive that brings employment, economic growth and foreign currency earnings. It can integrate remote rural areas in the world economy, which would otherwise remain isolated and at times even finances the necessary infrastructure. Tourism is also an industry that employs a wide variety of businesses; from small independent handicraft producers to big luxury hotels. Through linkages with other parts of the economy, tourism can have significant beneficial trickle-down effects. However, criticism states that there are also certain negative impacts, such as high dependency on foreign tourist, significant economic leakages and spatial and social polarization.

### ***1.2 The financial effects of tourism***

In general, the financial impact of tourism can be grouped into three categories (Meyer, 2006). Firstly, **direct effects** arise when tourists spend their money on goods and services in the destination area. For example on cost for accommodation, attraction fees, food and beverages, souvenirs, etc. This initial tourist expenditure leads to some **indirect effects**, because often the goods and services that tourists demand require inputs from other businesses/entrepreneurs. For example, the hotel where the tourist is staying needs to buy soap, bed linen and food from suppliers or may provide their guest with services such as a driver that picks them up from the airport. These indirect effects are the second category of economic impact. The money of tourists is indirectly allocated to goods and services through backward linkages (as will be explained in section 1.6). The third category consists of **multiplier effects**, which arise when income generated in the primary tourist sector is re-spent in (other parts of) the economy. For example a hotel employee spends his income on clothes for his children or the owner of a souvenir shop buys a new computer.

Naturally, the economic impact from tourism is most beneficial to the local community if most of the tourist expenditures stay within the destination area. This requires strong linkages between the primary tourist sector, their local suppliers, and other sectors of the local economy. Collaboration between local partners is essential in increasing local multiplier effects. The aim of creating linkages is to reduce the high import content in the tourism sector, which is achieved by substituting non-local imports by goods from local suppliers.

However, a very important point worth mentioning is that a considerable amount of tourists' expenditure on their holiday fails to pass through the local economy; the money never reaches the destination area. It is captured by other agents before arriving at the destination. One of the major costs – if not the largest cost - of a tourist holiday is the transport to the destination area. Especially during trans-continental holidays, a relatively large part of the tourist's budget goes to transportation. Big companies offering these services are almost always in the hands of Western investors. None of the top transport companies in the world are owned by or located in developing countries. This money never arrives at local communities in developing countries and can therefore not partake in the financial tourism impact discussed above, nor in the to-be-mentioned leakages in this study. The financial tourism benefits researched in this paper are only a small part of the total that tourists spend.

In addition, foreign tourists flying to developing countries usually travel around, paying visits to many different sites. Sometimes tourists may pay a visit to a sight without actually spending money there. Tourists travelling in tours have often paid in advance for admission fees, accommodation and sometimes even meals, which is money that frequently does not end up with the local population. In fact, most of this money never reaches the destination area. Contact between tourists and people from the communities is often also missing, thereby limiting the probability that they will spend their money there. Although independent tourists interact considerably with the local economy, members of many package tours are isolated from such contact by the nature of their itineraries (Walpole & Goodwin, 2000).

### *1.3 Tourism area cycle*

Before discussing leakages, linkages and multiplier effects, it is important to acknowledge that tourist areas are subject to a lifecycle. An area's stage in the lifecycle significantly influences the amount and sort of linkages and leakages as well as the involvement of external actors. Butler (1980) was the first to describe the resort lifecycle which comprised of six stages (exploration, involvement, development, consolidation, stagnation, and either decline or rejuvenation). This model has received significant criticism over the years (see for example Choy, 1992; Oppermann, 1998; Hovinen, 2002) and therefore the simplified two-stage model of Baaijens, Nijkamp and van Montfort (1998) will be used. In addition, small tourist areas in rural regions of developing countries, such as the one brought forth later on in this study, are best described by the simpler models. According to Baaijens, Nijkamp and Montfort (1998) there are two phases in tourism development. The first is the development phase in which investments are made in the construction of the tourist industry. Funds, resources and labor have to be allocated to the building of accommodation, restaurants, infrastructure, and attractions. Depending on the source of these materials and services this can either result in leakages or multiplier effects for the local community. Investments temporarily increase the demand for goods and services in the region. If the region has the capacity to supply these goods and services, and is selected by the investor, this will lead to local income. However, if materials, labor and knowledge are supplied by individuals outside the region, this will not lead to the anticipated local employment and income benefits.

The second phase is the operational phase, during which expenditures of tourists flow into the economy. The area is well-established as a tourism resort and receives a considerable amount of tourists. Investments that have been made earlier are now displaying results, which may mean that profits are shipped out of the area by non-local investors who come across other opportunities. Also other leakages, such as the outflow of finances due to imports of goods, services and labor usually occur during this phase. Depending on the phase of the area in the tourism cycle the magnitude of leakage and multiplier effects will vary and different stakeholders will be involved.

In chapter 1.6 a business linkage model of Kirsten and Rogerson (2002) will be presented which also shows a clear development cycle with different phases. The model indicates that with the passing of time local linkages are established between the tourism

sector and local suppliers. This reduces leakages, since actors are often more locally based in later stages of the lifecycle.

#### ***1.4 Leakages***

The potential of tourism as a positive contribution to local development has been criticized due to persistent claims that the tourism industry is plagued by high import contents and subsequently high leakages (Mowforth & Munt, 2003; Meyer, 2006). Financial leakages in tourism occur when revenues arising from tourism-related economic activities in destination areas are not available for (re-)investment or consumption of goods and services in the same region; money ‘leaks away’ from the tourist destination area. Those profiting from these leakages are generally foreign-owned, top-end, mass tourism facilities, all-inclusives, tour operators based in Western countries, and transnational corporations (TNCs), such as airlines, hotel chains and building giants. Many of these TNCs have a turnover larger than the gross domestic product of the developing countries in which they operate (Wheat, 1994). The following example illustrates the influence of Western TNCs and the sources of leakage:

*It is possible for a tourist to leave the United States with American Airlines to Bolivia, be transferred from the airport in a Ford car to an American-owned hotel, to be accompanied throughout his or her tour by an American guide (from the United States, not just a local who speaks English), eat at American-owned restaurants, shop at American clothing stores, and return with American Airlines to Miami.*

(Based on an example given by Gonsalves, 1995: 35-36)

Inescapable is that ownership, control and therefore benefits, from Third World tourism, accrue mainly to the rich industrialized nations from where the tourists originate (Gonsalves, 1995). However, not all academics consider the above mentioned involvement of external actors contributing to leakage. Therefore, the next section will define leakages and give estimations on their size as found in current literature.

##### ***1.4.1 Sources and quantity of leakages***

Among others, Mitchell and Ashley (2007) as well as Sandbrook (2010) point out that calculations of leakages often include tourist expenditures on external items such as international flights, which could not possibly have been provided by the destination area. In addition, much ‘out of pocket’ spending by tourists, such as money spend on shopping, handicrafts, tips and donations, is often excluded. This results in exaggerated and partly mistaken leakage rates which do not accurately reflect conditions in the host economy (Sandbrook, 2010). Therefore, in defining leakages, this study will exclude travel expenditures of tourists from their home country to the destination area and will include ‘out of pocket’ spending. However, it cannot be stressed enough that expenses on international tourism flights are big holiday expenses that often do not profit developing countries, but

cannot be part of the leakage definition in this study. Based on academic literature, this study will define the following sources as leakage:

- Re-location of profits due to non-local ownership
- Imported skills, expatriate labor
- Imported commodities and services

Estimates on the share of tourism receipts that actually flow to or stay in the destination area, can be as low as 10 percent on a national scale (Cater, 1987). Other studies, such as Walpole and Goodwin (2000) present a leakage percentage of 50, while Diaz Benevides (2001) argues that between 40-50% of leakages occur in most developing countries as a result of tourism. In general, most estimates suggest that over 50 per cent of all tourist money paid either never reaches or leaks out of the Third World destination country (Mowforth & Munt, 2003). While being careful not to generalize leakage figures for all types of tourism, it must be mentioned that luxury-oriented tourist resorts result in higher leakages, because elite tourists demand more foreign imports (Apostolopoulos & Gayle, 2002). Furthermore, governments in some developing countries may be too weak or unwilling to provide counterweight to the activities of some multinational tour giants that reap all benefits and leave the local population standing with nothing. Leakages also tend to be highest when the local destination economy is weak and lacks the quantity and quality of inputs required by the tourism industry and thus appear to be particularly high in small developing countries and island economies, for many of which tourism is the principal export earner (Meyer, 2008).

#### 1.4.2 *'Inevitable' leakages*

Unfortunately, according to Walpole and Goodwin (2000) some leakages are inevitable for local communities in developing countries because of three reasons. Firstly, to establish a tourism sector, substantial financial capital investment is needed, which cannot be provided by small local investors. For example, tourists need accommodation. Surely, not every community is suited for a Hilton hotel, but even a small hostel might be too expensive to fund without non-local assistances. Enlarged levels of tourism are associated with increasingly modern and foreign styles of development, which increase the need for money. Especially when catering to the foreign market, this will inevitably bring in international investors and increase external involvement in the industry. The consequence is a high probability of an outflow of profits. This also accounts for the transport sector. The involvement of external operators in providing local transport operations in Indonesia's Komodo National Park resulted in an estimated 60% leakage from the charter boat sector and 90% leakage from local public transport revenues (Walpole & Goodwin, 2000).

Besides of a lack of capital, a second reason why leakages are inevitable is a lack of a local workforce with relevant skills in the tourism area. Most poor communities in Bolivia engage in subsistence farming and have no idea about the lifestyle of foreign visitors coming to visit the region. Some, in rural areas, may be illiterate or speak only the local language, which creates communication problems between the local and the tourist. As a result,

employment opportunities in practice are initially based on existing skills and capacities of the local population. In early stages of the tourist development cycle this should not pose serious problems. Locals can function as tour guides, serve traditional meals, and rent out beds in small-scale accommodations or in their own houses. Adventurous or exploring tourists might be attracted by this package, but it leaves little room for up-scaling as mainstream foreign tourists are more high maintenance. Therefore, non-local workers with relevant skills have to be attracted to the tourism area. Some of them may move, while others commute. In either case, strong linkages with their former home area often continue to exist, which makes that they spend a considerable amount of their disposable income there.

A third factor limiting local benefits, besides lack of capital and skills, is the weak relation between the tourism sector and other parts of the economy. Outputs of one local business being used as inputs for another business, makes that money stay in the same geographical area. However, the necessary inputs are not always locally available. Most often, tourism relies on secondary, manufacturing industries for the supply of processed and packaged retail goods, and for much of its infrastructure (Walpole & Goodwin, 2000). Where these manufacturing industries are absent, leakages arise and money flows out of the area, because imports have to fill up the gap.

The extent to which the local economy benefits from tourism largely depends upon the ability of the local population to minimize the above mentioned three factors. By preventing money from flowing to other areas the probability that it gets re-spent in the neighborhood gets higher. In other words, by decreasing leakages local multipliers will increase, which will be discussed in the next section.

### ***1.5 Multiplier effects***

A tourism multiplier effect is the chain of effects which follow after the initial expenditure of tourists in the destination area. As tourists spend their money, the recipients of it can re-spend that money in other parts of the economy. This ripple effect can go on forever, but is limited by the time people hold on to money and leakage effects. The latter factor functions as a drain for money, which prevents re-spending in the local economy. Research has shown that the amount of imports and the size of the tourism multipliers are inversely related, that is, areas with high leakage rates tend to end up with small multipliers and relatively insignificant ripple effects from tourist spending (Karagiannis, 2004). Tourists spending their money in areas where there are small multiplier effects will not contribute much to the development of the local economy.

Taking multiplier effects into account, tourism contributes approximately 23.5% to GDP (Archer & Fletcher, 1996). However, several authors report that the multiplier effects in tourism are often considerably less than expected, and that the international orientation and organization of mass tourism requires high investment costs and leads to a high dependency on foreign capital, skills, and management personnel, as well as imports (e.g. Oestreich, 1977; Oppermann & Chon, 1997). Baaijens, Nijkamp and van Montfort (1998) find that the size of tourist income multipliers has a positive relationship with population size as well as with the number of tourists visiting the region in a year. This means that small communities in

developing countries will have lower multipliers, and hence, will not experience large beneficial effects to their economies. One explanation is that small economies tend to rely more on imports, because they do not have the capacity to produce the goods and services that are required to meet the demand of the industry (Meyer, 2006). Larger states, on the other hand, do not face these resource constraints. Moreover, in addition to the two factors of Baaijens, Nijkamp and van Montfort, Wall (1997) found that the level of integration of the tourism sector into the rest of the economy plays a significant role in the size of the multiplier. The more integrated the sector is in the rest of the economy, the higher the multiplier. So high multipliers need a lot of linkages between tourism facilities and other sectors that provide inputs or complementary goods or services. In this manner, linkages can increase multiplier effects and increase the beneficial impact of tourism on local economies, which will be explain in more detail in the next section.

In general, high multipliers are positive, since it will magnify the effects of tourist expenditures. However, apart from the size of multipliers, distributional effects play an important role as well. Local business elites may re-spend large sums of money amongst themselves, while poor community members are left to the side. Little detailed empirical work has been carried out regarding these local distributional effects (Walpole & Goodwin, 2000).

### ***1.6 Linkages***

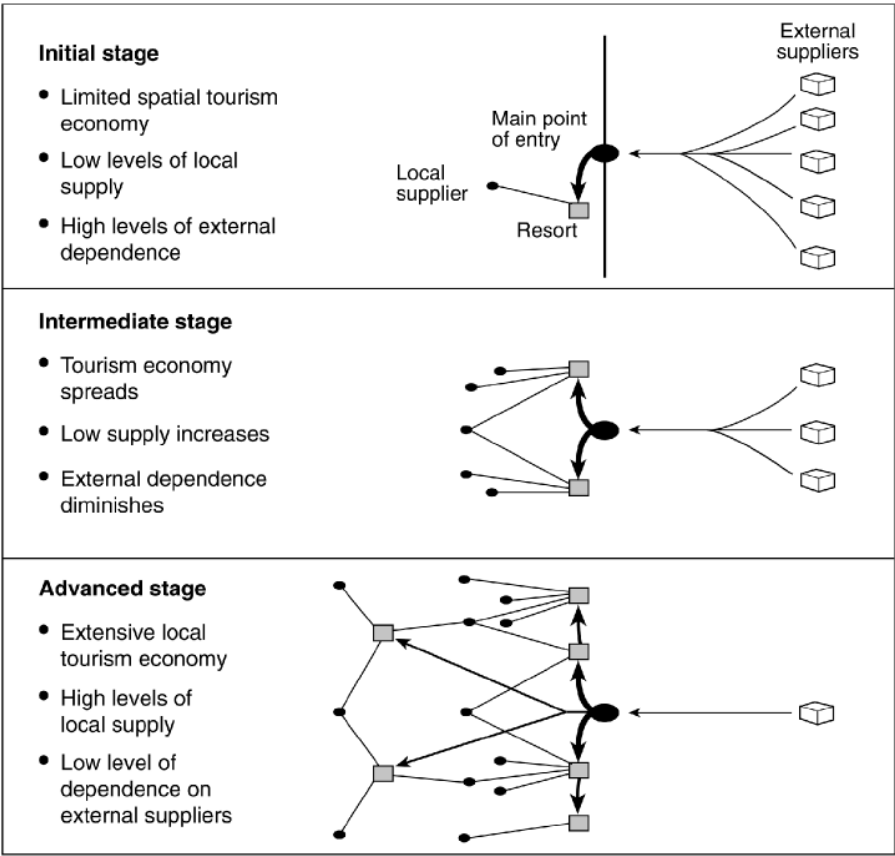
According to the OECD, tourism is an activity that contributes to virtually every industry across the economy. The wide ranging nature of the products and services consumed by tourists presents particular issues which are not common to other product markets (OECD, 2010). Research has shown that tourism creates vital forward and backward linkages with other sectors of the economy.

Linkages are generally defined as relationships or collaborations between different actors in an economy. Few linkages in an economy will result in few outputs of one company being used as inputs for other companies. Meyer (2006) has found that regions which have few local economic linkages usually experience lower income multipliers, which correlates with a high need for imports, even though the same products may be available locally. Regions that are in the starting phase of becoming a tourist area will start off with relatively few local linkages, but over time and with effort of different actors, linkages can be strengthened by supporting local suppliers. This corresponds to the tourism area lifecycle as brought forth in chapter 1.3. Graphically, this can be seen in figure 1.2 on the next page, which is adopted from Kirsten and Rogerson (2002). Over time the tourist destination area will attract all sorts of local actors and non-local actors that decide to settle closer to the tourism area. In later stages of the lifecycle these local actors will become more incorporated in the tourism sector and replace external suppliers. This process will considerably reduce leakages and stimulate multiplier effects. By identifying a regions' stage in the lifecycle model one can explain current sizes of leakage and multipliers, and make predictions for future local economic development.

The majority of studies investigating linkages with suppliers have focused on the agricultural sector, which is seen as promising for growth and future opportunities. Farmers

can supply the local tourism sector with food and beverages. Several authors have estimated that approximately 30% of tourist expenditure is on foodstuff (Bélisle, 1983; Torres, 2003), which offers a significant chance for local farmers to earn extra income or for new farmers to make a living.

