

# Huatulco after FONATUR

By Randy Jackson

In 2023, a milestone agreement was reached that would alter the development path of the federally planned tourism resort of Huatulco. This agreement transfers the assets, responsibilities, and obligations of the developer, FONATUR (*Fondo Nacional de Fomento a Turismo*), to the State of Oaxaca and the municipality of Santa María Huatulco.

Huatulco was conceived, built, and financed by the federally run tourism development organization known as FONATUR, responsible for Mexico's nationally developed resorts known as CIPs – *Centros Integralmente Planeado*, or fully-planned [tourism] centers, the first of which was Cancún in 1974. Prior to development, the Huatulco area was a pristine collection of bays and isolated fishing villages without road connections. Since 1984, FONATUR has developed, maintained, and operated Huatulco through the administrations of several different presidents. Under the recent presidency of Andrés Manuel López Obrador (AMLO), in a bid to decentralize tourism management in Mexico, the entire resort of Huatulco, along with the Mazatlán Marina, Los Cabos, Ixtapa, and parts of Cancún and Cozumel, were all slated to be transferred from FONATUR to state and local authorities. For Huatulco, this transition has begun.

In this article, I outline what we know about Huatulco's FONATUR transition, its implications, and some of its current challenges.

## The Transfer Agreements

- 1) *Convenio General de Colaboración* (General Collaboration Agreement), dated May 30, 2023. The agreement states that FONATUR transfers public services and infrastructure management in Huatulco's CIP to the state government, including roads, water systems, lighting, and waste management. FONATUR will donate related assets and collaborate with the state of Oaxaca during the transition.
- 2) An agreement dated December 29, 2023, effective January 1, 2024. This agreement formalizes the transfer of infrastructure and public service management in the Huatulco CIP from FONATUR to the state of Oaxaca and the municipality of Santa María Huatulco. It includes transferring assets like water systems, waste management facilities, roads, green spaces, and financial support of \$143.8 million MXN (\$7.2 million USD) in 2024 to ensure seamless operations.
- 3) A modification agreement, dated January 4, 2024, amends the above agreement to designate FIDELO (*Fideicomiso para el Desarrollo Logístico del Estado de Oaxaca*, or the Trust for the Logistical Development of the State of Oaxaca), a state-run entity, as the primary entity to manage the transferred assets and oversee services like water supply, sanitation, and waste management.



The transfer agreements also state that FONATUR remains the legal title holder of the properties until all legal and administrative approvals are secured. It also states that FIDELO is to provide quarterly and annual reports to FONATUR detailing the operation and maintenance of the transferred infrastructure and services. These reports are to include financial statements, operational metrics, and compliance with established service standards. These reports have not been made public.

## Enter FIDELO

FIDELO is a parastatal entity (a public corporation) created by the state of Oaxaca on February 15, 1997. Its main objective is to position the state as a competitive region for developing various productive sectors through the promotion and execution of logistics, social, commercial, and tourism projects. Among the functions of FIDELO are to:

- carry out infrastructure and urbanization works
- obtain credits and grant guarantees for financing
- enter into agreements with public and private entities to promote the state's economic development

FIDELO has been involved in various projects in Oaxaca, notably revitalizing the *Parque Industrial y Maquilador* (Industrial and Manufacturing Park) in Magdalena Apasco, Etlá (outside Oaxaca City). However, public information on FIDELO's other projects is limited.

FIDELO has now assumed the public services and infrastructure management previously performed by FONATUR in Huatulco. This includes the water and wastewater systems, parks and boulevard maintenance, solid waste collection, landfill operations, infrastructure maintenance, and all areas of administration required for such services. FIDELO has appointed Lorenzo Lavariega Arista, a former president of the municipio of Santa María Huatulco, as Director of Tourism Center Development. He has an office in Huatulco.

When FIDELO assumed its current Huatulco obligations from FONATUR, it incorporated all the FONATUR staff who provided the transferred services. There followed a staff reduction of about 25%. Lavariega has said he expects the staffing level to increase as the budget allows. Both state and federal 2025 budgets are expected to be approved before the end of December 2024.

### Transfer Implications for Huatulco

Transferring the Huatulco CIP from federal to local management has sparked significant concerns for residents and visitors. Oaxaca, the second poorest state in Mexico, may struggle to manage the project's financial and operational demands. This is particularly alarming given the current inadequacies in critical infrastructure, such as potable water and sewage treatment, which are insufficient to meet existing needs. Urgent upgrades and maintenance are required to ensure sustainability and support future growth.

Additionally, FONATUR had outlined a vision for Huatulco's future development. However, with its departure, the long-term strategy and prospects for Huatulco's growth under state and local administration remain unclear beyond the immediate transition of services. While FONATUR has relinquished operational responsibilities, it retains a significant presence as the owner and marketer of undeveloped properties in Huatulco.

FONATUR's underfunding of Huatulco in recent years has significantly contributed to the current challenges in critical infrastructure, leaving the state of Oaxaca, with at least some federal funding, to prioritize much-needed upgrades. Despite these pressing issues, the transition of operational control from FONATUR to the state of Oaxaca began over a year ago, but the state has not announced a comprehensive plan or future vision for Huatulco.

According to Director Lavariega, Huatulco is of great importance to the state of Oaxaca as a key driver of tourism and economic development. There are no plans for the *municipio* of Santa Maria Huatulco to assume the obligations currently held by FIDELO following the transition. Looking ahead, Lavariega anticipates that CIP Huatulco's needs will be prioritized and addressed depending on the allocation of federal and state resources.

The transition from FONATUR to state and local control marks a pivotal moment in Huatulco's development, and its future remains uncertain. While FIDELO has taken over essential services and infrastructure management, significant challenges persist, particularly regarding the adequacy of funding for infrastructure to support the area's growing needs.

With Huatulco positioned as an important driver of tourism and economic growth in Oaxaca, the coming months and years will reveal whether the state can rise to the occasion and deliver a sustainable vision for Huatulco's future. As residents, businesses, and visitors await some news of the path forward, the story of Huatulco after FONATUR is far from finished—its next chapter has yet to be written.

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