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REGIONAL

**TOOLS TO SUPPORT THE RECOVERY OF THE TOURISM SECTOR
IN CENTRAL AMERICA**

(RG-T4016)

DONORS MEMORANDUM

This document was prepared by the project team consisting of: Estrella Peinado-Vara (MIF/MSM), Project Team Leader; Fausto Castillo (DIS/CHO); Andrés Rubio (DIS/CGU); Carmen Castro (DIS/CES); William Ernest (DIS/CCR); Adela Moreda (CSD/RND); Patricia Guevara (LAB/DIS), Josette Hernández (DIS/CCR); Galia Rabchinsky (DSP/DVF); and Lorena Barrenechea (FML/LAB).

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PROJECT SUMMARY
TOOLS TO SUPPORT THE RECOVERY OF THE TOURISM SECTOR IN CENTRAL AMERICA
RG-T4016

The project will help improve the quality of life of 12,000¹ beneficiaries—including young people, adults, and women—in Central America, in the prioritized tourism regions of Costa Rica, El Salvador, Guatemala, and Honduras. It will reactivate 10,000 jobs, 50% of them will be for women, with special emphasis on young people. The project's objective is to generate entrepreneurship and employment opportunities in the tourism sector through innovation, talent, and technological and digital transformation.

Tourism is one of the main sources of employment, investment, and foreign currency generation in Central America; however, with the crisis caused by the COVID-19 pandemic, its recovery has been slow. Micro, small, and medium-sized enterprises (MSMEs) in the tourism sector will need to be equipped with the tools and technology training necessary to improve business competitiveness, recover, and create jobs, especially for women and young people. An environmental conservation plan that promotes awareness among key stakeholders is also being implemented, given that Central America is one of the most vulnerable regions to the effects of climate change. Therefore, the best way forward is to consolidate smart tourism destinations.²

The project proposes using a digital platform to train and certify tourism workers in all areas, including hospitality, food and beverage services, tour operation, digital marketing of tourism activities and packages, travel brokerage, transportation (all modes), and the safeguarding of environmental and cultural heritage. It will be used to train and certify specialized guides for different activities and destinations. The same platform will be a vehicle for promotional and marketing activities, creating an offering for each country and an integrated offering for Central America. The tool will facilitate biosafety program training, validation, and monitoring (audits) by type of business (e.g. lodging, transportation, food, and recreation). Lastly, the platform will serve as a means of communication at both the country and regional levels in Central America. It will eventually be a source of statistical information, facilitating assessments of management and providing input for the assessment of environmental indicators.

The most relevant elements of the project are job creation; the fostering of talent and innovation; training in the areas of service, sales, and environmental programs; the smart tourism destinations approach; and the use of a platform for all of the above, which will also enhance communication between national and regional chambers of tourism.

The project will directly benefit 4,000 MSMEs and 12,000 individuals (an estimated three indirect beneficiaries per enterprise or MSMEs whose sales have increased as a result), creating 10,000 jobs through reactivation. IDB Lab's contribution will take the form of nonreimbursable technical-cooperation funding.

¹

² According to Spain's Corporation for the Management of Tourism Innovation and Technology (SEGITTUR), a smart tourism destination is defined as "an innovative space, accessible for all, established on a cutting edge technology infrastructure which guarantees sustainable development of the land, facilitates the interaction and integration of the visitor with the surroundings and increases the quality of their experience in the destination, as well as the quality of life of residents."

ANNEXES

Annex I	Results Matrix
Annex II	Summary Budget
Annex III	iDELTA

APPENDICES

Proposed resolution

INFORMATION AVAILABLE IN THE TECHNICAL DOCUMENTS SECTION OF THE IDB LAB PROJECT INFORMATION SYSTEM

Document 1	Itemized Budget
Document 2	Diagnostic Needs Assessment of the Executing Agency (including due diligence and integrity analysis)
Document 3	Project Status Reports and Fulfillment of Milestones and Fiduciary Agreements
Document 4	Procurement Plan
Document 5	Operating Regulations for Innovation

ABBREVIATIONS

COF/CHO	IDB Country Office in Honduras
FEDECAMARA	Federación de Cámaras de Comercio [Federation of Chambers of Commerce]
FEDECATUR	Federación de Cámaras de Turismo de Centroamérica [Federation of Chambers of Tourism of Central America]
iDELTA	Development Effectiveness Learning, Tracking, and Assessment tool for Innovation
MSMEs	Micro, small, and medium-sized enterprises
SMEs	Small and medium-sized enterprises