An important barrier that prevents the development of linkages between local actors, is a strong relationship between foreign-owned hotels and their overseas suppliers, particularly in the form of hierarchical monopolies that dominate the tourism sector (Hemmati & Koehler, 2000). It is often difficult for (powerless) local communities to negotiate with large TNCs or wealthy investors. Also Shaw and Williams (2002) describe the asymmetrical power relationship that characterizes international tourism. Third World countries are dependent upon travel agencies, airlines, and tour companies that function as mediators between them and the foreign tourists. In addition, large Western owned companies may profit from economies of scale, a larger knowledge base, and higher efficiency. Local companies, at times, therefore prefer to work with these bigger companies instead of other local companies.



*Figure 1.2: A model of business linkages and tourism*  
 Source: Kirsten & Rogerson, 2002

Nevertheless, more and more governments are trying to strengthen local linkages. They understand that it is not just enough to develop and apply tourism-specific policies. Attention has to be paid both to the horizontal and vertical linkages within an economy that are occasioned by the tourism sector. This is because governments need to regard tourism as a cross-cutting sector that concerns a wide range of activities across economies. Addressing the



major challenges faced by the tourism industry and maximizing tourism's full economic potential require an integrated approach to policy development across many government departments (OECD, 2010). An example is Jamaica that has concentrated on strengthening the economic linkages between tourism and agriculture to support import substitution (Meyer, 2008).

### ***1.7 Local economic development***

Limiting leakages, promoting local linkages and increasing multipliers are all intended to keep profits within one geographical area and to promote and enhance local economic development. Local economic development refers to the increase of development opportunities at the local, municipal level in terms of employment, income and livelihoods (Nijenhuis, 2002). Also, access to these development opportunities should be equal for all groups in society. Within the concept there is a strong emphasis on internal forces, as oppose to external forces. Development and initiatives should come from within the local level. Local institutions should provide guidelines and a major role is assigned to civil society since only local social actors will be able to best identify objectives and instruments of intervention in relation to the actual situation in each area (Garofolli, 1990). This also accounts for a tourism area, which is a geographically determined zone where economic activities in the tourism sector dominate the local economy. But why is it so important that economic development occurs locally and that other areas get excluded? Academic literature brings forth two reasons for this.

Firstly, as will be described in the next chapter, Bolivia is one of the most decentralized countries in the world. This means that also the responsibility to generate economic development – and tourism in specific - is delegated to the local levels. If tourism takes place in community A then community A is also the one that has to invest in it and make the appropriate plans. However, it could occur that most of the profits from tourism in community A go to city B, even though city B did not invest that much in tourism. An unfair situation has arisen, which could lead to disputes over financial benefits. This is why it is important in a decentralized country to stimulate local economic development and retain profits in the same geographical area.

Secondly, from a government and management perspective, policies that are designed at a local level can tailor more precisely to the specific needs of local actors. Local actors know better than anyone what is needed in the region and by empowering them, external dependency is avoided. The use of resources can be optimized more easily through tailor made policies. In addition, local actors have a stronger affinity with their home region than outside experts. Therefore, they are more inclined to make decisions that benefit the local level.

Thus, in order to achieve local economic development, tourism activities need to become part of the local economic cycle and local communities should use locally obtainable produce (Fricke, 2003). This means promoting local linkages between the tourism sector and other sectors of the local economy. The only manner in which this can happen is if the local economy – including the tourism sector - functions as an integrated whole, stimulated by local actors, initiatives, and policies.

## **2. Geographical framework: A poor region?**

This chapter forms the geographical context for the field study in Tarabuco. The general economic situation in Bolivia will be discussed in addition to tourism trends in Bolivia's past decades. Also the importance of the decentralized character of Bolivia will be brought forth in relation to tourism. Thereafter, attention will be paid to the department Chuquisaca, and finally Tarabuco itself.

### **2.1 Bolivia**

From an economic perspective Bolivia is in one of the most difficult positions of the world. The country faces massive poverty, has a narrowly based economy and an underdeveloped socio-economic environment. With a GDP per capita of US\$ 1,460 in 2008, Bolivia is the poorest country in South America (World Bank, 2009). Almost one-third of the population lives on less than US\$ 2 a day (UNDP, 2009). A rural Bolivian who is indigenous has a 70 percent chance of living in extreme poverty (Worldbank, 2006). Bolivia's lack of a well educated population and advanced technology have made it difficult to set up high value industries that can be used to boost income from exports – which currently only consist of the export of natural gas, hydrocarbons, and other primary natural resources. History wise, Bolivia has a long dependency on silver, tin, rubber and hydrocarbons, which are sectors dominated by only a few powerful actors. Furthermore, its landlocked position has contributed to an unfavorable position on international markets. Bolivia is currently ranked number 161 out of 183 economies when judged on the ease of doing business (Worldbank and IFC, 2009). This makes Bolivia an unattractive country for international investors and leaves the country with little investment capital. Due to the lack of resources Bolivia cannot draw upon agricultural and industrial development to generate economic growth. In addition, Bolivia experiences one of the highest coefficients of inequality – a Gini index of 0.58 – and one of the lowest rates of social mobility in the region (Worldbank, 2006). These indicators show that circumstances in Bolivia pose significant hurdles for the country to increase living standards.

However, from an environment and touristic perspective Bolivia has enormous potential. Bolivia is one of the 15 countries with the greatest biodiversity in the world (UNDP, 2008). Also the multiplicity of ecological spheres and many climatic zones running from the Andes Mountains to the Amazonian jungle are a unique asset. Some spectacular features are located in Bolivia, such as the salt planes of Uyuni, some of the highest cities in the world, the Titicaca Lake, and the mines of Potosí. It houses a rich diversity of indigenous cultures and traditions. Bolivia is the birthplace of the once mighty Inca civilization that dominated the region (Jefkin-Elnekave, 2004). The country is home to more than 300 different ethnic groups, 30.000 archeological sites, 300 paleontologic sites and many cities and buildings that have been declared *Patrimonio Cultural de la Humanidad* (PriceWaterhouseCoopers, 2008). An estimated 5.1 million Bolivians are considered indigenous and they account for as much as 62 percent of the population (Worldbank, 2006), which is one of the highest rates in South America. These indigenous groups still display rich cultures that have elements very different from Western cultures and form an interesting tourist appeal.

The above mentioned aspects of Bolivia make tourism the perfect strategy to fight Bolivia's poverty and unfavorable situation, while maintaining pride in its culture and natural assets. In the past 15 years the inflow of international tourist arrivals in Bolivia has risen from approximately 154.000 in 1990 to more than 423.000 in 2005; which represents an annual growth of 4.4 percent (PriceWaterhouseCoopers, 2008). During this period the income generated by touristic activities rose from 103 million dollars in 1990 to 218 million dollars in the year 2005; which equals an annual growth of 7.4 percent (ibid). These figures are partly due to the increased facilitation and involvement of government bodies at different levels. Bolivia has created a special Vice Ministry for tourism and in 2000 a special touristic law was adopted - *Ley de la Promoción y Desarrollo de la actividad Turística* - that aims to regulate and promote tourism in the country. This same Vice Ministry praises tourism for its multiplier effects and strong linkages with cultural aspects (Vice Ministry of tourism, 2009). However, the validation of this claim will be tested later on in this study.

Due to its highly decentralized character (see box 1), local authorities, instead of higher level officials, have the main responsibility to develop, promote and regulate tourism in their geographical area. This holds for both the departmental level, as well as the municipal level. An important decentralization law – *Ley no 1654: Descentralización Administrativa* – states that departments are responsible for “*the administration of touristic norms (services, investments and promotion), the departmental planning of tourism, the promotion of tourism within the department, in addition, the formulation and the execution of touristic programs or projects, the registration of service related businesses, the establishment of touristic information systems, and the preservation of patrimonial tourism sites.*” In addition, Law 2028 – *Ley de municipalidades* – stresses in its 8<sup>th</sup> article that one of the responsibilities of municipalities is “*to promote and develop tourism within the framework of national and departmental politics and strategies*”. This makes local officials important actors in the management the local tourism sector.

### *Box 1: Decentralization in Bolivia*

Bolivia is often set as an example for successful decentralization. In a relatively short period of time an extensive reform program was generated to transform the highly centralized, hierarchal and unequal society of Bolivia into one in which power is decentralized and distributed more equally among local stakeholders, which has resulted in a more inclusive decision-making process. In 1994 President Gonzalo Sánchez de Lozada signed the Law of Popular Participation - *Ley de Participación Popular* - (LPP), through which the decentralization process was set into motion. One of the most important consequences was that 20% of total national tax revenue was transferred from the national government to municipalities.

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In addition, municipalization took place, through which existing municipalities were expanded to include suburbs and surrounding rural areas, which were formally excluded by the political structure. In total 198 new municipalities were created, which contributed to the current number of 311 municipalities in total. With these new funds and expanded territory, the responsibility for public services increased. Municipalities were given ownership over local infrastructure, tourism, education, health, sports and culture, with the corresponding responsibility to maintain, equip and administer these facilities, and invest in new ones.

In order to make sure that the new funds, territory and responsibilities are executed in a responsible matter, communities were – and still are - encouraged by the national government of Bolivia to formulate communal five-year plans – *Plan de Desarrollo Municipal* - (PDM). PDMs are generally formulated by a consultant who is hired by the municipality and formulates the plan with input from the communal government and its members, who organize themselves in small organizations - *Organización Territorial de Base* – (OTB). By providing a space for community members to have a say in the development strategy of their community, public policy becomes more effective and public funds can be allocated more efficiently.

In general terms, decentralization in Bolivia was intended to improve local governance and induce local development, particularly in rural areas (Nijenhuis, 2002). However, the implementation of the laws did not go without setbacks. Municipalities – especially small ones in rural areas - experience many problems regarding their new freedoms and responsibilities. Almost one-third of all municipalities had fewer than 5,000 inhabitants (Hiskey and Seligson, 2003). This small number led to capacity problems. Municipalities had to develop an administrative structure from scratch. Most rural municipalities did not have any personnel, nor the required knowledge about administrative and planning aspects. There was also a general lack of infrastructure in rural communities. With the help of NGOs this problem was partly resolved. In many instances NGOs cooperated with municipalities in order to implement projects. Knowledge and funds were shared and led to mutual benefits. NGOs increasingly assumed the roles of consultant in the Andean region (Bebbington, 1997), which helped municipal offices during the first rough years of implementation.

In general, the decentralization process has given more freedom and responsibilities to lower levels. However, it seems that many rural communities do not have the knowledge, nor the facilities to regulate and execute certain tasks. Especially for trans-local phenomena, such as environmental preservation and tourism, it can be more effective have management on a higher level.

## **2.2 Chuquisaca**

The department of Chuquisaca lies in the Southern part of Bolivia (see figure 2.1). With an area comprising 51,524 km<sup>2</sup>, it is roughly 1.25 times bigger than the Netherlands. Around 60,000 people reside this region, but life can be harsh as Chuquisaca is often characterized as one of the financially poorest departments of Bolivia. However, what sets Chuquisaca apart from the other departments is its high ratio of indigenous people. In urban areas of Chuquisaca the indigenous ratio is 53%, while in rural areas this is 73% (Instituto Nacional de

Estadística de Bolivia, 2005). According to the UNDP (2004) 95% of the municipalities in Chuquisaca have net emigration rates, which means that there are more people leaving these municipalities than there are people entering. Especially the cities are growing, indicating a strong urbanization in the region. In Chuquisaca the biggest city is Sucre, where people from rural areas come to offer their manual labor. This issue will also come forward in the following part about the village Tarabuco.



*Figure 2.1: Map of Chuquisaca*  
*Source: Red Municipal Verde*

The capital of Chuquisaca is Sucre, which is the fifth largest city in Bolivia, counting about 216.000 inhabitants. Due to a big daily market, a wide range of shops, services and many administrative services in specific, Sucre has strong attraction on people from surrounding areas, who come here for business, shopping or legal matters. Sucre is also the *hub* which is connected to other *hubs* such as Potosí, La Paz, Santa Cruz and Cochabamba. Therefore, many imports for the region Chuquisaca are first brought to Sucre.

**2.3 Tarabuco**

Tarabuco is a small village situated in the department of Chuquisaca in the highlands of Bolivia. The town functions as a *centro poblado* for the region, which contains an additional 66 rural communities and 7 indigenous villages. Together with these communities Tarabuco

counts about 20.000 inhabitants of whom 60% speak the local language Quechua and 40% is bilingual, meaning they speak Spanish as well. Generally, families have little financial room and according to local statistics 61% of its population lives in extreme poverty (PDM Tarabuco 2008-2012).



*Illustration2.1: The central square of Tarabuco*

The regional role of Tarabuco is noticeable in the amount of services that it provides, such as schools, health facilities, administrative centers, and the Sunday market, which attract people from many small neighboring communities. The inhabitants of the region have strong relations with Sucre, which is well accessible via a paved road with a good provision of public transport. Surrounding the village are many trails leading to the smaller communities, but especially in the rainy season these are not usable for vehicles, which means that walking is the main means of transportation.

### *2.3.1 History*

The village of Tarabuco was founded during colonial times by Captain Juan de Rodas on behalf of the order of Virrey Don Francisco de Toledo in 1572. Nevertheless, its history is longer than that, since this territory was already inhabited for centuries by small indigenous populations, dating back to pre-Inca times. Providing a homeland to many ethnic groups for long time-periods is what gives Tarabuco its distinct character today. During Inca times clothing was an element that characterized every ethnic group by texture, colors y patterns. At the same time it functioned as a way to distinguish the governing class from the rest of the people. During the colonial period the indigenous population of Tarabuco continued to wear their traditional clothes in order to maintain class differences. To break their culture and submit them to the colonial power, the Spanish prohibited any other clothing to be worn than what they permitted. Despite everything, the indigenous people did not abandon their way of dressing until the end of the 18<sup>th</sup> century. And even from that time, *Tarabuqueños* combined the official Spanish clothing, such as hats, pants, shirts and jackets with traditional indigenous items to create new types of outfits for every different social group.

Apart from the typical Tarabuco garments, also agriculture has played a large part in the formation of current Tarabuco. Since pre-Inca periods the inhabitants of this region worked the fields, which was increased during Spanish occupation. During the colonial period the Tarabuco territory had two functions. The first was to create enough agricultural production to meet the demand from Potosí – the most important mining city in Bolivia during colonial times. The second function was to fulfill the ancient role of defense line against the *Chiriguano*s, an indigenous population in the East of the current department of Chuquisaca. After independence the number of *haciendas* (large agricultural estates)

increased until the Agricultural Reform of 1952, during which the lands were given back to farmers from the communities.

2.3.2 *Economy*

The economically active population in Tarabuco comprises about 6,720 persons, according to the latest census (Instituto Nacional de Estadística de Bolivia, 2001), which is 34% of the total population. This rate is a significantly less than the national average of 50%, suggesting an out-migration of part of the active population, which will be further discussed later in this section. People in general have a low education level, which is translated in a staggering analphabetism rate of 53%, according to the latest census (Instituto Nacional de Estadística de Bolivia, 2001). Therefore, the far majority of Tarabuqueños engages in manuel labor in order to earn an income. The main economic activity in the municipality of Tarabuco is agriculture, with which 74% occupies themselves (PDM Tarabuco 2008-2012). On second and third place come handicrafts and commerce with a respective 5% and 4% as can be seen in table 2.1.

Activity	Percentage
<b>Agriculture</b>	73.60 %
<b>Handicrafts</b>	5.00 %
<b>Commerce</b>	4.27%

*Table 2.1: Economic activity in Tarabuco*  
*Source: PDM Tarabuco 2008-0212*

*Agriculture*

The most important crops in Tarabuco are the potato, wheat, corn, barley and quinoa. The production of potatoes is most important, both in terms of volume produced as well as in the income it generates for farmers that produce them. The potato also constitutes one of the main ingredients for typical Tarabuco meals, which will be discussed further in chapter 6). Farmers consume their own products and sell or trade the excess production at local markets. Tarabuco is an important meeting point for buyers and sellers in the weekends, as many people from the region gather in this village.

Agricultural production is limited by two main factors; the first being the amount of water available. Especially in the last couple of decades the availability of water for agricultural production has decreased due to different factors. The second factor is the erosion of lands due to low coverage of vegetation. This vegetation is mostly caused by excessive grazing of animals and the practices of ‘slash and burn’ that the local population performs in the dry season to make lands more fertile. From an economic point of view agriculture does not offer much security to maintain or augment the standard of living. Prices for agricultural products on local and international markets are low in relation to the time and amount of land devoted to this activity. In addition, income is often unpredictable and insecure due to various external influences. At the same time, studies have shown that



*Illustration 2.2: Farmers in Tarabuco*

approximately 20 to 40 percent of income generated has to be re-invested into next year's crops (Arteaga Sierra, 2008). This leaves farmers with even less money for personal consumption. Finally, only in seasons of harvest and sowing is there a high demand for labor, while during the rest of the year there exists an oversupply of labor. This has led to yearly temporal migration, and recently, more involvement in the tourism sector.

*Migration*

Projections of the National Statistics Institute (INE) of Bolivia show a decrease in the number of inhabitants of Tarabuco. Especially, young people leave the communities in search for work in the cities, since they do not see a future in agriculture. The biggest migration flow goes to the department of Santa Cruz that receives 61% of the migrating population from Tarabuco (Arteaga Sierra, 2008). Men go there to work on the lands, especially during the harvest season of cotton, while women mostly work in Santa Cruz as cleaning ladies or in sales. The city of Sucre constitutes the other main migration destination, receiving 23% of the people migrating from Tarabuco (ibid).

Taking into account that these migration flows occur every year around the same time – the months June to September -, exactly during the high season of tourism, it could be an option to invest in tourism and offer people chances to engage in more locally based economic activities instead of migrating to the city.

