



► Impacts of COVID-19 in the tourism sector of La Paz between 2020 and 2021

The COVID-19 pandemic has brought about one of the greatest crises for tourism in recent history. According to the World Tourism Organization (WTO), in 2020 there was a 74 per cent drop in inbound tourism flows worldwide, and a consequent economic loss of US\$1.3 trillion (WTO, 2021).

In 2019, the tourism sector generated 330 million jobs worldwide (WTTC, 2020); by the end of 2020, some 68.6 million people working in the sector were unemployed, accounting for 28.4 per cent of global unemployment caused by the pandemic. The situation in Latin America and the Caribbean was similar, with women (58 per cent) and young people under 24 years of age (20.9 per cent) most affected by the loss of their sources of income (ILO, 2021).

The situation in Bolivia was no different from the rest of the continent: by December 2020, there was a 78 per cent drop in the flow of inbound tourism compared to the previous year, which meant a loss of US\$646 million, according to 2021 data collected by the National Institute for Statistics (INE). In terms of employment, more than 140,000 people were affected during the second quarter of 2020 and, although there was an increase in active jobs in the fourth quarter of the year, employment levels remained far below those of 2019. Another effect of the health crisis was the temporary closure of several tourism MSMEs, some of which were back in operation by the end of 2020, while others closed permanently (ABATUR, 2020).

In the second quarter of 2021, worldwide tourism showed signs of recovery. However, according to WTO projections, it will take approximately four years before the world again registers 2019 levels of international travel movements, and a full recovery will not be achieved until 2024 (WTO, 2020).

The outlook in Bolivia is similar: as of July 2021, 15,000 foreign travellers had arrived in the country, many more than in the previous year (INE, 2021), leaving the sector to expect a slow recovery of inbound tourism before 2019 levels are finally restored.

Characteristics and perspectives of employment in the Bolivian tourism sector

One hundred and forty thousand jobs were lost in the Bolivian tourism industry. Recent INE data indicates that more than half of those affected were self-employed in the hospitality and catering sectors and stopped working during the harshest period of the pandemic without social or health benefits, while the remainder retained their jobs, albeit with reductions in salary (Fiori, 2020).

In rural areas, women have endured the greatest impact: cooks, guides, porters and cleaning staff employed by lodging houses and hotels, or own-account workers, saw their sources of income diminished. They have had to look for alternative livelihoods in areas such as agriculture, commerce or handicrafts, migrating to large cities and

abandoning rural tourism projects. When tourism resumed at the end of 2020, community enterprises had lost qualified labour and so had to begin training staff all over again (SARAVIA, 2020).

The path to recovery will be challenging, demanding knowledge, innovation and the implementation of ICT solutions. It will therefore be increasingly important for tourism professionals to be trained in ICTs skills applicable to the industry, such as online metrics, social networks and Bigdata management (WTO, 2020).

During the pandemic, remote working was established as a way of mitigating the spread of the virus. However, it remained unclear how the costs of new working arrangements should be shared between employer and employees. With the easing of sanitary restrictions, it is reasonable to expect that not all duties will be carried out in a presential manner, as a number of activities have proved to be equally efficient when conducted remotely or in hybrid way, particularly those related to communications and back-office support.

Main barriers to the formalization of MSMEs in Bolivia

FUNDEMPRESA¹, a Bolivian institution for the development and continuous improvement of MSMEs, had by 2019 registered approximately 19,166 hospitality and catering businesses, consolidating an annual growth rate of 4.8 per cent over the previous five years. Nevertheless, many of these do not comply with all the requirements for consideration as formal enterprises. Businesses may still require additional certifications, which are often difficult to acquire. The main barriers for enterprise formalization are:

- Fragmented governance in the tourism sector: administrative decentralization has led departmental and municipal authorities to establish distinctive regulatory frameworks that are sometimes misaligned

with national ones. This phenomenon was further exacerbated by the pandemic.