PROJECT INFORMATION
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Country and geographic location:	Costa Rica, El Salvador, Guatemala, and Honduras		
Executing agency:	Federación de Cámaras de Comercio de Turismo de Centroamérica [Federation of Central American Chambers of Tourism] (FEDECATUR)		
Focus area:	Talent and employment		
Coordination with other donors/Bank operations:	The project will coordinate with the Future Tourism Program: Digital Transformation for Tourism Reactivation in the Context of COVID-19 (operation RG-T3660); Digitalization of the Microenterprise and Small Business Sector: Digital HUB-504 (operation HO-T1375); and other platforms promoted by the Bank such as ConnectAmericas. ³		
Project beneficiaries:	The project will improve the sales of 4,000 MSMEs, indirectly benefiting 12,000 individuals (approximately 3 persons per business), and reactivate 10,000 jobs, 50% of them for women.		
Financing:	Technical cooperation:	US\$575,000	34%
	Investment:	-	
	Loan:	-	
	Other (explain):	-	
	Total IDB Lab contribution:	US\$575,000	
	Counterpart:	US\$1,125,000	66%
	Cofinancing	-	
	Total project budget	US\$1,700,000	100%
Execution and disbursement period:	36 months for execution and 42 months for the final disbursement.		
Special contractual conditions:	Conditions precedent to the first disbursement: (a) participation agreements will have been signed with at least one national chamber of tourism; and (b) a project coordinator will have been appointed. Direct contracting with DDD Servicios Estratégicos and use of the ACTIMO platform are anticipated.		
Environmental and social impact review:	This operation was screened and classified on 27 October 2021, as required by the IDB Environment and Safeguards Compliance Policy (Operational Policy OP-703). Given the limited impacts and risks, the project is proposed as a Category "C" operation.		
Unit responsible for disbursements:	The Bank's Country Office in Honduras (COF/CHO)		

³ [ConnectAmericas](#).

I. THE PROBLEM

A. Context and description of the problem

- 1.1 Nearly 90% of the region's tourism companies are micro, small, and medium-sized enterprises (MSMEs) with limited access to technical assistance and financial resources. The tourism sector, and especially MSMEs, have been hard hit by the pandemic and lockdown measures in Central America. On average, tourism accounts for 10% of GDP in Latin America, but the impact of its productive linkages with other sectors can, in some cases, amount to as much as 30% of GDP. Tourism is one of the largest employers in the region, with over 50% of jobs held by female heads of household throughout the region. Therefore, it is vitally important to reactivate tourism to alleviate the lack of income for small businesses and the resulting impact on job creation.⁴
- 1.2 Tourism has been one of the sectors hardest hit by the COVID-19 crisis. In 2020, the drop in tourism direct GDP in Latin America and the Caribbean was much sharper than the contraction felt in the services sector in general (-6%) or other sectors such as industry (-7%). Tourism has been responsible for just over a third of the 7% decline in regional GDP during the pandemic (World Travel and Tourism Council, World Development Indicators). The sector's outlook remains mired in uncertainty due to global and regional economic instability, the uneven pace of vaccination, the emergence of new variants of the virus, the persistence of outbreaks and transmission, and the lagging confidence levels on the demand side, despite slight improvements in 2021. This situation has affected all Central American countries in much the same way, even though their sectors have very different characteristics and levels of development.
- 1.3 The Federation of Central American Chambers of Tourism (FEDECATUR) brings together the main national chambers of tourism, but there is no system of communication between the different stakeholders in the sector and the chambers. This is a missed opportunity to generate and share knowledge of international best practices and to move toward better regional integration of the sector.
- 1.4 Most small entrepreneurs in the tourism sector need to build capacity to manage their businesses successfully, and there are almost no means to assist them. The lack of resources to train the staff of tourism companies in customer service, marketing, and sales, for example, is a long-standing challenge that has been exacerbated by the pandemic and lockdown measures.
- 1.5 The difficulty that small and medium-sized tourism companies face in accessing platforms for the direct sale of their products and services has significantly reduced their ability to sell and, when they are able to do so through the distribution chain, they are subject to fees that seriously affect their bottom line or make their businesses infeasible.
- 1.6 Broadly speaking, tourism MSMEs lack effective promotion, marketing, and sales strategies and actions. The imperative to use digital tools as a result of market changes and in the wake of the pandemic is another significant disadvantage. Local, national, and international travel restrictions have had a major impact, and once they are relaxed, there are biosafety measures to comply with. Sometimes, MSMEs are