*2.3.3 Tourism*

The colonial layout of the village as well as the profound and very visible culture of the people from Tarabuco and the mountainous landscape lay the foundations for the tourism industry. During the week the village is fairly vacant and calm, but on Sunday the area transforms itself into a crowded market that attracts many people from the surrounding communities as well as tourists from all over the world. Local sellers start arriving at the market on Saturday, followed by more merchants on Sunday morning. Tourists are the latest group to arrive at around 10.30 on Sunday. The market offers a



*Illustration 2.3: The central market square during a weekday and on a Sunday*

wide range of products, catering to the needs of locals by providing domestic products, such as clothing, food and cooking wear, as well as to the needs of tourists, who are mostly interested in souvenirs, clothing and jewelry. Products are generally offered on the streets, which are covered by big plastic sails in order to protect the tourists and salespeople from the intense sunlight. Tourists not only visit Tarabuco to buy products, but also to see Tarabuqueños dressed in their traditional clothes and experience a different culture. Another element on the market that is very unfamiliar to



Western tourists is the trading system of products that some farmers still use to buy and sell. This system is called ‘trueque’ and avoids the use of money as a medium to exchange goods.

#### 2.3.4 *Social and ethnic stratification*

In Tarabuco three social groups can be distinguished, according to José Fernández, a professor at the tourism faculty of the Universidad Mayor Real y Pontificia de San Francisco Xavier de Chuquisaca in Sucre. This social stratification, determined by ethnicity and history has strong consequences for economic activities, as can be read in the following paragraphs. Although, the situation is not so clear-cut in practice, this general classification roughly displays Tarabuco’s society.

The *white-mestizos* (a term used to define a person more on the European side of the mixed ancestry) have through historical heritage a strong influence in the region. Usually they are the principal actors in political and commercial activities, which is partly due to their linguistic abilities. Apart from Quechua, which is more used in rural areas, they speak fluently Spanish, which is more apparent in urban regions. Often they alternate between their home and work in Sucre and Tarabuco. Their children enjoy a good education in the city, like they have enjoyed themselves as well. This has resulted in strong linkages with Sucre and the creation of an urban self-image, which is most clearly expressed in their clothing and use of language.

On the contrary, the *mestizos*, who see themselves more of an equal mix between their Spanish and indigenous ancestors, dedicate themselves more to agriculture and the commercialization of agricultural products. Many of them sell their foods on the Sunday market in Tarabuco, while others choose to go to Sucre, where the demand is higher. The *mestizos* prefer to communicate in Quechua and only on occasion use Spanish. They have developed a sort of dialect, which is called *quechuañol*, and holds a mix between Quechua and Spanish. The clothing of the *mestizos* is also a mix between occidental and their traditional garments.

Finally, there are the indigenous people of Tarabuco, who are clearly recognizable by their traditional clothing. They are the direct descendents of the *Yampara*, who used to inhabit the region. The men mostly engage in agriculture, while the women devote their time to taking care of the children and weaving. Adults, women and men alike, are in general monolingual and sometimes illiterate. The younger generation, however, is mostly bilingual, speaking also Spanish, which they learned through temporal migration to the city. In educational terms they have often enjoyed less years of schooling than the Bolivian average, because of their need to earn an income.

#### 2.3.5 *The strategic vision for development in Tarabuco*

Recently, local authorities in Tarabuco are giving more importance to the development and promotion of tourism in their region. Its priority position can be seen, among others, in the *vision estratégica de desarrollo municipal* (the strategic vision for municipal development), which states:

*“[The municipality strives to be] an integrated municipality of a productive agricultural sector, handicrafts and tourism, preserving the Yampara culture, with a rational maintenance of natural resources and the environment, with relationships and sufficient basic services and high human development.”*

Although the agricultural sector is the most important one in the minds of the people of Tarabuco, tourism can complement this sector in three different manners:

- 1) Tourism does not use the same lands as agriculture. Tourism in Tarabuco takes place in the center of the village. Therefore, investing in tourism will not increase the pressure on the limited amount of land.
- 2) The time that a person spends on touristic activities does not interfere with the work that has to be done on the fields. Weaving or the production of other types of handicrafts can be done during the evenings or during periods when there is not much work on the fields. Furthermore, the high season of tourism takes place when there is not much agricultural work to be done.
- 3) The tourism sector – especially the restaurants – could use the agricultural products produced by local farmers. For farmers this could mean a secure and steady local market to which they can sell their products.

### 3. Research design: Following the money

#### 3.1 Research objective and research questions

The main purpose of this study is *to examine whether tourism can be used as a development strategy for poor communities in developing countries to augment and diversify their sources of income*. It is also designed to create awareness among policymakers and local actors about the concept of *leakage* and its relation to *multiplier effects* and *linkages*. These concepts are often unknown to many people and under researched in academic literature, which makes them underestimated in size and consequences. In this study the size and source of leakages has been investigated and the results have been communicated back to the people of Tarabuco in order for local authorities to take action if desired. Local policymakers can better predict the effects and profits from tourism after accounting for these leakages. The main research question is formulated as follows:

***To which degree does tourism augment and diversify the incomes of people in Tarabuco, Bolivia, taking into account the underlying role of leakage, linkage and multiplier effects, and to what extent does this lead to local economic development?***

In order to answer the main question a series of sub-questions have been developed. The first three sub-questions are designed to describe the context in which tourism takes place. The characteristics of the tourism sector, as well as the level of ownership and the linkages between different actors are all of fundamental importance in understanding how leakages arise. These issues will be the focus of the first four questions. Question 5 addresses leakage effects and the sixth question investigates what happens with the money that does stay in the region.

1) *What are the characteristics of the area's tourism sector?*

This question maps the main touristic attractions of the area as well as the most important actors and the stage of the area in the tourism life cycle model. Community initiatives in addition to local government policies are researched in order to form a general idea about the functioning of the tourism area.

2) *To which degree is the primary tourist sector locally owned?*

Since non-local ownership represents one of the major leakages, this question takes a look at the owners of the tourism facilities. In addition to their residential situation, their employees and sources of funding are also researched.

3) *How are different businesses and sectors of the local economy interlinked and how does this result in multiplier effects?*

Outputs of one business/actor being used as inputs for another business/actor is the essence of economic linkages. Where there are more local linkages, leakages should be smaller and multiplier effects should be higher. Also the effects of competition on inter-business relations are investigated.

4) *What are tourists' characteristics and how does this affect their spending pattern?*

By investigating certain tourist characteristics, such as nationality, age, motivation, etc. more insight is expected in their spending pattern. The money that tourists spend is considered to be the engine of the tourism sector, which is magnified by multiplier effects.

5) *What are the main sources for leakage effects?*

Important is to know how leakages arise, where the money goes to, what the size of leakages are, if it is desirable to diminish leakages and if so, how this should be done.

6) *To what extent are retained tourism receipts used for local economic development?*

This last question addresses the topic of what is done with money that stays in the community and if it is used for local economic development.

### **3.2 Working hypotheses**

Touristic communities in the Andes of Bolivia are part of a network; a touristic route. Tourists mostly travel around instead of going to one place and spending their entire holiday there. Therefore, communities are highly dependent on nearby cities to supply them with tourists. From the somewhat bigger cities tourists make (day)trips to smaller communities or pass a village on their way to the next highlight. Tarabuco – the research area for the field study - is an example of such a daytrip community. This village has a large market on Sunday which attracts a lot of tourists from neighboring cities. In addition, many Bolivian people from neighboring communities come to Tarabuco to sell their goods on the market. The community has become more known by international tourists in recent years as it has conquered a spot in most tourist guides about Bolivia. This has increased the size of the market, the number of products sold on the market, the number of transports, and made Bolivian people to rely more heavily on tourists as a source of income. With the increased importance of Tarabuco as a touristic highlight, so too will grow the involvement of non-local actors, unless locals pursue an active policy on the promotion on local linkages and the stimulation of local actors. However, considering that most small communities in the neighborhood of Sucre are visited by tourists as a day activity (so without night accommodation) there is a ceiling to tourists' spending. Therefore, the size of the local multiplier is limited.

In general it is expected to find a community that experiences considerable leakages from tourist expenditures. Most of the money flows to national elites and does not leave the country directly; maybe indirectly through the expenditures of those elites. Nevertheless, considerable money stays in the community and benefits its members. Tourism is seen by them as an additional income-generating activity, since agriculture alone does not offer them much prospects for economic development.

### **3.3 Conceptual model**

The community level is the central unit of analysis in this study as can be seen in figure 4. However, linkages with Sucre are taken into account, since tourists tend to travel around Bolivia and follow certain trails. The development of Sucre and its increased attraction to

(inter)national tourists can benefit nearby communities as well. In addition, these communities often make use of city’s facilities such as markets, goods and services.

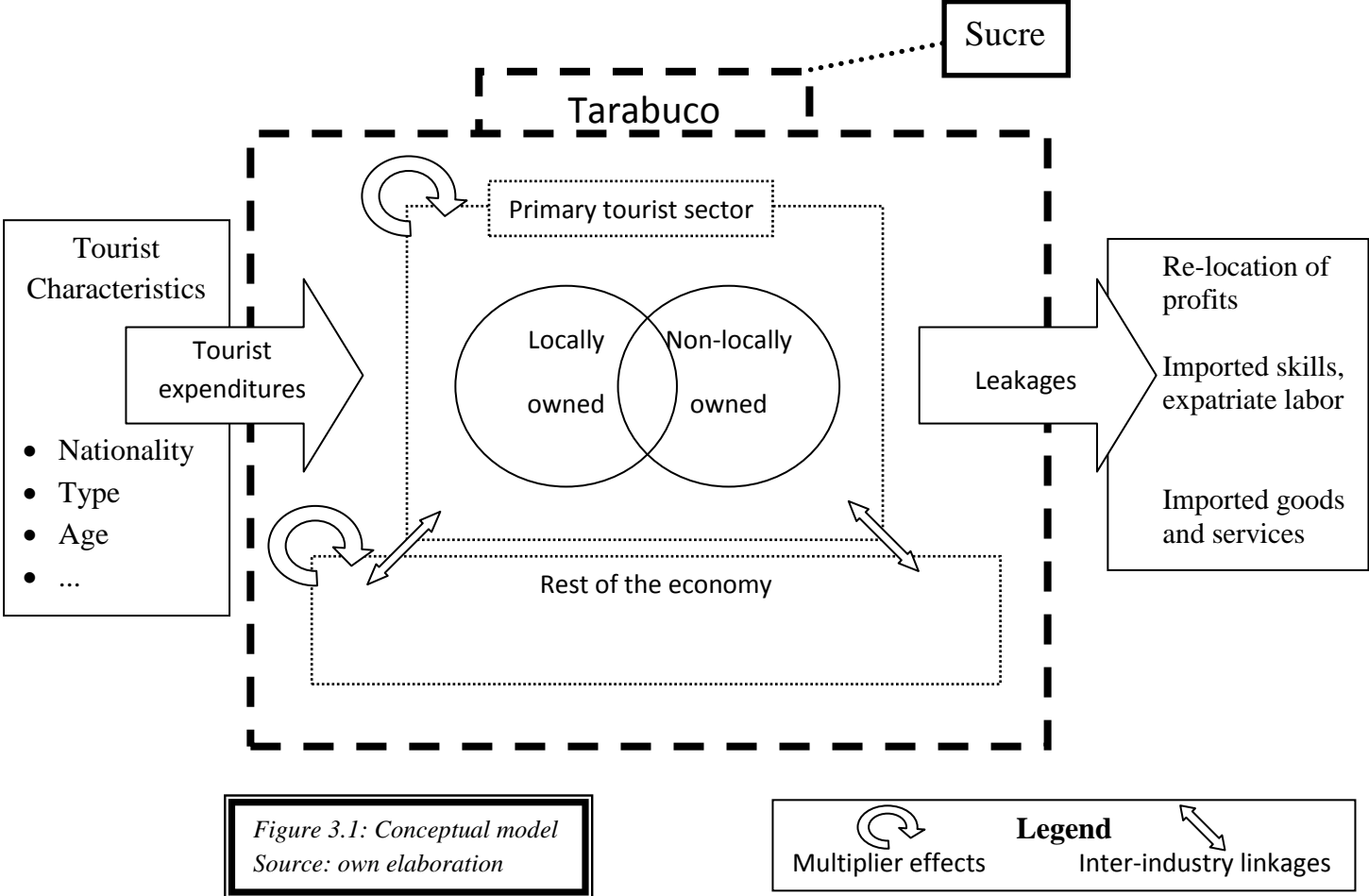


Figure 3.1: Conceptual model  
Source: own elaboration

Legend  
 Multiplier effects (curved arrow)  
 Inter-industry linkages (double-headed arrow)

As tourists arrive in the area they will spend the majority of their money in the primary tourist sector. This sector comprises of hotels, hostels, travel (related) companies, tourist attractions, restaurants, and bars. The amount that will be spent depends on several tourists’ characteristics such as: the tourist’s nationality, budget, age, the activities he or she engages in, and the duration of the stay. As academic literature suggests, ownership of local resources is an important aspect in limiting leakages. Therefore, special attention is given to the degree of local ownership in the model. The primary tourist sector may be (partly) in the hands of non-local investors, who are the legal owners of accommodations, companies or services. If so, profits and rents might flow out of the region. Also they might be inclined to employ workers whom they know from outside the region and make use of non-local services and support activities. Local owners might also make use of non-local services, employees and companies, but their profits will more likely stay within the community. If it does, multiplier effects will occur. The more linkages there are within the sector (intra-sectoral), the higher the multiplier effect will be. Linkages also exist to other parts of the economy; the inter-sectoral linkages. Therefore, tourist expenditures can indirectly flow to other parts of the economy.

Not all money of tourists is bound to the primary tourist sector. Just as local inhabitants of the community they may buy clothes, foods, commodity goods, and services at stores that are not specifically for tourists. This is termed 'the rest of the economy'. Again, strong linkages between different firms and people can enhance multiplier effects and keep the benefits of tourism within the local community. However, also linkages exist with the world outside the community, which result in leakages. These leakages can come in the form of money that is flowing out in the form of profits, rents, money paid for imported goods or services, and taxes that have to be paid to national or provincial bodies.

### ***3.4 Operationalization of concepts***

The main concepts in this study are: tourists' characteristics, the tourism sector, linkages, leakages, and multiplier effects. Each of these variables will be discussed in turn.

#### *Tourists' characteristics*

Tourists will be characterized in terms of their, nationality, age, means of transportation, being part of an organized group, motivation of travel, budget, and spending pattern.

#### *The tourism sector*

The definition by the United Nations World Tourism Organization states that the tourism sector comprises of: *the activities of persons traveling to and staying in places outside their usual environment of not more than one consecutive year for leisure, business and other purposes not related to the exercise of an activity remunerated from within the place visited.* Business or actors deriving income from tourists or that are located in appointed touristic areas are part of the tourism sector.

#### *Linkages*

Linkages are defined as business relations between economic actors which use each others' goods and/or services. Especially important are backward linkages, which are the relations between a certain party in the supply chain and its predecessor. Also linkages that are in existence due to complementary services or goods that actors offer are of interest to this study. Linkages are operationalized in the interviews as relations that a certain firm/person has with other economic actors; whether, for example, goods or services are being used from other local companies.

#### *Leakages*

Leakages are operationalized in accordance with Sandbrook (2010), Mitchell and Ashley (2007) and others who name the following sources of leakages:

- Re-location of profits due to non-local ownership
- Financial outflow due to imported skills or labor
- Financial outflow due to imported commodities or services

### *Multiplier effects*

Multipliers consist of three effects: direct effects, indirect effects, and induced effects. Direct effects occur when tourists spend their money in the destination area. The multiplier effects are constructed by following the money that tourists spend. By conducting interviews on the spending pattern of different actors in the community and through questionnaires with tourists a general idea can be obtained about who benefits to what degree from multiplier effects. The time needed to re-spend is too difficult to measure and will therefore not be part of this study.

### **3.5 Methodology**

The field study is conducted during the months February, March, April and May of the year 2010. It contains the answers of 207 tourists that visited the market of Tarabuco and 35 interviews with local authorities, different actors profiting from tourism in Tarabuco, NGOs and scholars.

#### *3.5.1 Determining the research area*

The research started by determining the research area. Bolivia was selected, because it is the poorest country in South-America and has a very decentralized political structure. This latter factor makes it interesting to hold a research on a local level, where a high level of autonomy exists and local authorities can clearly make their own decisions. Furthermore, Chuquisaca is one of the poorest departments in Bolivia with a high number of indigenous groups, which gives the region touristic potential. Consequently, a survey was held among tourist information offices in Sucre, tourist agencies and students of the faculty of Tourism of the *Universidad mayor Real y Pontificia de San Francisco Xavier de Chuquisaca* to determine what the most popular tourist destinations are in the neighborhood of Sucre. Practically all of the respondents indicated that there are two important tourist areas in the neighborhood of Sucre.

The first is the rural district 8 of Sucre that lies to the west of Sucre in *Cordillera de los Frailles*. This area contains various small communities of which the most popular are Chataquila, Chaunaca, Maragua, Potoló, Irupampa and Quila Quila. Although various tourist agencies in Sucre offer one-day tours to this area, most tourists go for 2 to 3 days to explore parts of old Inca trails through a mountainous landscape. In addition, some of the communities engage in the traditional art of weaving textiles according to authentic patterns, colors and techniques. The end product is sometimes sold to visiting tourists. Unfortunately, during the execution of this research – February to May of 2010 – there were practically no tourists present in the area. During a couple of days in this area several interviews were held with community members, the tourist facilities were tested and observational techniques were applied. Mainly because of the lack of tourist in this region it was found that it was a non-suitable research area.