- Each new regulatory procedure and requirement (such as permits and licences) for tourism MSMEs is usually associated with unique procedures and additional fees, further increasing the time and costs for enterprise formalization.
- High turnover rates and low retention of specialized personnel in the authorizing entities causes serious administrative inconveniences, leading to inadequate documentation management, misplacement of files and processing delays.

Opportunities for promoting the formalization of MSMEs

The reactivation of the tourism sector depends on boosting the competitiveness of MSMEs and promoting formalization as a way of supporting those working under conditions of vulnerability. A number of situational and structural policies have been identified as a result of consultations with key actors.

When unexpected situations such as the COVID-19 pandemic arise, temporary regulatory concessions and sectoral stabilization policies could be considered, for example:

- Extending the validity of operating licenses, certificates and permits to enable tourism businesses to continue functioning in a formal setting, while reducing their expenses, until they are able to generate income again.
- Conducting administrative processes through digital platforms to both expedite procedures and mitigate health hazards, while reducing costs and hence incentivizing entrepreneurs in their formalization efforts.
- Providing support for tourism businesses by offering incentives: tax reductions, access to financial and non-financial services, and specialized training in tourism-related digital platforms.

¹ When this study was under development, FUNDEMPRESA was the public entity primarily responsible for administering and performing the functions of the Registry of Commerce in Bolivia. Currently these functions are covered by the Plurinational Commercial Registry Service (SEPREC).

Looking beyond emergency scenarios and considering the medium to long term, there are key structural policies that can be put in place to promote and maintain enterprise formalization in the tourism sector. According to the actors consulted, the most relevant issues to be addressed are the excessive bureaucratic and regulatory burdens that entrepreneurs must bear when aspiring to have their businesses formalized. A regulatory reorganization of the tourism sector ought therefore to be taken into consideration.

A possible way forward would be to set up a one-stop shop for business registration procedures. Going by the experience of other countries, the following aspects should be considered:

- Coordination among different governmental agencies (national, departmental and municipal) and authorizing entities involved in formalization mechanisms in order to streamline procedures, expedite processing and reduce costs.
- Unifying the criteria for regulation, thus equalizing the formalization standards adopted by different government bodies.
- Multi-stakeholder and cross-governmental agreements that allow for the exchange of databases between the different authorities and administrative levels, so to avoid duplication of requirements, overlapping deadlines and the need for time-consuming reviews of documentation.
- Direct assistance in-situ or through the creation of a web platform that coordinates all the procedures within a one-stop shop.

De-bureaucratization and the facilitation of procedures can generate a more robust apparatus for establishing tourism businesses and greater capacity for monitoring by government agencies, as well as mitigating unfair competition between formal and informal businesses.

Takeaways for stimulating the reactivation of the Bolivian tourism sector

Short-term measures:

- Encouraging domestic tourism, in particular uptake of the products and/or services of formally established companies.
- Regaining the trust of international tourism markets by running promotional campaigns.
- Engaging in public-private activities using new digital marketing platforms.
- Fostering public-private partnerships (PPPs) for the creation of inter-municipal and inter-departmental tourist routes, to attract long-distance travellers.
- Promoting eco-tourism in protected areas to maintain jobs that contribute to the conservation and sustainability of the country's natural resources and historical/cultural heritage.

Medium-term measures:

- Encouraging digital transformation of the tools used by companies for communication and marketing.
- Simplifying regulatory and administrative mechanisms to facilitate the formalization of businesses and employment within the sector.

Long-term measures:

- Attracting investment by creating an enabling business environment with sectoral policies including ad-hoc fiscal and regulatory measures.
- Increasing multi-stakeholder coordination by establishing a consultation mechanism for policies related to the sector.

- Creating a mixed fund (public-private) for tourism promotion.
- Incentivizing green-tourism policies that aim at protecting natural resources and cultural heritage areas.

In conclusion, in order to address the challenges and tap into the opportunities identified, encompassing strategies should be based on a combination of policies and measures, informed by dialogue among stakeholders and aimed at building a more inclusive, resilient and sustainable form of tourism.

Resources:

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