⁴ According to data of the Federation of Central American Chambers of Tourism (FEDECATUR).

either unaware of these measures or do not know how to apply them safely and effectively from a health perspective—not to mention how to apply them in a cost-effective way. It is therefore necessary to support the digitalization of tourism companies if they are to survive. This includes supporting the development of tools that strengthen the industry and facilitate compliance with the law in all areas—including biosafety measures to prevent the spread of COVID-19—and developing a mechanism that facilitates and assures customers of its compliance. This is one element that can help reactivate the sector.

- 1.7 Before the pandemic, the tourism sector was already undergoing a digitalization process in all areas of production and consumption. Online bookings already accounted for 50% of all travel bookings worldwide, with an exponential increase in the use of travel services from mobile devices. Eighty-three percent of travelers globally were already traveling with their mobile device at every stage of their trip. Despite these advances in the digitalization of the sector, MSMEs are lagging behind larger operators. In the reactivation of tourism activity, technology should be used to support real-time data management in order to cope with the health and market crises so this does not become an additional impediment to recovery, particularly for MSMEs.

II. THE INNOVATION PROPOSAL

A. Project description

- 2.1 The objective of the project is to generate income and job creation opportunities for MSMEs in Central America's tourism sector. Before the pandemic, changes in the sector and the sophistication of travelers meant that tourism companies had to adapt to technology in order to be competitive. The context created by COVID-19 has accelerated this need. Given the difficulties that tourism MSMEs in Central America face in accessing technological tools to digitalize their business models for reactivation, as well as the need to comply with standards and practices required by health authorities or recommended to attract customers (biosafety measures to protect against COVID-19 or responsible environmental practices), the project will facilitate MSMEs' access to resources, markets, and technical assistance to overcome constraints to the sector's growth. It will also improve communication among the national tourism chambers and associations and could become a source of revenue for the chambers (FEDECATUR and national and local chambers), ensuring their sustainability and strengthening their role in supporting the sector's companies (see paragraph 5.5).
- 2.2 There are several elements to the intervention. First, a technological tool is needed to facilitate access to relevant information on sanitary measures and other minimum requirements for tourism establishments, and training resources for the sector's MSMEs. The project will also support the digitalization of Central American tourism companies, in coordination with operation RG-T3660, thereby facilitating the exploration of new market niches and tourism promotion.
- 2.3 **Target group.** The project will focus on tourist areas, prioritizing businesses in consolidated destinations identified on the basis of prepandemic tourist inflows and expenditures (i.e. those most relevant to tourism GDP) to accelerate the sector's recovery. These include the Bay Islands, the Copán Ruins (archaeological park),

and Atlántida in **Honduras**; the southern Pacific coast, central Caribbean coast, and eastern Central Valley of **Costa Rica**; Surf City (a coastal area that includes eastern, western, and central zone beaches) and ecotourism activities, bird-watching, adventure tourism, and religious, archaeological, historical/artistic tourism, cruise-ship tourism, nature tourism, as well as geological research, volcano tourism, and SPA-relax in **El Salvador** (the entire country, as it covers a smaller geographical area); and the altiplano, Petén (archeology) and Guatemala City (modern and colonial) in **Guatemala**. In all, 4,000 MSMEs will benefit, including hotels; tour guides; land, air, and water tourism transportation companies; food and beverage establishments; and recreational centers and activities. An estimated 10,000 jobs are expected to come back in the sector, 50% of which will be filled by women).

- 2.4 For this project, the beneficiary MSMEs will be those operated by individuals or legal entities that are engaged in tourism-related activities. Microenterprises are defined as those with fewer than 5 employees; small enterprises, 6 to 30 employees; and medium-sized enterprises, 31 to 100 employees. Participating MSMEs must be incorporated and/or registered as tourism enterprises, signed up as project members, and willing to make a contribution according to their ability to pay (symbolic for the smallest ones).
- 2.5 Special emphasis will be placed on the inclusion of women and young people, who have the highest rates of unemployment and poverty both regionally and nationally. To achieve this objective, FEDECATUR and its members will identify these beneficiaries and ensure that the conditions are in place for both women and young people to have access to the project's services.