The second popular tourist area in the neighborhood of Sucre is the Sunday market in the village Tarabuco. All tourist agencies in Sucre offer tours to Tarabuco and even bars and internet cafés try to lure tourists in their busses to Tarabuco. Since a significant flow of tourists goes on Sunday to Tarabuco and the market seemed an interesting place for this study, Tarabuco was selected as research area.

### 3.5.2 Data collection and methods

The research started by holding a questionnaire among tourists on five different Sundays on the market of Tarabuco to determine their spending pattern and making an inventory of their general characteristics that could influence their economic behavior on the market. In total 207 questionnaires were answered by randomly selected tourists. Most tourists were approached on the central square of Tarabuco where they were sitting down, having a rest, a drink or lunch so they had the opportunity to fill out the questionnaire, which is included in Annex A. The questionnaire was printed in both Spanish and English, so tourists had the choice to fill out the one they preferred.

Using the answers of the tourists it was concluded that the majority of their money arrives at three different sectors of the local economy (transport, restaurants and the salespeople of textiles and clothing). In the next phase of the research semi-structured interviews and surveys were held with randomly selected persons working in these sectors. The basic idea was to determine where they spend their money and how tourism is incorporated into their livelihood strategy. Firstly, through an observatory method, the most popular restaurants were identified, whose owners were all interviewed. The questions asked were related to business linkages, expenses (both personal and business related), the importance of tourism, perceptions on the benefits of tourism, and some general questions. Secondly, different drivers on Sundays were also approached for an interview. It was made sure that people from both syndicates were included in the study. They were asked about their income, expenses, income-generating activities, relations with other economic actors, and the importance of tourism for their job. Finally, many kinds of salespeople – there are four kinds, as can be read in the appropriate section - were interviewed. The topics in these interviews were about the same as for the drivers and restaurant holders.

In the final phase of this study it appeared that it was possible to follow the money of the salespeople further, since this group buys part of its offer from *tejedoras*. Through contacts established during the research it was possible to have several interviews with these *tejedoras*. Since the vast majority hardly speaks any Spanish these contacts were so kind to act as interpreters between Quechua and Spanish. The *tejedoras* were asked to describe their lives, how important tourists are for them, their position on the market, their financial situation, future prospects, and whatever topic came up during the interview.

In addition, throughout the months of this research interviews were held with different tourism agencies, university scholars, authorities from Sucre and Tarabuco, and random people on the streets of Tarabuco and Sucre in order to form a general idea about the workings of tourism and the distribution of its benefits in the region. Also interviews were held with salespeople and shop owners in Sucre who sell typical Tarabuco products. This latter category was chosen in order to determine the influence of Tarabuco in Sucre and the financial flows that go from the city to Tarabuco.

### 3.5.3 Biases and limitations

An important bias in this study results from the difficulty to identify national tourists or tourists with the same physical characteristics as Bolivians. This difficulty was also reported



in other research in Tarabuco held by Bolivians (see for example R. Dulón, 2003). Tourists originating from other continents than South-America are easier to recognize as tourists due to their physical characteristics and behavior that sets them apart from Bolivians. Nevertheless, extra emphasis was put into the identification of national and South-American tourists. However, when approaching certain Bolivians and asking if they were tourists in Tarabuco some Bolivians said they did not consider themselves tourists, since they often combined their visit to the market with business.

Another limitation was the Quechua language. A lot of people from rural areas surrounding the village of Tarabuco only speak Quechua and are unable to communicate in Spanish. Some know the basics of Spanish, but feel too reluctant to practice their skills; especially with a foreigner. These situations often occurred when trying to talk to farmers from the Tarabuco region or tejedoras who hardly ever come in contact with foreigners. Nevertheless, this situation could often be resolved by making use of an interpreter. What, unfortunately, could not be arranged was to get invited to the home community of a farmer or tejedora from the Tarabuco region to see in person how their lives are at home. As an alternative they were asked during interviews in Tarabuco about their lives in their home-communities and about the (economic) activities that find place there.

Measuring economic transactions in developing countries is always difficult. Many entrepreneurs or other economic agents do not keep records of their profits and expenses. Some find it not important or other times illiteracy plays a role. Collecting primary data in this sense is very difficult and therefore many estimations were given during interviews or with some difficulty past prices could be reestablished.

3.6 Structure overview: The route of the money

The next chapters will ‘follow the route of the money’ (see figure 3.2). The chain starts with the tourists who spent their money in Tarabuco. Consequently, the three most important sectors (transport, restaurants, and salespeople of textiles and clothing) that receive their money will be investigated. Money flowing to the most important sector will be followed one step further.

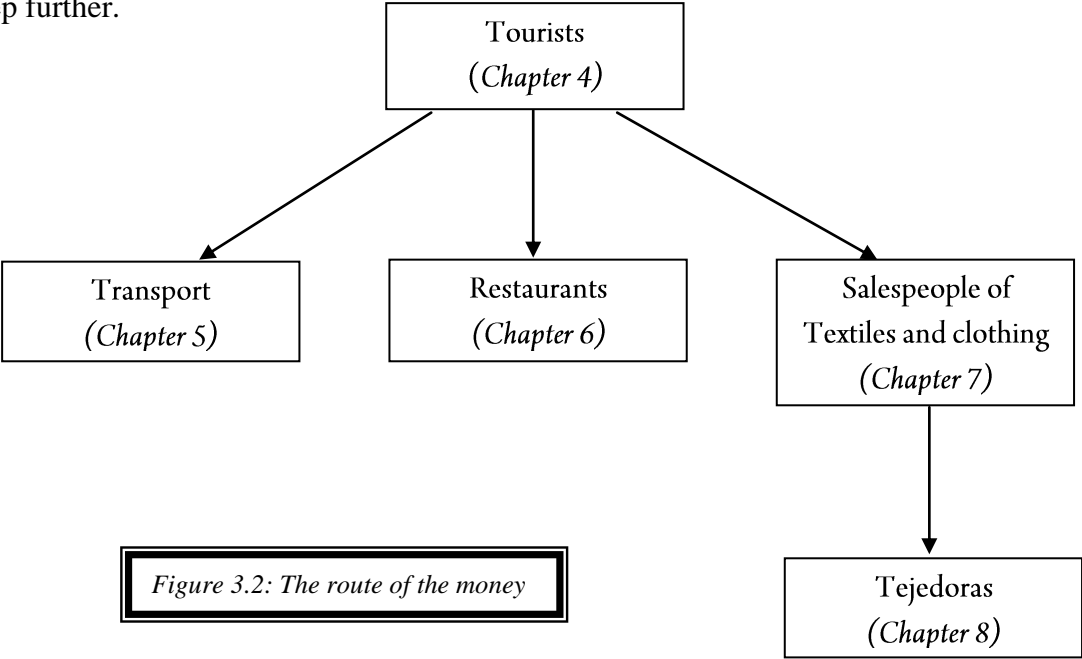


Figure 3.2: The route of the money

#### 4. Tourist characteristics

There are no official data available at the municipality of Tarabuco, nor the vice-ministry of Tourism concerning the number of annual visitors to Tarabuco. Nevertheless, given the fact that practically all tourists arriving in Tarabuco come via Sucre, where the majority of them sleeps and consumes, one can use the studies of Plan de Rehabilitación de las Áreas históricas de Sucre (PRAHS) which estimate that about 20% of all tourists in Sucre visit Tarabuco. Studies by the municipality of Sucre confirm this percentage. Given the fact that Sucre received 75.470 tourists in 2007, it is safe to estimate that approximately 15.000 tourists visited Tarabuco in 2007.

##### Gender

Of the tourists visiting the Sunday market in Tarabuco 40% is male and 60% is female (see table 4.1).

##### Age

In general the visitors are young and can be described as backpackers, travelling alone, with their partner, or with one or two friends. However, there is another prominent group of tourists in Tarabuco. They are generally a bit less young – in their late fifties, sixties or seventies – and mostly travel in pre-organized groups with a tour guide.

Age	Percentage
0-20	10%
20-29	60%
30-39	16%
40-49	1%
50-59	5%
60+	6%
N = 207	

Table 4.1: Age of tourists  
Source: own questionnaire

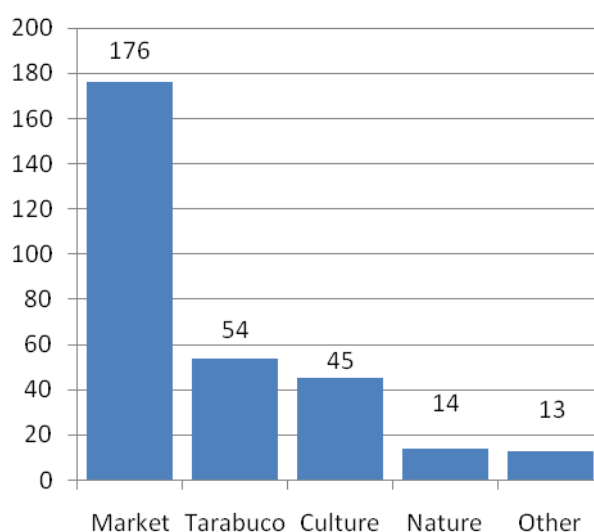


Figure 4.1: Motivation of tourists  
Source: own questionnaire

##### Motivation

The reason for coming to Tarabuco on a Sunday for the far majority of the tourists is the market. Other reasons, which can be seen in figure 4.1, are to know the village Tarabuco, its culture or enjoy the beautiful nature. A small percentage of tourists had other reasons to come, such as the accompanying of a (girl)friend.

### *Nationality*

Observable in table 4.2 are the nationalities of tourists in Tarabuco. Remarkable is that more than half of the total amount originates from only four European countries, namely the Netherlands (18%), France (13%), Germany (11%), and Great Britain (10%). In total Europe makes up 79% of all tourists in Tarabuco. Given the standard of living in these countries, this group of tourists has relatively a large sum of disposable income, which is positive for Bolivians trying to earn a living from tourism. The budget that is available for spending on their holiday is on average larger than tourists coming from South-American countries. A relatively small part (9%) comes from the South-American continent, with Bolivia and Argentina respectively accounting for 33% and 39% of this percentage. In total, national tourists account for no more than 3% of the overall tourist sum. The main reason for this low percentage is that many Bolivians do not have money to go on holidays or do not see the need to leave their home town. In addition, Tarabuco might not be special for them, since they are already familiar with indigenous cultures and products. The upper classes of Bolivian society that do have enough financial room to travel mostly go abroad, therefore not visiting Tarabuco. Finally, around 12% of tourists in Tarabuco come from other parts of the world, such as Australia or the United States. Tourists from the latter country are relatively under-represented in Bolivia, since it is very expensive and difficult for them to arrange a visa to enter the country.

<b>Tourist's country of residence</b>	<b>Number</b>	<b>Percentage</b>
The Netherlands	37	18%
France	27	13%
Germany	22	11%
Great Britain	21	10%
Australia	16	8%
Switzerland	10	5%
Spain	7	3%
Argentina	7	3%
U.S.A.	6	3%
Bolivia	6	3%
Sweden	6	3%
Ireland	6	3%

Continue on the next page

Poland	5	2%
Italy	4	2%
Austria	4	2%
Romania	4	2%
Peru	2	1%
Other	16	8%
<b>Total</b>	<b>206</b>	<b>100%</b>

*Table 4.2: Nationalities of tourists  
Source: own questionnaire*

*Level of independence during travel*

91% of the tourists indicate that they are traveling independently by which they mean that their route and activities are self-determined, without an intermediary, such as a travel organization. The main reasons for traveling independently given by tourists are the increased level of freedom, flexibility and independence that they enjoy. Furthermore, they see no need in having an intermediary organizing their travels. It is cheaper if they organize it themselves and they enjoy the closer contact with the local population (see also table 4.3). These reasons closely relate to the age and life period of the tourists, who are in general youngsters, looking to find their own way in life. Moreover, traveling independently is cheaper and more adventurous than in a tour – which would be the alternative. The remaining 9% are tourists traveling in an organized tour, which they booked in advanced from their home country. This

<b>Reasons to travel independently</b>	<b>Number</b>	<b>Percentage</b>	
Freedom/Flexibility/Independence	31	34%	
No need	17	19%	
Cheap	17	19%	
Local contact	10	11%	
Do not like groups	9	10%	
Other	6	7%	
	<b>90</b>	<b>100%</b>	<b>Total</b>

*Table 4.3: Reasons to travel independently  
Source: own questionnaire*

group distinguishes itself from the young backpackers by their age, since travelers in tours are generally a bit older, as has been discussed above. They like the security that a group offers and often dislike the stress that they feel when organizing a journey themselves.

*Means of transport Sucre-Tarabuco*

The vast majority of tourists visiting Tarabuco opts either for public transport, or private transport, booked via a tourist agency in Sucre. See table 4.4. The third category, ‘other’, covers some tourists who take a taxi or private transport to Tarabuco, but they are relatively small in number.

<b>Means of transport Sucre-Tarabuco</b>	<b>Number</b>	<b>Percentage</b>	
Tourist agency from Sucre	112	54%	
Public transport	74	36%	
Other	21	10%	
	<b>207</b>	<b>100%</b>	<b>Total</b>

*Table 4.4: Means of transport Sucre-Tarabuco  
Source: own questionnaire*

The amount of tourists choosing for transport offered by a tourist agency in Sucre comprises 54% of the total. In the centre of Sucre there are numerous tourist agencies, hostels, bars, internet cafés and other agents offering transport to tourists between Tarabuco and Sucre on Sundays. Tourists just arriving in Sucre often have little knowledge on the means of transportation to Tarabuco and the corresponding prices. There exists an unequal distribution of information, placing newly arrived tourists in a disadvantaged position, eager to accept an offer that sounds reasonable to them. Tours offered by tourist agencies charge prices between 25 and 40 Bolivianos (2,50 to 4 Euros), depending on the agency. The bus leaves from the central square in Sucre and tourists can buy their tickets in advance. As main reasons for making use of transport offered by tourist agencies in Sucre tourists say that they find it easy and convenient (40%) and cheap (23%). Sometimes this type of transport is recommended to them by their hostel or a guidebook (12%). Transport offered by these agencies is often a bit faster, since no stops have to be made along the way, which is important for some (6%). Then there are tourists who appreciate the more comfortable buses of the agencies compared to the public transport (4%) or who state that the main reason for choosing this type of transportation was that they did not know there was public transport (4%) (see table 4.5). Finally, some prefer to go with a tour because the bus leaves from a central place or have another reason.

Reasons to use transport of a tourist agency	Number	Percentage	
Easy and convenient	55	40%	
Cheap	32	23%	
Recommended by hostel or guidebook	17	12%	
Fast	8	6%	
More comfortable	6	4%	
Did not know about public transport	6	4%	
Other	15	11%	
	<b>139</b>	<b>100%</b>	<b>Total</b>

*Table 4.5: Reasons to use transport of a tourist agency  
Source: own questionnaire*

About 36% of all tourists arrive in Tarabuco by means of public transport. The majority chooses this type of transportation because it is cheap (63%) and they enjoy the local experience (20%). Since most tourists are backpackers with an adventurous mindset they enjoy the contact with the local population and learn about local life and customs. By making use of public transport there is more (room for) interaction with locals. In addition their budget is tight, since they are often students or recent graduates. Others are traveling the whole Latin-American continent or are even in the midst of an around-the-world trip, which makes them wanting to stretch their budget as far as possible. That is why they are choosing the cheapest form of transportation, which translates to a bus fare of 8 Bolivianos (0,80 Euros) for a one-way trip.

Public minivans to Tarabuco do not depart from the centre of Sucre. Tourists have to take a local city bus from the centre of town – where most of the accommodations are – to get to the departure point for Tarabuco. Finding the correct bus and the proper departure point is for some tourists too much effort and rather pay a bit more for a tourist agency. Once at the departure point in Sucre, relatively small minivans transport up to 15



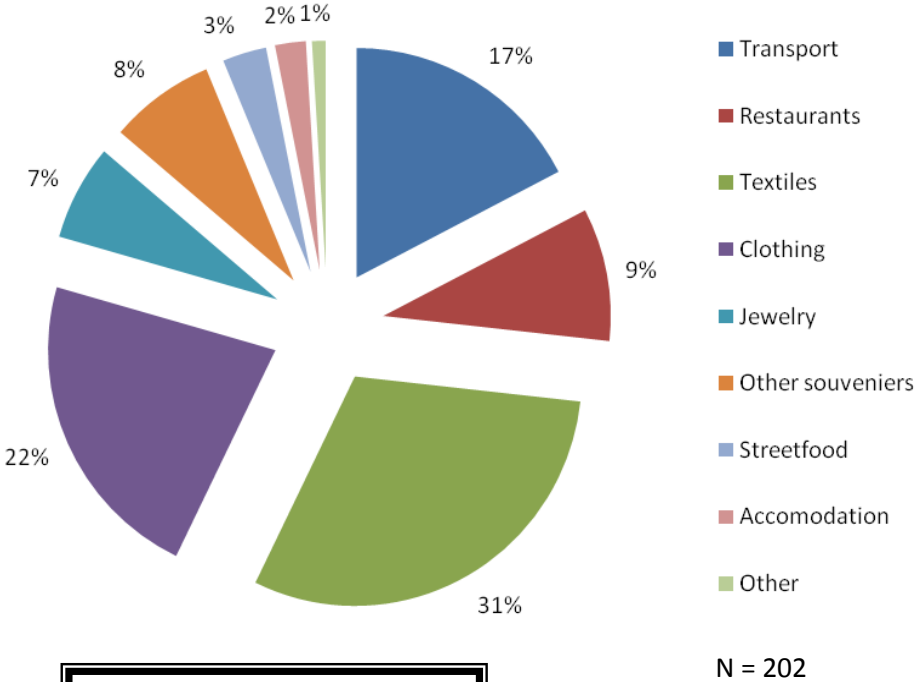
*Illustration 4.1: Promotion poster of a tourist agency in Sucre*

adults to Tarabuco. Cargo is put on the roof of the van and secured with a rope. Along the route, the driver may choose to stop in order to let some of its passengers out or let others in. More on public transportation will be discussed in the next chapter.