B. Components and activities

- 2.6 **Component 1: Strengthening the business fabric of the tourism industry to accelerate recovery (IDB Lab: US\$400,000; counterpart US\$150,000).** The objective of this component is to improve access to information, training, and resources for the sector's stakeholders, particularly MSMEs, by developing a technology platform to interconnect stakeholders, train entrepreneurs and their staff, provide assistance with promotional activities and sales, and support good practices. The component will include activities to develop: (a) training content,⁵ to be made available to users in the areas of (i) tourism industry management, administration, sales, and marketing; and (ii) minimum quality requirements for customer service; (b) an online verification system for the effective and timely implementation of health and safety protocols; (c) a communication system to enable tourism staff and customers to streamline administrative procedures and assess the quality of tourism products and services offered by each member company in real time; (d) a system to facilitate communications between the national chambers of tourism in the region, between the chambers and the companies in each country's tourism sector, and between entrepreneurs both within each country and regionally; (e) a supply system with specially negotiated prices for the sector in each country, to include specialized products needed to comply with biosafety requirements; (f) an advisory services program on good practices in the sector for all stakeholders; and (g) a system of

⁵ To minimize any social or environmental risks related to tourism activities, training modules will be based on generally accepted international standards, depending on the nature of their content.

offerings from the various institutions and companies in each country for entrepreneurs.

- 2.7 This platform will strengthen the capacity of FEDECATUR and the national chambers to represent and support the sector at the local and interregional levels.⁶ It will also generate national and regional statistics to help gather market intelligence that will in turn support the efforts of national tourism entities in charge of promoting and positioning tourism destinations. Moreover, it will facilitate the creation of cooperative promotional campaigns between countries and in the distribution chain of tourism products.
- 2.8 The project will examine the feasibility of a seal or certification to promote and position companies and encourage them to maintain the standards required by the market.
- 2.9 The outcomes of this component will be (a) a functioning networked digital training and management platform; (b) 4,500 MSMEs trained in biosafety measures; (c) 4,500 MSMEs trained in customer service management; and (d) 2,400 MSMEs using the centralized offerings system.
- 2.10 **Component 2: Stimulation of tourism demand and promotional campaigns (IDB Lab: US\$0; counterpart US\$760,000).** The objective of this component is to identify market niches and segments for the development of national, regional, and international promotional campaigns. Their purpose is to raise awareness of tourist destinations and build trust with visitors regarding the safety of traveling in Central America. New market niches or segments are expected to be identified—or existing ones reactivated—to promote visits by domestic and international tourists as additional measures for the sector's recovery. An example of this is domestic or regional tourism to participate in (or attend) sporting events or adventure and community tourism, as each situation allows, building partnerships between national and local chambers of commerce and/or tourism, city halls, and sports and cultural federations or associations. Other opportunities may be identified in connection with natural capital, biodiversity, and archaeological heritage. FEDECATUR's involvement in other initiatives, such as *Visit Centroamerica*, will ensure the appropriate coordination of efforts.
- 2.11 The component's outputs and outcomes will be (a) an outreach campaign launched targeting the sector's companies and potential customers with information about biosafety and quality measures in place in each country; (b) a campaign launched to promote the platform developed in Component 1, encouraging companies to join the platform; and (c) a diagnostic assessment conducted of market niches by country and destination.
- 2.12 **Component 3: Strengthening the digital and environmental management of tourist destinations (IDB Lab: US\$75,000; counterpart US\$165,000).** The objective of this component is to strengthen MSME management, thereby preparing them to address the needs for digitalization and environmental management in the various destinations and subsectors. The concept of smart tourism destinations is promoted by Spain's Corporation for the Management of Tourism Innovation and Technology (SEGITTUR). The intervention will seek to familiarize tourism

⁶ www.visitcentroamerica.com

companies, national chambers, and tourism authorities with the smart tourism destination concept in order to help identify potential future smart tourism destinations going forward, and to identify needs and benefits for public and private stakeholders in the conversion of smart tourism destinations.