*Tourist expenses*

Results from the questionnaire indicate that tourists spend on average 158.40 Bolivianos (15.8 Euros) during their trip to Tarabuco. Compared to their average expenses for a day in Sucre, which is 143 Bolivianos (14.30 Euros), this is a fairly high amount; especially when one considers that a visit to Tarabuco does not take more than half a day and tourists do not sleep there, nor consume breakfast or dinner in Tarabuco.

As can be seen in figure 4.2 the majority of the money that tourists spent goes to three sectors of the economy. 17% is spent on transport from Sucre to Tarabuco, 9% goes to food and drinks in restaurants in Tarabuco and 53% of the tourists’ budget arrives in the hands of salespeople of textiles and clothing on the market. The categories textiles and clothing are taken together in this respect, since they are sold by the same people and also come from the same sources. Before discussing the three most important sectors that receive the money from tourism, there is a short word on the accommodation sector of Tarabuco.



*Figure 4.2: Expenses of tourists*  
*Source: own questionnaire*

*Accommodation*

As one can see in figure 4.2, hardly any tourists sleep in Tarabuco and therefore expenses on accommodation hardly exist, despite of a reasonable offer of hostels in the town. Reasons given by tourists on why they do not spend the night in Tarabuco are the following: A large group of tourists (37%) does not have time to spend more than a day in Tarabuco. They have previously made plans to visit other cities or sites. Many (26%) also think that there is not

much else to do in Tarabuco besides the Sunday market. It would therefore make no sense to stay another day. In addition there is the group of tourists that has already made reservations for the night at a hostel in Sucre (25%). And finally there are tourists that did not know there was accommodation in Tarabuco (8%).

<b>Reasons not to spend the night in Tarabuco</b>	<b>Number</b>	<b>Percentage</b>	
No time	67	37%	
Nothing to do in Tarabuco	48	26%	
I have a hostel in Sucre	46	25%	
I did not know there were hostels in Tarabuco	15	8%	
Other reason	6	3%	
	<b>182</b>	<b>100%</b>	<b>Total</b>

*Table 4.6: Reasons not to spend the night in Tarabuco*  
*Source: own questionnaire*

Given the reasons of tourists not to spend the night in Tarabuco, it would be logical conclude that if Tarabuco diversified and promoted its touristic offer more, a certain percentage of tourists would be more inclined to reserve extra time on their traveling schedule to visit the village and its surroundings. This would also boost other sectors of the economy, since tourists consume more food products and are looking for more entertainment when they prolong their visit. These financial tourism effects could very well extent to restaurants, market salespeople, guides, farmers, *tejedoras*, and others. Awareness of this issue among local authorities in Tarabuco has made them direct more resources towards the promotion and diversification of their touristic offer, as can be read in chapter 9.1.



## 5. Transportation

Tourists indicated spending 17% of their budget on transport. This means that with a total budget of 158.40 Bolivianos for a visit to Tarabuco, a tourist spends on average 27 Bolivianos on transport, which results in an annual sum of 405,000 Bolivianos (40,500 Euros), given the 15,000 tourists that visited Tarabuco in 2007. Although this is a sizeable amount of money, hardly any of it goes to the people living in Tarabuco, which will become clear in this chapter. Table 4.4 displayed the means of transport that tourists use to get to Tarabuco. Observable is that the far majority (90%) goes either with public transport or with transport arranged by a tourist agency in Sucre. These two categories will now be discussed in the following sections.

### 5.1 Tourist agencies in Sucre

As mentioned before, all tourists arriving in Tarabuco come from Sucre and 54% of them use the services of an intermediary. Since these agencies are based in Sucre and do not have employees from Tarabuco nor benefit Tarabuco in other financial manners, this money does not contribute to local economic development in Tarabuco. However, it is interesting to investigate whether Tarabuco notices a difference in the amount of tourists that arrive in Tarabuco due to these companies and thus whether the village might profit indirectly. The tours of tourist agencies can mean three things for the amount of tourists arriving in Tarabuco. Firstly, it is possible that more tourists arrive in Tarabuco, because part of them would not have taken public transport. This is a positive effect for the tourism sector in Tarabuco, because welcoming more tourists generally translates to more income. Secondly, it might be true that tourist agencies in Sucre take away part of the quantity of tourists that would otherwise have used public transport to go to Tarabuco. There is more competition and the pie has to be divided among more agents. A third option is that there is no significant effect of tourist agencies on the quantity of tourists arriving in Tarabuco; that is, hypotheses one and two may cancel each other out. These hypotheses are difficult to test in practice, as one does not know what might be the situation without tourist agencies. Judging by table 4.5, which displays the reasons given by tourists on why they opt for transportation offered by a tourist agency, it is very unlikely that all of these tourists would have chosen for public transportation if other options would be unavailable. However, some tourists in an agency indicated that they are fairly indifferent between the means of transportation and opted for the easiest way. Therefore, Sucre's tourist agencies might pose competition to the public transport sector, but brings more tourists to Tarabuco.

The four most important private companies transporting tourists to Tarabuco make up 67% of the total amount of tourists going with an agency

to Tarabuco (see table 5.1). Two of them specialize in travels and tours in Bolivia. The other two are a popular hostel in the centre of Sucre and a bar/travel agency that is very popular



Illustration 5.1: Logo of Joy Ride in Sucre

among tourists. All are included in the most popular international guidebooks, such as the Lonely Planet and Rough Guide, which creates a lot of exposure. Some tourists describe their guidebook as a ‘bible’ following tips and using the texts as their main guidance during their travels. In addition, these agencies advertise their tours to Tarabuco via posters, banners and flyers in the center of Sucre. One agency even has an entrance ticket to a daily movie in the bar included in the price of the tour. But exposure and promotion is not solely why tourists prefer an agency over public transport, as one employee of an agency explains:

*“The guaranty with us is better. Tourists are assured of a seat on the bus and travel in comfort. They also know that the driver has not been drinking and is licensed to drive.”*

Another employee from an agency adds:

*“Everybody knows that public transport is the cheapest. But tourists also want to be comfortable during the ride and our buses offer more space.”*

Since non-local ownership represents an important source for leakage it is interesting to see who are the owners of these four agencies. Through a semi-structured interview with these agencies it became clear that none of them were born in Sucre. Most of them have double residences in big cities, such as Santa Cruz, Potosí, La Paz, and even one owner is from Italy. Part of their lives take place in those cities, and consequently, part of their consumption pattern. Therefore, money from tourists is likely to flow out of the department Chuquisaca and in some instances even out of Bolivia. Nevertheless, since they do have houses in Sucre, this limits the amount of leakage, since all of them spend most of their time in Sucre. In addition, the majority of the personnel working in these agencies is from Sucre, as well as the drivers, who are hired on Sundays to transport the tourists to Tarabuco.

<b>Tourist agency</b>	<b>Percentage of tourists</b>	<b>Origin of owner</b>	<b>Use of local employees?</b>	<b>Promotion</b>	<b>Driver is from</b>
<b>Joy Ride</b>	22%	Italy	Yes	Banners, flyers, discounts	Sucre
<b>Oasis Travel</b>	21%	Potosí	Yes	Flyers	Sucre
<b>Trans Real Audiencia</b>	15%		Yes	Banners	Sucre
<b>Hostal Charcas</b>	9%	Santa Cruz	Yes	No	Sucre

*Table 5.1: Tourist agencies in Sucre  
Source: own elaboration*

## 5.2 Public transport

The questionnaire indicated that 36% of the tourists use public transport. Translating this percentage to an absolute number of tourists leads to 5,434 tourists visiting Tarabuco per year by public transport. Multiplying this number with the price of the fare of 16 Bolivianos Tarabuco-Sucre (two-way), the annual amount is 86,947 Bolivianos (869.47 Euros) that tourists spend on public transportation between Sucre and Tarabuco. Given the fact that some tourists give tips or get charged a higher price than locals, the number may be even a bit higher. For this section several semi-structured interviews were held with drivers on two different Sundays in April 2010. All of them worked regularly on Sundays between Sucre and Tarabuco, transporting both tourists as well as locals.

Over the years, the Sunday market of Tarabuco increased in size and popularity, which brought more visitors, vendors, and tourists, who all needed to be transported between Sucre and Tarabuco. As a result, the amount of drivers working on this trajectory has increased as well. In fact, it has increased so much, that the offer is exceeding the demand. As one man states, who has been a driver since 15 years:



*Illustration 5.2: Public transportation between Sucre and Tarabuco*

*I have been a member of the syndicate since a time when we were only with 25 persons. At this moment we are with 80. On a Sunday we can do only one roundtrip, since there are so many people wanting to earn their daily bread. There are weekends in which very few people come to Tarabuco to do business. And what are we suppose to do then?*

The increase in the amount of drivers has led to a decrease in revenues. For most of the day a driver has to stand in line, waiting until it is his turn to fill his van with passengers. Hours go by, waiting in Sucre, and again in Tarabuco hours pass. Although the syndicates try to limit the amount of drivers on this trajectory, there are already too many. The main reason why so many men want to work as drivers on Sundays between Sucre and Tarabuco is because the earnings are relatively high. On a Sunday an average driver has a van that can hold up to 14 passengers. Given that the fare is 16 Bolivianos (two-way), his revenue for the day is 224 Bolivianos (around 22.40 Euros), which has to be subtracted with costs such as gas, toll, maintenance, etc, but a profit of around 160 Bolivianos for a day of work is good money in Bolivia.

By far the biggest expense of drivers is the acquisition of their own vehicle. Prices are often more than US\$ 10.000, which is unaffordable for most Bolivians. Considering an average GNI per capita of US\$ 1,460, according to data of the WorldBank, a Bolivian has to set aside all of his income for 7 years to be able to afford this. Hence, this occupation is not for the lower segments of Bolivian society. In addition, these vans have to be bought in the city of La Paz, where they are second-hand (or more) imported from Asian countries. The offer is most diverse there and prices are slightly cheaper than in other places in Bolivia. As one driver explains:

*"I bought my van about 7 months ago. It was August last year. I went to La Paz to get it, because there the minibuses arrive from China. On my own I couldn't afford to purchase such a vehicle, but I got a loan of US\$ 1.000 of my sister. My brothers also helped me, and before that I had a loan of the bank. In total I paid US\$ 10.300 for my van."*

Drivers working in the public transport sector in Bolivia have to become a member of a syndicate. The syndicate strives for common needs and tries to improve the sector as a whole, although most drivers are not aware of its functions. Some syndicates are active on a national level, while others operate more on a regional scale. In return, its members have to pay an annual fee and have the opportunity to express their opinions on matters in regular meetings. In Sucre and Tarabuco there are two active syndicates. They also manage the rotating order in which drivers may transport their passengers from Sucre to Tarabuco. Once in Tarabuco, the same order is valid for the way back to Sucre. Due to the large offer of drivers with vans and only a limited amount of passengers, drivers are only allowed to make one return trip to Tarabuco on a Sunday. In order to promote equality between the syndicates, their members leave in an alternate manner.

Due to the fact that drivers have to possess their own vehicle, which is an unaffordable investment for many people in Tarabuco and due to the fact that the syndicates are located in Sucre, there are not many drivers from Tarabuco. Estimates from drivers themselves indicate that around 3 to 5% of all drivers are from Tarabuco. The rest of the drivers are from Sucre. Considering in addition that all business and personal expenses for the drivers take place in Sucre, - getting gas, the maintenance of the vehicle, membership fee for the syndicate, daily expenses, housing, and school of children etc. - Tarabuco does not receive a significant amount of this money. If one would even follow the financial chain more profoundly, one arrives in La Paz, where drivers buy their minivans that are imported from countries in Asia.

### *5.3 Conclusion*

Academic literature indicates that in tourism areas the transport sector experiences very high leakage rates. Tarabuco is no exception. The estimation of this study is that around 95% of the money that tourists spend on transport does not end up in Tarabuco, but flows to the nearby city Sucre. There are three reasons for this.

Firstly, there is a high involvement of actors from Sucre in the public transport sector as well as in the private transport sector. These men – there are no female drivers between Tarabuco and Sucre – live in the city Sucre. All their business expenses, such as getting gas,

the maintenance of their vehicle, and paying the syndicate, all occur in Sucre. Also their personal expenses, such as buying food and clothing, the school of their children, using medical, administrative or legal services, occur in Sucre. This is mainly because these goods and services are not available in Tarabuco. For example, there is no gas station or garage there; nor is there a shopping center and even the quality of the schools is said to be lower when compared to Sucre. In addition, people from Sucre have in general more financial means than people from Tarabuco; or they have better access to them. Due to high start-up costs in the transport sector – one has to buy a vehicle – many people from Tarabuco are excluded. The lack of financial capital corresponds to the first “inevitable” leakage, brought forth in chapter 1.4.2. This affects both the public transport sector as well as transport arranged by tourist agencies in Sucre.

Secondly, actors in Sucre, such as travel agencies and hostels, have the first contact with tourists coming to the area, which gives these actors the first opportunity to offer tourists transport to Tarabuco. It is much more difficult for actors from Tarabuco to approach tourists, since they would have to go to Sucre to meet them. This gives rise to an unequal competition structure, in which agents from Tarabuco have to wait until tourists are brought to their region. The fact that the syndicates are located in Sucre only strengthens this inequality.

Thirdly, the transport sector is a very mobile sector. People cross geographical borders constantly. Therefore, many (business) linkages are also trans-local. For example, getting gas occurs mostly at a gas station where the price is lowest and not automatically in the place where the tourists have to go.

Nevertheless, opportunities to decrease leakages in this sector are present, as the municipality or other actors from Tarabuco could take part in bringing tourists to their community, once they get a foot in the door in Sucre. Also the tourist profile is in the advantage of Tarabuco, since the average tourist – young, adventurous, backpacker, tight budget – may prefer public transport over transport arranged by tourist agencies if it is more easily accessible. However, many of them are travelling for long periods of time and sometimes prefer a bit of comfort that is offered by the agencies for not that much money.

## 6. Restaurants

Almost all tourists visiting Tarabuco on a Sunday consume lunch in the village, be it in a restaurant, on the street, or in the central market place. Tourists indicate that they spend on average 9% (14.30 Bolivianos) of their total budget on food and drinks in restaurants. Annually this brings the amount to 215,844 Bolivianos (2,158 Euros). The exact amount that stays in Tarabuco as profit for the restaurant owners is undetermined, since none of them keep accurate accounts on how much they spend and earn.

In table 6.1 the five most popular restaurants among tourists in Tarabuco can be seen. All are either located on the central square, where tourists can sit on terraces on the sidewalk or within a one-block distance from the central square, where restaurants have a terrace on patios so tourists can always sit outside. Almost all restaurants serve *Criollo* food, which is typical from the Tarabuco region. This cuisine specializes in dishes using *ají*, a sort of pepper, which can be used for example for *picante de pollo* (spicy chicken) or *picante mixto* (spicy mixed dish). This is then combined with rice, potatoes, onions, and a small salad to create a typical *Criollo* dish. However, as many restaurant owners have discovered, a lot of tourists are not too fond of very spicy food. That is why most of them have diminished the use of *ají* or have switched to international food. Two relatively newly established restaurants in Tarabuco now offer a wide range of international foods (from Italian pasta and ice-cream to American hamburgers and sandwiches) and are the only food businesses in Tarabuco implementing marketing techniques (such as banners, flyers and a website) to attract more tourists.

Restaurant	Type of food	Residence of owner	Type of ownership building	Number of employees	Open on weekdays?	Other source of income
<b>Alejandra</b>	Criollo	Tarabuco and Sucre	Bought	3	No	Yes
<b>Kuki</b>	Criollo	Tarabuco	Bought	2	Yes	No
<b>Doña Pacheco</b>	Criollo	Tarabuco	Rented. Owners are from Sucre.	2-3	Yes	No
<b>Mallki</b>	International	Sucre	Bought	6-8	No	Yes
<b>Pukara wasi</b>	International	Tarabuco and Sucre	Bought		No	Yes

*Table 6.1: Restaurants in Tarabuco  
Source: Interviews and Survey, 2010*

### 6.1 Ownership

Analyzing the owners of the restaurants, it becomes clear that most of them have tight relationships with Sucre. More than half of them have a house in that city, where they stay during the week. On Sunday they come to Tarabuco to work in their restaurant. Because there

is not much clientele during the week, most restaurant owners have been forced to engage in a second job during the week. One can see in table 6.1 that the restaurants that are closed during the week are the ones that have other sources of income. Some owners are veterinarians, engineers or scholars. As one restaurant owner states *“All week are all waiting for Sunday to bring a lot of movement to this town. During the week there is almost nothing here [in Tarabuco]”*.

Four of the five restaurant owners are also proprietors of the building they are operating in. This represents little leakage, since there are no payments, such as rents, to be made to third parties in other geographical places. There is only one restaurant owner who rents the building, because of a lack of financial means. *“The owners [of the building] don’t live here. They are from Sucre. They own the whole building, which includes my restaurant, the two stores next to me and another house around the corner”*. Investigating the housing situation in Tarabuco more profoundly, one encounters many houses that have owners from Sucre. Mostly, they used to live in Tarabuco, but have migrated and some have put their house up for sale or rent.

Employees of restaurants in Tarabuco are practically always family members from each other. Restaurants are family businesses. It can also be characterized as a female business, since all owners and employees are women. Some of them are not in contact anymore with their husbands, who have abandoned them or have migrated in search for employment. The owners of the restaurants are the main chefs and often a daughter helps as a sous-chef or waitress. A few restaurants occasionally have an extra person from Tarabuco helping them with some basic cooking, such as the peeling of potatoes or cutting of vegetables.



*Illustration 6.1: A restaurant in Tarabuco*

### *6.2 Backward linkages: foods*

One of the most important – if not the most important – expense of restaurants is the acquisition of ingredients to prepare food and drinks. Academic literature indicates that restaurants in the tourism sector are often the first to integrate with the agricultural sector of the local economy. Products produced by local farmers are used – in theory - as inputs for dishes prepared in restaurants. Given the fact that most tourists only consume lunch in Tarabuco, the ingredients used by restaurants can be pinpointed fairly exact. This means that the money tourists spend on their lunch can be followed via backward linkages one step further than the restaurant sector. Through semi-structured interviews it was researched who are the agents supplying the restaurants with food and drinks. A Criollo lunch typically consists of four kinds of ingredients: vegetables, bulk goods such as pasta and rice, meat/chicken, and a (bottled) drink. Also the restaurants serving international foods mainly use these ingredients. The origin of these foods will now be discussed.

Vegetables, such as lettuce, carrots, tomatoes, and onions, but also potatoes, which are often used in Criollo dishes, are produced in the neighborhood of Tarabuco. Local farmers, coming to Tarabuco on Saturday and staying until Sunday, sell these goods on the specially designed Farmers Market in the village of Tarabuco, where restaurant owners buy ingredients. These farmers can be considered to belong to one of the poorest layers of society. They generally live in small rural communities and often do not have running water, nor electricity. They arrive in Tarabuco in big trucks, generally transporting up to 40 persons. Once arrived in Tarabuco



*Illustration 6.2: A typical Criollo dish*

they display their agricultural products – often between 10 and 15 kilos – on the ground. The night from Saturday to Sunday is spent in a couple of blankets on the floor. At the end of the weekend some have sold all of their goods, while others take part of their products home for self-consumption or sell it in their own community. Given the financial situation of these farmers, money flowing indirectly from tourists to this group can be considered viable pro-poor spending. Tourists indirectly augment the main source of income of these farmers. Therefore, due to the existence of local linkages, tourism is able to give rise to some distributional effects.

Pasta and rice, which accompany almost every dish, are not produced in the Tarabuco region. Although these goods can be bought in local stores in the village, restaurant owners prefer to buy them in Sucre, where – according to the restaurant holders – the price is lower than in Tarabuco. In addition, strong linkages between the restaurant owners and the city of Sucre make it easier for them to buy them there instead of Tarabuco. Although understandable from their perspective, this contributes to the finances flowing out of the village. The stores selling pasta and rice in Sucre are generally in the hands of the urban middle-class. Distributional effects may not be as large as in the previous paragraph, but money is flowing from North to South through tourism.

The most expensive ingredient used in Criollo dishes is meat, of which chicken is the most commonly used. Although meats are offered at the Sunday market in Tarabuco by the same farmers that sell the previously mentioned vegetables, restaurant owners of the most popular restaurants in Tarabuco prefer to go to Sucre to buy their meat. As one owner states: *“The quality in Sucre is higher than here. In addition, the prices are lower.”* Whether or not the real quality is higher or only the perceived quality, the price in Tarabuco is indeed generally higher than in Sucre. Although the offer of chicken in Sucre sometimes comes from local farmers in the neighborhood, there is one big company that has won grounds over the years: *Pollo Imba*. This Bolivian chicken company is the biggest in Bolivia and also operates in other countries. Another restaurant owner has a different motivation to buy her chicken non-locally. During the week she works as a veterinarian in Sucre, but on Sunday she runs



one of the restaurants on the central square with her mother. She says: “*We don’t buy chicken from Tarabuco, because it is full of hormones. I know a farm near Sucre where they treat the chickens in a healthier manner.*”

When tourists pay for their lunch in Tarabuco the most expensive item on the bill would be their bottled drink. Water, Coca Cola and beer are the three most ordered drinks. Due to a lack of local production, these goods come from large multinational companies and are distributed by *Salviatti*, a Bolivian company. After subtracting the profit margin of the restaurant owner from the price of the drink, the remaining money leaks out of Tarabuco. The money may even leak out of Bolivia, the Coca Cola company is an international firm, with investors from all over the world.

### 6.3 Conclusion

According to academic literature restaurants are the first segment of the tourism sector to develop strong links with other parts of the local economy. Theoretically, money stays in the region through linkages with local farmers, whose products are used as inputs for restaurants. This leads to low leakages and high multiplier effects. One would expect this theory to hold, as agricultural supply is large and diverse in Tarabuco. And indeed, for vegetables, this claim is valid and Tarabuco would fall in the intermediate stage of the *Business Linkage Model* of Kirsten and Rogerson, displayed in figure 1.2. However, for other products, such as pasta, rice, and meat Tarabuco prefers external linkages over the development of local linkages. This gives rise to considerable leakages.

Taking into account the three “inevitable” leakages, mentioned in section 1.4.2, the restaurant sector is coping reasonably well. Due to local ownership of buildings, which are bought with own money, no external sources of finance are used. This limits the outflow of money in the form of rents. The second “inevitable” leakage concerned the employees working in the sector. Since most of them are local, also this leakage is limited. In addition almost all people working in the restaurants in Tarabuco are female. This decreases gender inequality and boosts the economic position of women in the region. The last “inevitable” leakage relates to weak linkages between the



*Illustration 6.3: Farmers market in Tarabuco*

tourism sector and other parts of the local economy. As discussed above, there are relations with local farmers, but competition from Sucre crowds out local supply. This holds for foods, such as pasta, rice and meat. Other goods, such as bottled drinks are not produced locally and also not available in large quantities in local stores, which has resulted in an external dependency on large firms and an outflow of money.

## 7. Salespeople of textiles and clothing

The majority of money that tourists spend during their visit to Tarabuco arrives at the salespeople of textiles and clothing on the market. Tourists spend on average 53% of their budget in this sector. Annually, this brings the total to 1,267,171 Bolivianos (12,672 Euros).

The most popular items among tourists on the market of Tarabuco are displayed below in figure 7.1.



*Figure 7.1: Textiles and clothing in Tarabuco*

According to a study done by the municipality of Tarabuco in 2008 the village counts 82 spots where handicrafts are sold. These salespeople, however, do not all come from Tarabuco. 32% of them are from Sucre, 22% are from the village Tarabuco, 17% are from neighboring communities, and 29% of the salespeople asked in this study did not want to give further information. Of all the people selling handicrafts in Tarabuco, only 22% produces the products themselves. The majority of them act as an intermediary and only buy and sell products, without physically adding something of value to the product.

Merchant's place of residence	Number	Percentage	
Sucre	26	32%	
The village Tarabuco	18	22%	
Communities around Tarabuco	14	17%	
Not willing to give information	24	29%	
	<b>82</b>	<b>100%</b>	<b>Total</b>

*Table 7.1: Salespeople in Tarabuco  
Source: Unnamed study, Tarabuco, 2008*

*7.1 Different kind of salespeople*

Salespeople of textiles and clothing in Tarabuco can be divided into five categories. With the exception of the last category (the NGOs), income is highest in the first category (people that own two stores) and lowest in the last category (ambulant merchants). Generally, as income rises, so does the amount of money that leaks out of Tarabuco. In the following sections the consumption pattern of these salespeople will be discussed in order to see where they spend the money that they receive from tourist. In addition, it will be discussed where they get the textiles and clothing from that they sell to tourists.

The first category of salespeople comprises the persons that have both a store in Tarabuco as well as a store in Sucre. During the week this group lives and works in Sucre and comes to Tarabuco on Sunday morning to open the store and sell their products. As an owner states:

*“One can only work in Tarabuco on Sundays. During the week there are no tourists. Sometimes you can sell something to a Bolivian, but it is not much. There is total silence during the week in Tarabuco....This obligates us to find another job for during weekdays. That is why I am here [in my other store] in Sucre during the week.”*



*Illustration: 7.1: A big store in Tarabuco*

The owners of these stores have sufficient income to live a relatively good life. They have a decent house, can give their children a good education and have every night a decent meal on the table. The products in their stores are generally not produced by themselves, but are bought from others. Sometimes local people – often from rural areas who only speak Quechua – come to their store to offer various hand-made articles. Other times these owners go to cities, such as Potosí, La Paz, Santa Cruz or even Cuzco in Peru to make a selection of products that they bring back with them to Tarabuco. That is why the offer in their stores is divers and does not only represent Tarabuco culture, but it represents Andes culture.

The second category of salespeople is the group that ‘only’ has a store in Tarabuco. The owners of these stores have a higher degree of affection with Tarabuco. Often they were born in the village and spend their whole lives in Tarabuco. Some owners inherited the store from their parents. However, because of the lack of tourists during weekdays, these owners often have other sources of income. In a lot of cases this means that they have a small piece of land where they engage in agriculture. The products that they grow are partly for own consumption and partly for sale on the market. Other times it is the wife that manages the store and looks after the children, while the husband has another job, such as window maker or technician. Although the majority of their consumption pattern takes place in Tarabuco, they have strong relations with Sucre. The majority of the products sold in these stores are not made by the owner. The offer is too divers and part of the offer is considered mass production from the factory. However, some owners engage in weaving and have strong linkages with local producers. As one owner of a store states:



Illustration: 7.2: A small store in Tarabuco

*“I work with a group of women. We produce textiles and tejidos by hand, typical from Tarabuco. The group consists of six to eight women who live in the village of Tarabuco or in small communities in the neighborhood. We are mothers, united together to engage in weaving and sell our products in my store or export them to Europe. I have a friend in Denmark, who came as a tourist to Tarabuco, but is now trying to sell my products to her friends in Denmark. We also want to export to Germany.”*

As can be understood from the statement, some owners try to establish linkages with contacts in other countries in order to expand their market. These contacts first came to Tarabuco as tourists or volunteers, engaged in social contacts, and are now considered friends of some storeowners in Tarabuco.

The third category of salespeople does not have a store. They sell their products on the street, where they have their products spread out on the sidewalk. Often these products are made by them or family members. Especially, when there is not much work in the fields, these people engage in the production of textiles and clothing. Fabricating these goods is something men and women do in their spare time, for example in the evening when there is

no sunlight to work outside. The money they generate is something extra, since they consider themselves primarily farmers and agriculture is their main income generating activity. However, there are also others who do not engage in agriculture, since they live in Sucre during the week, and come to Tarabuco on Sundays to earn some extra money. Estimations from salespeople in this category indicate that around 60% of the people selling their products on the sidewalk are from Sucre, around 30% is from the village of Tarabuco and 10% comes from neighboring communities.

Almost all of these salespeople are located on the central square of Tarabuco or in a side street. Around noon a representative of the municipality of Tarabuco comes by to collect the 1 Boliviano that has to be paid to the local authorities for the use of this spot. Regardless of size, quantity of products offered, or location on the market, all have to pay the same price. This has created competition among the salespeople, who often want to obtain the best spot. As one salesperson says:



*Illustration: 7.4: A saleswoman on the sidewalk*

*“I wake up at five in the morning and go to the central square to put a few items on the sidewalk to mark my spot. The best spot is halfway one of the streets of the central square, since tourists never buy from the first person they pass, neither from the last.”*

The fourth category of salespeople walks around the streets of Tarabuco with the products in their hands or on their shoulders. They live in Tarabuco or one of the small rural communities nearby and engage in agriculture during the week. Selling textiles to tourists is something they do on the side. These people used to sell their hand-made products only on special occasions when they needed money, for example to pay medical bills or make a payment for expensive agricultural equipment. However, since a couple of years their involvement in the Tarabuco tourist industry has increased and they produce and sell more frequently. The people selling products while walking around can be considered economically poor and most of them speak only Quechua or a few words of Spanish. Due to this language barrier it is difficult to communicate with tourists. Nevertheless, body language and some basic knowledge about numbers in Spanish can go a long way. Often they carry with them one or two decently sized tejidos, which is a detailed work that takes around 2 to 3 months to produce. The value can be as high as 1000 Bolivianos (100 Euros), which is also a lot of money for tourists. That is why most of these salespeople specialize in small, relatively cheap, products such as bracelets, belts made from fabric or small tejidos.



*Illustration: 7.5: An ambulant merchant*

The last category is occupied by NGOs of which Inca Pallay and ASUR are the most prominent ones. These associations were established in the 80’s with the aim to strengthen the

culture and capacities of indigenous communities by revitalizing the art of *tejer*. People from the Tarabuco region used to make their traditional cloths themselves, but with the modernization in recent decades, the younger generations do not feel the need to wear those types of cloths. In addition, factory made cloths cost a lot less and are easily available. In total these associations work with about 470 indigenous men and women in the Tarabuco and Sucre region, whom they provide with raw materials and offer courses to instruct them with the right weaving techniques. These techniques were being forgotten in many communities. In general women engage in *tejer*, while men work in agriculture or make traditional carpets. In addition, ASUR and Inca Pally provide them with a large and secure market, since they buy their products and sell them in their stores in Tarabuco and Sucre. Especially in the stores in Sucre the majority of the products are sold, which is a market that the tejedoras could not have reached by themselves.



*Illustration: 7.3: Ticket for a place on the market*

ASUR and Inca Pally are non-profit organizations, which means that they only augment the price of the tejedora with overhead costs to come to the price in the store. In theory, this means that the tejedoras receive most of the profits. Nevertheless, a feeling of mistrust exists among certain tejedoras, who do not understand why the price in the store is so much higher than the price they receive for the product from the association. Speculations even state that the prices in the stores of Inca Pally and ASUR are twice as high as the amount that the tejedoras receive. Officials of both organizations say that indeed around 60% of the price in the store goes to the tejedora. The remaining 40% goes to salaries of employees, raw materials, taxes, maintenance of the stores, some final modifications of the product, etc. As the head of administration of Inca Pally states:

*“Every year we go to the communities to explain what percentage the tejedoras receive and how much goes to other costs such as raw materials, cleaning costs and costs for finishing the product. At times they [the tejedoras] don’t understand why the price that we offer them is not the same as the price in the store. Therefore, we have developed a special flyer to explain why the price is raised. Afterwards they say: You’re right.”*

ASUR was established by a Chilean woman and almost all employees come from Sucre. Inca Pally was established a few years later as a group of people that separated from ASUR due to internal differences. General opinions about these organizations among local people in Tarabuco are positive, since their intentions are perceived as pro-poor and trying to keep the indigenous culture alive. However, these organizations also produce several negative effects. Both organizations only wish to work with the best tejedoras who can produce tejidos of the highest quality. According to some, this has resulted in a situation in which only low quality tejidos are available for the local market, since ASUR and Inca Pally employ the most skilled tejedoras. Furthermore, manually produced thread from sheep wool is unable to create

a high quality tejido. Therefore, thread is bought from a factory in La Paz in bulk for a low price. Although this may improve the quality of the end product and be cost-efficient, it is certainly not the traditional manner. Furthermore, this process contributes to leakage.

From a leakage perspective both organizations try to limit the amount of leakage as much as possible by directing as much profits as possible to the indigenous people in the rural areas of Tarabuco that produce the tejidos. Over the past decades they have developed an identity as intermediary. Not only do they form the bridge between the tejedoras and tourists, they have also constructed local linkages to share knowledge and skills about the art of *tejer*. However, 40% of the final price goes to Sucre (and a small percentage to La Paz). Although this seems a significant amount and could be classified as leakage, one has to imagine that ASUR and Inca Pallay sell most of the goods in Sucre; not on the market of Tarabuco. Therefore, it is money spent in Sucre that leaks to the Tarabuco region. This will be further discussed in chapter 9.2.

## *7.2 Conclusion*

The amount of money that leaks out of Tarabuco due to the high involvement of actors from Sucre is quite high. The “inevitable” leakages from Walpole and Goodwin, as mentioned in chapter 1.4.2, have demonstrated their validity and help in explaining the high leakage rates. There is a lack of local capital, local skills, and local linkages. People from Sucre have generally more financial means, a higher education and more business skills. Moreover, the quality that really sets them apart from the Tarabuqueños is their entrepreneurial mindset. They are actively looking for different ways to make money. People from Sucre take more initiative and are quick in establishing different contacts and relations. Most people from Tarabuco lack this entrepreneurial mindset. They do not identify certain business opportunities and fail to innovate and diversify. Even when they formulate a business plan, there is hardly any own capital available for investment. Most Tarabuqueños do not understand the mindset of tourists. They do not know why tourists are buying textiles and clothing from them, they do not understand their taste, nor have an idea what the lives of the tourists in their home countries are like. The fact is that the life of an indigenous rural Tarabuqueño is completely different from the life of a European tourist, which makes it sometimes quite hard to do business.

Leakages in Tarabuco also arise because of the consumer attitude of tourists. They want the highest quality products for the lowest price. In order to achieve a high quality for a low price, products are coming from factories that produce them on a mass scale in La Paz or abroad. Many tourists appreciate the hand made locally produced tejidos offered by the Tarabuqueños, but do not consider it worth a price of 600 to 900 bolivianos (60 to 90 euros). The vast majority of consumers is not interested in the production chain behind the product. They do not care who made it and who is selling it. That is one of the reasons why people from Sucre see ample opportunities to do business in Tarabuco.

Due to the ease with which products and merchants can move from one place to another, the amount and degree of external linkages is quite strong. They even overrule local linkages, which has brought more competition for local producers and the need to sell to middle-men. This contrasts the situation of a few decades ago, when there was a direct

relation between tourist and producer in Tarabuco. Now, the majority of tourists visiting Tarabuco are not aware of the Tarabuco culture, and do not perceive – or do not interest in – the difference between local and non-local goods.

Nevertheless, a significant percentage of products and salespeople is from Tarabuco. Tourism is seen by them as a way to augment and diversify their income. This contributes to local economic development as defined by Nijenhuis (2002), since development opportunities at the local are increased through tourism. In addition, these opportunities are equally accessible for all groups in society, as is apparent from the diverse group of salespeople in Tarabuco.



## Box 2: The weaving process

The whole process starts with the shearing of the sheep; an activity done by hand, using only a sharp knife. The raw wool that is obtained needs to be spun in order to obtain a strong, thin and even thread that is usable for textiles. The spinning begins by winding the unwashed wool around the wrists of the spinner. Then, using both hands, the spinner must tease the wool slowly to the right thickness. When all the wool has been spun once, it is combined with wool from another spindle, transforming the two separate threads into one single thread. This thread is then ready for washing.

The washing is done with soap or ashes in warm water, to both clean the wool of any dirt, and to strip it of its natural grease, leaving it ready to be dyed. To dye the wool a saucepan is used, which is filled with boiling water, tinted in the desired color. In the saucepan, the wool is constantly stirred, until it has absorbed the desired amount of dye. Traditionally, wool is dyed with a range of natural ingredients, such as mud, sulphur, insects, leaves and flowers; however, due to their comparative cheapness and quality, chemical tints are being used more and more frequently.

In order to begin the actual weaving the tejedora must first prepare a frame with a net of wool. It is only after the frame has been fully threaded, that the weaver will then separate the different colors, by placing a thin stick high up on the frame, which is called an *illawa*, to keep one color beneath while the other is on top. During weaving, the weaver will pass a small, sharp stick along the frame, drawing a string along, called the *weft*, from one side to the other. To ensure a high quality and dense design, after every weft has been passed from one side to the other the weaver will strike it down firmly to tighten the weave, using a tool made from an animal bone.

The design characteristics of the Tarabuco weavings are marked by their strong sense of symmetry, use of color, and representation of real life. A typical tejido from Tarabuco is always divided into bands, with spaces broken up by clear lines. Thus, characterized by a sense of order and symmetry, the effect is that of a radiating light, from which its figures immediately stand out. Funeral or mourning tejidos use predominantly blues, greens and purples, whilst other tejidos use a range of colors, in imitation of the rainbows found in male ponchos. Representing the real concrete world, the weavings are ruled by a sense of natural order; depicting all aspects of the Tarabuco culture, from the natural world of plants and animals, to the Tarabuqueños themselves, the weavings should be read as an expression of real life, complete with cultural objects and figures engaged in everyday activities and festivities.

(Explanation of the weaving process derived from <http://www.incapallay.org>)



## 8. Tejedoras

The tejedoras are producing the most popular items sold by the intermediaries to tourists on the market of Tarabuco. They are mostly women from small rural communities in the neighborhood of the village Tarabuco. According to traditions, they have learned to weave from their mothers since they were young. Generally, they live under the poverty line, have houses constructed from adobe and engage in agriculture during weekdays. Often they have children to take care of. Asked to describe her life in her community a woman said: “*It is suffering*”. The women make tejidos to generate some extra income and diversify their economic activities. Although this art takes a lot of time, the women are proud of their culture and traditions. Most of these women do not speak Spanish. Therefore, the semi-structured interviews that were taken to serve as the basis for this chapter are done in Quechua with an interpreter.

### 8.1 Leakages

Tejedoras cannot sell their products directly to tourists, but have to operate through intermediaries. These middlemen, as we have seen in the previous chapter, are mostly not from Tarabuco. They do, however, take a significant part of the profits with them; sometimes even bigger than the profit given to a tejedora. The three reasons why there is a strong need for intermediaries on the market of Tarabuco relate to the “inevitable” leakages from Walpole and Goodwin.

- 1) Language problems. The general spoken language in the rural areas of Tarabuco is Quechua. Although current education is now completely in Spanish, especially older generations only know Quechua. Tourists visiting the market of Tarabuco can generally speak a few words of Spanish, but Quechua is a language unknown to them. This creates a language barrier between the tejedoras and the tourists, which limits communication. Although it is possible to overcome this language barrier by the use of body language, the vast majority of tejedoras find it easier to sell their products to intermediaries.
- 2) Lack of supply. Weaving is a very time consuming activity. Especially to make larger tejidos it takes a couple of months. When tejedoras come to Tarabuco to sell their products to intermediaries they mostly offer only 3 or 4 products. It is no viable option for them to obtain a spot on the market with only such a limited offer. Tourists like to have a choice from a range of products. Especially when buying the more expensive tejidos tourists prefer stores to street vendors. It gives them more a sense of security that they are used to from their home country.
- 3) Lack of time. Between tejer, agricultural activities, taking care of the house, and raising children, rural women have hardly any time left for other tasks. They cannot afford to ‘lose a day’ sitting on the sidewalk in Tarabuco displaying their products. It is more time-efficient for them to sell their products to others.

The attitude of tejedoras towards intermediaries is understandable, but not considered to be fair. As one elderly tejedora, who lived all her life in Tarabuco, states:

*“It is understandable that people from Sucre come to Tarabuco on Sundays to sell their goods. Everyone is looking for ways to make money and the market from Tarabuco is famous for its culture and textiles. However, those people aren’t good for Tarabuco. They take away part of the sales that would otherwise have gone to Tarabuqueños. In the past there have been discussions and even fights over this topic, but people are tired of fighting.”*

People understand that without these intermediaries they would make more profit. They would benefit more from tourism. As the majority does not overcome the three obstacles mentioned above, there are some women who try to break barriers. A middle-aged woman from Tarabuco who spends a lot of time making all sorts of traditional textiles and clothing says:

*“At this moment I mainly sell my products to middlemen in Tarabuco who own stores. Very few times I have sold to tourists, but I notice I can make more profit when I sell directly to them. That is why I am planning to open my own store. I already have a small room with a doorway to the street that I can use as a location for the store. Now I am increasing the stock. I have 20 items, but if I open I want to have around 500 items.”*



*Illustration: 8.1: A tejedora at work*

The investments needed to open an own store are for many people too costly. The woman described above is able to do this, because her husband recently came back from Spain, where he worked for 3 years as a migrant worker. During that time she had to work on the fields, but now her husband is back and she has more time and money to devote to weaving.

Tejedoras base their prices on three variables. Firstly, the quality. A high quality results from the use of good materials and the application of a good technique. Especially the latter factor takes years of practice and devotion. Not everyone has the talent to make high quality tejidos. The second variable is the costs of the materials. High quality materials cost more money. In addition, larger pieces of textile need more materials. Lastly, the price also depends on the time needed to complete a tejido. Some tejidos can take two to three months to fabricate. Those are more expensive than wallets that take about one week to finish.

## *8.2 Backward linkages*

Traditionally, tejedoras would make tejidos, using only materials that were available in their direct environment. Backward linkages were practically non-existent. The wool to make tejidos used to come from self-owned sheep. Women would make thread from the wool, paint it by means of a natural process and then start the weaving process. However, in this day and age women use factory pre-fabricated wool that has a higher quality and lower costs. In order to be cost-efficient and not fall behind of competition, backward linkages have arisen. Wool is

bought from a large factory, based in the capital, La Paz, or from stores in Sucre, that buy it from the same factory. Also the painting process has changed. Whereas it used to be a natural process, using flowers and plants to color the wool, now chemicals are used, that, again, come from outside of Tarabuco. These backward linkages with external actors may be counted as outgoing financial flows, but simultaneously they serve to maximize the profits of the tejedoras. By eliminating the time-consuming process of making the thread and coloring the wool, as explained in box 2, the tejedoras have more time to dedicate to other activities. They may increase the quantity of tejidos or help out on the fields to increase agricultural production. In addition, the quality of the end-product is often considered to be higher if wool from the factory and chemicals are incorporated in the tejido. Thread bought from the factory has a very consistent thickness and by using chemicals to color the wool, a wider variety of colors can be obtained as oppose to using natural ingredients. The only price that has to be paid is that the weaving process has lost part of its authenticity. As one tejedora on the market of Tarabuco explains:

*“I buy my wool in a store in Sucre. It comes from Oruro and is of a higher quality than I would be able to make myself. In order to arrive at the same quality I would need special sheep with a thick coat, which are too expensive for me to buy.”*

The most expensive products that tejedoras sell are not the ones with the highest quality and the most beautiful colors. As one tejedora explains:

*“I always bring some old traditional second-hand cloths to the market to sell. These clothes are worn by us and make the most money. They have holes, are raffled and full of wrinkles. We don’t iron them though. The tourists like them like that. We only wash them.”*

Tejedoras and salespeople often do not comprehend as to why tourists buy these sorts of clothes. Often they feel that is inappropriate to ask. In addition, these sales generate income, so any question that could possibly interfere with the transaction are avoided.



*Illustration 8.2: A Tarabuco family dressed in traditional clothing*

### *8.3 Multiplier effects*

Being able to sell directly to tourists does not only generate more income for the tejedora, but through multiplier effects also benefits the people around her. Money that she earns has a high probability to remain in the same geographical area, without leaking away, because - relatively speaking - the world of a tejedora is not that big. Often, she lives in a small rural community and besides an occasional trip to a village such as Tarabuco, there is not much contact with people other than her family and community members. Money that is earned is mostly spent on daily necessities such as foods and clothing. These items are bought locally

### *Box 3: Pampa Lupiara, a tejedora village*

Situated at 21 kilometers from Tarabuco is the small community of Pampa Lupiara. It is home to 269 families, who live of agriculture (mainly potatoes, wheat and barley) and speak Quechua as a first language. Some families have animals, such as pigs, cows, donkeys and chickens, that are for self-consumption or are sold on special occasions. Houses are constructed of adobe with straw rooftops and dirt floors. Some have electricity, but there is no street lighting, the roads are not paved, most people lack running water and there is no medical center. Land is scarce, animals are in bad condition, many people are uneducated and there is a lack of work, which has contributed to strong out-migration and alcoholism among men. It is not hard for the villagers to indicate what they need. Harder is to obtain those things with the few means that they have.

Partly because of weaving, a lot more people remain in Pampa Lupiara and the villagers are in a slightly better financial situation. The income that is gained with the sale of tejidos on the market of Tarabuco gives the people of Pampa Lupiara a bit more financial leverage. Locals are also aware of this fact and they name the production of such handicrafts one of the most positive attributes of their community.

In the end, it is here where the money of tourists arrives. Relatively, it may not be much, but every Boliviano is of vital importance to people living in communities such as Pampa Lupiara. This is the distributional effect of tourism and shows that money goes much further than the tourist does.



and thus increase the income of others in the neighborhood. It is also used to put the children through school. One tejedora explains that she was able to enroll all of her 8 children in school with the help of the income generated by her tejidos.

However, multiplier effects in rural areas of Bolivia do not always involve the national currency. On the market of Tarabuco and in many small communities, people use a trading system of goods which does not involve money. This system is named *trueque*. One person might trade potatoes for another person's onions, without using money, but instead determining a relative value of the goods. Through the use of *trueque* the probability of leakage is decreased, since it is easy to take high amounts of money to another geographical area, but it is much more work to transport the same value worth of potatoes to another area. Another consequence is that statistics and academic literature on multiplier effects mostly

only look at financial flows, and do not incorporate trade systems. Therefore, multipliers in rural areas of developing countries – arising also from tourism - might be higher than currently estimated, solely due to the fact that people do not always make use of money.

#### *8.4 Conclusion*

At the end of the financial tourism chain are the tejedoras situated. They form a relatively vulnerable group, since they lack certain language skills in addition to financial means and a strategic market position. Therefore, contacts have been established with intermediaries, such as NGOs and individual merchants. Leakages used to be non-existent, but due to modern techniques and competition, the production process is partly out-sourced, which has given rise to a steady outflow of money. However, high local multipliers benefit the tejedora and her close surroundings. Tourism has created indirectly more employment and livelihood opportunities, which has a positive effect on local economic development.

## 9. Relationship Tarabuco – Sucre

Taken into account the major flow of tourists and economic agents that displaces itself every Sunday between Tarabuco and Sucre, it is worth to explore the relationship between these two cities in more detail. On the one hand Tarabuco receives tourists from Sucre, but on the other hand a lot of money spent in Tarabuco flows to Sucre. As a basis for this section interviews have been held with local authorities as well as with actors operating in the tourism sector of Tarabuco and Sucre.

### 9.1 Local authorities

Due to the political differences between the authorities of Tarabuco and Sucre in past years, there has not been much official contact between the two. However, given recent political developments and the importance that tourism has for both Tarabuco as well as Sucre, more cooperation and contact is expected in the coming years.

In the relation between Tarabuco and Sucre, the latter can be characterized as *distribution centre* and the former as *excursion centre* (Bullon, 1990). According to these definitions, Sucre is a relatively big city with a wide range of services and a diverse touristic offer that attracts a lot of tourists for multiple days per visit. The city has obtained a spot in one of the most important touristic routes of Bolivia, since it is part of the line Uyuni-Potosí-Sucre. Furthermore it is an urban conglomeration with basic touristic services, such as accommodation, tourist agencies, commercial centers, and a wide range of restaurants and bars. The city has cultural, historical and natural attractives, which quantity and quality are enough for tourists to stay for an average of two to three days.

Tarabuco, on the other hand, is characterized as an excursion centre with a more limited touristic offer and tourists tend to visit the village only on Sunday for a couple of hours. All tourists arriving in Tarabuco come from Sucre. Excursion centers always have a distribution centre in the neighborhood which supplies them with tourists. The touristic potential and success of an excursion centre depends for a large part on the distribution centre (Bullon, 1990). As the municipal director of tourism in Sucre says: “*Without a doubt, we consider Tarabuco part of the touristic offer of Sucre*”.

Given the (partly) dependency of Tarabuco on Sucre in the structure described above and the large touristic potential that, until this moment, has not been used to its fullest potential, the municipality of Tarabuco is diversifying its touristic offer in order to attract more tourists for longer periods of time. At this moment local authorities in Tarabuco are executing *programas de sensibilizacion* – educational programs - to demonstrate the beneficial effects of tourism to the local population. According to the municipal director of tourism in Tarabuco:

*“A lot of people don’t know about the benefits that tourism can bring. Some think that tourists come to enslave them again, while others think that the tourists will rob them from their lands. They don’t have much confidence in tourists; especially farmers in small communities. I have heard of cases in which the local population has thrown stones at tourists.”*

Thus, if Tarabuco want to benefit more from tourism, it is important that local authorities inform the local population about the advantages and disadvantages about this economic activity.

### *9.2 The influence of Tarabuco in Sucre*

Given the methodology of this study with its emphasis on leakages, multiplier effects and linkages a partly one-sided story was created. It was researched extensively what happened with the money that tourists spent in Tarabuco, which led often to Sucre. Many salespeople from Sucre are active in Tarabuco and take back with them part of the profits. However, there is a two-sided relationship. There are also salespeople from Tarabuco who go to Sucre to sell their products in the city. Moreover, in every touristic handicrafts store in Sucre one can encounter numerous tejidos from Tarabuco. This means that Tarabuco is also profiting from tourism in Sucre and money flows go from Sucre to Tarabuco as well, as will be explained with examples in this section.

Stores with handicrafts in the center of Sucre have a wide variety of products from the whole Andes region. Store owners that sell products from Tarabuco explain that once in a while Tarabuqueños come to their store, offering handmade products. These farmers are mostly from small rural communities in the neighborhood of the village Tarabuco. One store owners says:

*“Regularly people from rural areas come to sell their products to me. There are always different ones. Especially, in the month November the offer is large, because they need money for the festival of Todos los Santos, during which they remember their deceased relatives and friends. Almost always I buy something from them, because the tourists that come to my store like the colors of the design of Tarabuco.”*

In some streets along the main square in Sucre one can encounter various salespersons from Tarabuco, dressed in their tradition garments, trying to sell their products in the evening hours to tourists. Some of these merchants are the same as the ones that can be encountered on the Sunday market of Tarabuco. However, this does not mean that these sellers actually come from the village of Tarabuco. Mostly they come from Yamparaez, which is a municipality in between Sucre and Tarabuco. In Yamparaez people make tejidos with the same color scheme and designs as in Tarabuco. The people belonging to Yamparaez come to Sucre to augment their income, especially in periods when there is not much work on the fields. Almost all have contacts in Sucre – often in the form of family or friends -, where they can sleep, since they only sell in the evening. The majority of their products are made by hand by women in their family. One merchant says: *“The women weave, while the men sell the products”*.

### *9.3 The changing character of the market in Tarabuco*

An important critique that has arisen from the high involvement of external actors in Tarabuco – especially salespeople – is that the market is losing its identity and uniqueness. These merchants not only take part of the profit with them, but they also bring many non-Tarabuco articles to the market to sell to tourists. Handicrafts, clothing, textiles and jewelry



that come from La Paz, Oruro, Potosí, Sucre, and even Peru, now dominate most of the market in Tarabuco. And some tourists are beginning to realize this as well. As one British tourist in Tarabuco said:

*“It does not matter if you go to Peru, Chile, Ecuador, or to Tarabuco, all the products that they sell are the same. I really expected something different and unique here, but I am quite disappointed.”*

Many locals agree, saying that the Sunday market is losing its identity, because the majority of the products sold there are not from Tarabuco. They are brought in from all parts of Bolivia and even Peru. In addition, many salespeople, restaurant owners, and other actors are also not from the village, as already has been discussed. Tarabuco used to stand out, because it was so different, but now the village and its market are more and more becoming part of the general Andes culture. Some villagers and tourists call for certain regulation or stimulation by local authorities in order to preserve the character of Tarabuco. However, local authorities have yet to respond.

9.4 The 8<sup>th</sup> district of Sucre

Tarabuco is running the risk of losing its tourists to other regions that still display a strong unchanged culture. Many young backpackers are looking for authentic and unique experiences, opposite of the commercialized and standardized world they face at home. In this respect, an interesting area in the neighborhood of Sucre, which is a potential competitive area for Tarabuco, is Sucre’s 8<sup>th</sup> district, situated in the Cordillera de Los Frailes.



Figure 9.1: Sucre and its surroundings

It is part of the municipality of Sucre, but is located on the other side of a mountain range, which makes the journey three to five hours; much longer than from Sucre to Tarabuco. The district includes various communities of which Potoló, Maragua, Chaunaca, Chataquila, Quila Quila, and Irupampa are the most touristic ones. In the area one can encounter various natural attractive, but especially the Jalq'a culture forms an interesting facet for tourism. The locals make tejidos according to distinct and unique patterns, using original techniques. A certain quantity is already being sold on markets in Tarabuco, La Paz and Potosí. Others are sold to tourists that come to the villages in the high season. With the help of NGOs accommodation has been build in two communities in the 8<sup>th</sup> district, which is completely run by members of the community itself. Therefore, also all the profits go to the community. Recently, a museum has been constructed and there are plans to open another one. The local population is very keen on attracting tourists who are interested in learning about their culture and enjoying the scenery; something that is quite different from the small communities in the Tarabuco region.

Tourism in Cordillera de los Frailles has been set up in a different way than in Tarabuco. It has a clear pro-poor and community focus, while Tarabuco is more in favor of stimulating actors in the private sector. The influence from external actors in the private sector is kept at to a minimum as much as possible, with the objective to retain the majority of the profits in the communities and keep control over local resources. In order to accomplish this, however, the help of other external actors - NGOs - was needed. Another advantage that the management of tourism in Cordillera de Los Frailles has, is that it is part of the city of Sucre. Coordination between the two regions is very close, which is a real benefit, since tourists arriving in Sucre can be persuaded more easily to visit the 8<sup>th</sup> district as well. At this moment most tourists visiting Sucre in the weekend prefer to go to Tarabuco instead, but locals say that if the influence of external actors in Tarabuco is not limited and its character retained, then the consequence might be that the flow of tourists will go to the 8<sup>th</sup> district instead of Tarabuco.

### *9.5 Tourism management*

Left untouched by authorities, the tourism industry is subject to power structures and trans-local actors. Leakages can easily spiral out of control and local multiplier effects decrease rapidly. Money that is earned in the community does not stay in the community. This is exactly what happened in Tarabuco. Until 2009 the municipality of Tarabuco did not have a special department for tourism, although tourists had been visiting the Sunday market for decades. The result has been a very active participation of non-local actors and few financial means actually staying in Tarabuco.

An economy does not regulate itself when it comes to limiting leakages. Recently, however, local authorities in Tarabuco are trying to take up the role of regulator and promoter. They are mapping tourist attractions in the region to create incentives for tourists to prolong their visit. In addition, they are giving courses to people working with tourists about basic forms of contact, hygiene and etiquette. Nevertheless, according to some, the ones responsible for these tasks are not qualified enough to execute the job. They are less educated then people fulfilling similar positions in Sucre. Moreover, they are hampered in their work by a lack of

infrastructure, such as good computers, means of communication and transport. Apparently, this is a problem frequently encountered in rural communities as Nijenhuis (2002) points out.

According to academic literature on the management of the tourism sector, local authorities should strive to create an integrated government approach, accommodating all facets of the tourism industry, independent of their available means. The UNWTO also emphasizes that local authorities are the appointed party to strive to make tourism work for the local population. This organization has drawn up a global code of ethics for tourism of which article 5 states:

*“Tourism policies should be applied in such a way as to help to raise the standard of living of the populations of the regions visited and meet their needs; the planning and architectural approach to and operation of tourism resorts and accommodation should aim to integrate them, to the extent possible, in the local economic and social fabric; where skills are equal, priority should be given to local manpower.”*

Stimulating local linkages is very important. Traditional tourism industry strategies have tended to focus solely on the demand side of tourism and the need to increase the flow of tourists to a certain destination. While this remains a valid component in the strategic planning of the industry, an increasing number of strategies have been widened in order to include issues such as destination management and questions of industry “leadership” and direction. As a result new frameworks have emerged for policy action leading to policy objectives that include integration and collaboration across different agencies (i.e. “whole of government”) and different levels of government, as well as partnerships with industry (OECD 2010). If Tarabuco want to decrease its leakages and increase local multipliers, this approach may be a vital tool.

Generally, decentralization in Bolivia is praised for its successes. However, to a certain degree decentralization poses an obstacle for tourism in Tarabuco to be managed properly. Limiting a trans-local phenomenon by geographical boundaries makes it hard to regulate it due to fragmentation of the ones responsible. Tourism in Tarabuco connects the village with Sucre, which is the area where the tourists come from. Both locations, however, fall under different authorities. The differences are amplified by the fact that Sucre is an urban city, while Tarabuco is a rural village, that often have authorities from different political parties. Cooperation from a rational point of view is certainly possible, but often these parties refrain from collaborating with each other. This makes it very difficult to manage tourism flows that cross geographical and political boundaries in Bolivia. In addition, the benefits of tourism are distributed unequally. Tarabuco is the one that has to invest in its touristic attractions, because they fall under its political control. However, actors from Sucre reap most of the gains, but do not partake in any of the investments. This inequality is partly offset by the departmental body of tourism in Chuquisaca, who also gives funds to Tarabuco, but is not enough to counter the general direction of the monetary flows.

From a pro-poor perspective, it is important that local authorities in Tarabuco stimulate small and flexible business opportunities in the local economy. These are often the people that are most vulnerable in economic terms, but have a very adaptable survival

strategy. They form part of the informal economy and keep the economy vibrant, flexible and adaptive. However, in Tarabuco these small entrepreneurs - mostly engaging in tejidos, textiles and agricultural products - are increasingly under pressure due to industrialization, up-scaling, big businesses and out-of-town competition. This limits their profitability and forces some to migrate to the larger cities.

## 10. Conclusions

The general idea of this study was to investigate whether or not tourism can be seen as a viable strategy for rural communities in developing countries, such as Tarabuco, to diversify and augment their income. Very shortly, the answer is yes, but the augmentation of income is very limited. The majority of the money that tourists spend on their trip to Tarabuco leaks away, which was anticipated in this study, the magnitude of leakages, however, has proven to be much higher than expected. Nevertheless, there is also a significant percentage that stays in the community. A fraction of the money even reaches the poorest of the Bolivian society. This amount of money does not seem very large, but often it means the difference between sending a child to school or not. The degree to which income can be raised through tourism depends for a large part on the ability to limit leakages and retain earnings within the geographical tourism area.

The sources of leakage, as brought forth in the literature, have almost all proven to be valid. The main sources of leakage are:

- Re-location of profits due to non-local ownership
- Imported skills and labor
- Imported commodities and services

The geographical source of leakage is often a big city nearby the tourism area. In the case of Tarabuco this would be Sucre. The fourth source of leakage (national and regional taxes) has not proven to be valid in Tarabuco, since rural communities do not pay taxes.

The main reasons for these leakages in Tarabuco are the following:

1. The geographic position of Tarabuco, with its proximity to the city of Sucre, has resulted in much economic activity of people from Sucre in Tarabuco. The travel time is not even one-and-a-half hours via a very good road with a reliable public transport system. This has given rise to a situation in which Sucre shares in the ownership of several houses and stores in Tarabuco, occupies spaces on the market, dominates the transport sector, and there are even some people from Sucre working in Tarabuco's restaurants. And practically all profits and earnings are taken back to the city.
2. Lack of management by local authorities. Although tourists have been coming to Tarabuco for decades, there has not been much management of the tourism sector. Economic agents in the private sector were free to operate, without facing barriers. This has resulted in a domination of the touristic market in Tarabuco by external actors. Local authorities could implement a range of policies to drastically increase the amount of money that stays in the village. In addition, they could favor certain local vulnerable groups, such as the tejedoras, in order to retain more earnings and amplify pro-poor distributional effects.
3. The "inevitable" leakages of Walpole and Goodwin (2000) have proven to be valid and indeed hard to overcome. Many people in Tarabuco lack financial means and the proper skills to actively participate in the tourism sector. In addition, they are hampered by strong trans-local linkages. Also in accordance with the study of Walpole

and Goodwin, the transport sector incurs the highest leakage rate in comparison to other parts of the tourism sector.

4. The type of tourist is also a variable that influences the degree of leakage. Tourists travelling in a pre-booked group tour spend their money generally in a less pro-poor manner than backpackers. The former has less contact with the local population and has a tight itinerary. People traveling in tours make more use of intermediate parties, such as local tourist agencies or travel agencies in their home country that keep part of the profits. In addition, backpackers are more adventurous, which makes for example that they are more quickly inclined to make use of public transport instead of a tourist agency.

As a comment on leakages it should be stipulated that most of the money that tourists spend on their holiday is on transport to the destination area. Especially when traveling to developing countries, most money is captured by airline companies and never reaches the destination area. Therefore, the leakages mentioned above are relatively small pieces of the pie.

In accordance with the high leakage rates reported, multiplier effects in Tarabuco are quite small. Most of the money leaks to Sucre. A high activity of external actors, but also strong trans-local linkages of local actors are the most important underlying causes. However, it should be mentioned that Tarabuco is a small village, which, according to academic literature, is therefore always subject to low multipliers, since many products, services and skills have to be imported.

Local linkages have proven to be important in limiting leakages and stimulating multiplier effects. Many strong local linkages result in low leakages and high multiplier effects. Academic literature predicts that in developing countries the agricultural sector is the first to integrate with the tourism sector. Also in Tarabuco this is true. Tarabuco is situated in a geographical area with a very high agricultural activity, which has resulted in strong linkages between local farmers and restaurant holders, street vendors, and local stores. However, at times these local linkages are undermined by the demand of the tourist sector for products of the highest quality, which regularly come from the big city, where the offer is bigger. In addition, the geographical position of the tourism area, in close proximity to the city Sucre, has led to an extensive network of trans-local linkages that undermine local linkages. On the one hand Sucre is the hub from where tourists make a daytrip the Tarabuco. In addition, it offers many goods and services that are not available in Tarabuco. However, strong linkages with Sucre have resulted in high leakages. Many people from Sucre see opportunities in Tarabuco to earn a bit of extra money that they take back with them to the city.

Despite high leakages, the money that stays behind has favorable distributional effects. Firstly, tourism to developing countries has a global distributional character. Money flows from relatively rich tourists living generally in developed countries, to people in developing countries. In the case of Tarabuco, the money goes mostly to the middle and lower classes of Bolivian society. People working directly with tourists in Tarabuco generally belong to the Bolivian middle-class. The groups that are profiting indirectly, such as local farmers and tejedoras, are considered to be the poorest people in Bolivia. Most of them live under the

poverty line. The money that they indirectly receive from the tourists - how little it relatively may be – strengthens their economic position. Also the money that flows to Sucre does not go to the upper classes. In this sense, tourism can be considered pro-poor. However, tourism can also strengthen regional disparities. Large cities tend to profit to a higher degree than small rural communities. Most of the profits generated in Tarabuco flow to Sucre. In addition, some of the money that stays in Tarabuco is used for migration to bigger cities, which often also strengthens regional disparities.

The decentralized character of Bolivia is frequently praised in international society. However, concerning trans-local phenomena, such as tourism, management is often preferred on higher levels. Decentralization has made Tarabuco responsible for tourism within its territorial boundaries, but management is difficult because many external actors influence the sector. Also political differences between rural and urban areas make cooperation between localities more difficult. Moreover, the analysis of tourism is better done in terms of trans-local flows than limit the research at an artificial geographical border. It would be better to approach the analysis of tourism in terms of trans-local flows rather than to limit the research to an artificial geographical border. In addition, relationships such as between Sucre and Tarabuco can best be investigated by following flows instead of limiting a research to a predetermined geographical area. An advice for further research on this topic would therefore be to devote considerably more attention to tourism flows; flows of people – both tourists and locals - , goods, services, and money. It is only then that the effects of tourism can fully be examined and their effects understood.

Tourism can have enormous positive effects on the economy of the destination area, but it is important to manage tourism well. It is not wrong to see profits flow to another geographical area. All people in developing countries are trying to make a living and provide for their children. However, it is unjust to see one village investing a lot in tourism, while another city takes most of the profits. This holds especially for decentralized countries, where investments have to be made at a local level, while some phenomena, such as tourism, have a trans-local character.

In the end it is certain that tourism can be a viable option for small rural communities in developing countries, such as Tarabuco, to diversify and augment their income. However, significant leakages will always exist. It is the task of local authorities to decide if and how they want to minimize these leakages. Future research on this topic should incorporate the influence of local management on leakages. Also more attention should be given to the workings of leakages, in combination with local linkages and multiplier effects in order to maximize the economic effects of tourism in developing countries and strengthen its pro-poor character.

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Thank you in advance for participating in this questionnaire. With your help, this research can be used by the local government of Tarabuco as well as the city of Sucre to serve as a basis for their investments in the tourism sector, and will furthermore contribute to the international debate about the benefits of tourism in developing countries. The questionnaire will be anonymous and your answers will be treated confidentially. If you have any questions, please do not hesitate to ask me.

Date \_\_\_\_ - \_\_\_\_ - \_\_\_\_

1. Nationality:  
\_\_\_\_\_

2. Age:  
\_\_\_\_\_ years

3. Gender:  
Male / Female

4. Profession/field of study:  
\_\_\_\_\_

5. Why did you come to Tarabuco? (*Multiple answers possible*)

- To visit the market / buy souvenirs
- Cultural activities
- Nature
- To visit friends or family
- To visit Tarabuco
- Other, namely.....

6. Which type of transportation did you use to come here?

- Rented car
- Taxi
- Micro/Trufi (bus)
- Transportation of the tour I am in
- Other, namely.....

7. Why did you choose this type of transportation?

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8. Did you spend the night / Are you going to spend the night in Tarabuco?

- Yes
- No, because I do not have time to stay here another day
- No, because there is nothing to do after the market ends
- No, because I did not know there was accommodation here
- No, because \_\_\_\_\_

9. Did you visit Sucre?

- Yes
- No (*continue with question 12*)



10. Which services did you use in Sucre (*Multiple answers possible*)

- Tourist agency
- Tourist Information Centre
- Accommodation (hotel, hostel, camping, etc.)
- I talked to people from Sucre in order to determine my next activities
- Other, namely.....

11. How much did you approximately spend per day in Sucre?

Approx. \_\_\_\_\_Bs.

12. Do you travel in Bolivia independently or with an organized tour?

- Independently
- With an organized tour

13. Did you arrange your visit to Tarabuco with the help of an intermediary (bar, hostel, travel agency, etc.)?

- No
- Yes, and I arranged my visit to Tarabuco in Sucre
- Yes, and I arranged my visit to Tarabuco in my home country



14. I travel at present:

- With family (how many members?) \_\_\_\_\_
- With friends (how many?) \_\_\_\_\_
- Alone
- Other, namely \_\_\_\_\_

14. What is the name of the intermediary you used?

\_\_\_\_\_

15. Why did you choose to use an intermediary?

\_\_\_\_\_  
\_\_\_\_\_

15. Why do you travel independently?

\_\_\_\_\_  
\_\_\_\_\_

16. What is included in the price of the service?

- Accommodation
- Transportation
- Breakfast
- Lunch
- Dinner
- Guide
- Entrance fees
- Activities, such as \_\_\_\_\_
- Other, namely.....



17. How much will you spend in total per person during your visit to Tarabuco on the following items?

- |   |                   |
|---|-------------------|
| 1. Transportation to Tarabuco and back                        | Approx. _____ Bs. |
| 2. Accommodation  | Approx. _____ Bs. |
| 3. Restaurants and cafes                                      | Approx. _____ Bs. |
| 4. Food (on the street/market)                                | Approx. _____ Bs. |
| 5. Souvenirs  |                   |
| <input type="checkbox"/> Textiles                             | Approx. _____ Bs. |
| <input type="checkbox"/> Clothing and bags                    | Approx. _____ Bs. |
| <input type="checkbox"/> Jewelry (necklaces, bracelets, etc.) | Approx. _____ Bs. |
| <input type="checkbox"/> Other, souvenirs                     | Approx. _____ Bs. |
| 6. Entrance fees (museum, exhibitions, etc.)                  | Approx. _____ Bs. |
| 7. Donations to people on the street                          | Approx. _____ Bs. |
| 8. Other, namely.....   | Approx. _____ Bs. |

18. Were there certain items on the market which you could not buy for some reason?

- No                       Yes, I could not buy these articles, because \_\_\_\_\_  
\_\_\_\_\_

**Thank you very much for your cooperation!**  
**Have a safe continuation of your travel**