- 2.13 Climate change mitigation and adaptation measures and a carbon neutrality program are priorities for tourism in Central America, as environmental sustainability is appealing to visitors. Most of the destinations are natural areas and historical and archeological heritage zones that require protection. To that end, training will be provided, and specific mitigation and conservation programs will be implemented. MSMEs will be trained on the importance of minimizing environmental impact, and options for carbon neutrality and awareness of the effects of climate change will be explored. A training plan on climate change mitigation and adaptation measures will be designed and the adoption of measures will be piloted in selected MSMEs.
- 2.14 The expected outcomes of this component are (a) 5,000 MSMEs familiarized with the concept of smart tourism destinations; (b) 5,000 MSMEs trained on the need for preserving biodiversity; (c) 5,000 MSMEs trained on climate change mitigation and adaptation measures; (d) 300 MSMEs implementing a pilot mitigation or adaptation program; (e) 240 MSMEs implementing a carbon neutrality pilot program; and (d) 15,000 tons of greenhouse gas equivalent will have been avoided.

C. Project measurement, monitoring, and evaluation

- 2.15 The project indicators are aligned with the Bank's Corporate Results Framework and the indicators of the education, talent, and employment priority area. The project is expected to reactivate 10,000⁷ jobs in the tourism sector, 50% of which will be held by women. The project will help develop human talent in the region, training entrepreneurs and their employees in biosafety activities, customer service, and the marketing and management of tourism ventures; and it will improve the incomes of at least 4,000 families and 12,000⁸ people indirectly.
- 2.16 **Monitoring and evaluation system.** A monitoring and tracking system will be developed for the project. The indicators in the logical framework matrix will be monitored, as will inclusion indicators to ensure the participation of women. The information will be collected through the chambers and associations participating in the project and various sources of verification will be used, such as lists of training participants. At the beginning of the project, a baseline will also be established to identify progress made in the defined key indicators.
- 2.17 As part of IDB Lab's project supervision model, resources will be allocated to conduct a midterm evaluation of the project to ensure that outcomes are being met or to make adjustments to determine learning needs, sustainability, and scale.
- 2.18 **Evaluations and the knowledge agenda.** Project evaluations will be based on needs related to implementation, challenges, and outcomes achieved, prioritizing the model's effectiveness and the replicability of the experience in terms of the reactivation of MSMEs' tourism activity and the creation of new jobs.

⁷ It is estimated that 2.5 jobs will be reactivated/created by MSMEs that successfully increase sales.

⁸ It is estimated that three members of the entrepreneur's family will indirectly benefit as a result of improved sales.

- 2.19 The project could contribute to key knowledge-related questions through its aim to test the effectiveness of the platform's tools, campaigns, and the smart destination approach in business models and technologies with the most potential for generating employment and income to benefit the local population and the environment. These include (i) Was the project effective and to what extent were the outcomes achieved? (ii) How can innovation be scaled up in an inclusive way in the tourism supply chain/sector? (iii) What mechanisms can accelerate the adoption of technology by MSMEs? (iv) What are the most significant limitations to addressing gender and diversity gaps? One of the most pervasive challenges is the gender gap, as women are often at a disadvantage in access to financing, business ownership, production-related inputs, and networks.

III. ALIGNMENT WITH THE IDB GROUP, SCALABILITY, AND RISKS

A. Alignment with the IDB Group

- The project is aligned with the Bank's Vision 2025 as it promotes *technology and innovation and resource mobilization aimed at small and medium-sized enterprises (SMEs); targeting the region's vulnerable populations; and addressing crosscutting issues such as gender equality and diversity and inclusion by empowering women and fostering economic growth, as well as climate change and environmental sustainability.*
- 3.1 The project will support the recovery of the tourism sector in Central America by facilitating the adaptation of MSMEs to the new dynamics of the sector. Regional and national organizations are expected to be strengthened through support for talent and employment. This includes the development of human capital in MSMEs and the creation of employment and income-generating opportunities through the reactivation of the economy. It contributes to several pathways identified in the IDB Group's Vision 2025 document, such as (a) digital transformation as an opportunity to promote inclusion, and (b) developing new vehicles for regional integration in the tourism sector, with the joint work of Central American organizations.
- 3.2 The core objective of the Bank's country strategy with Honduras 2019-2022 is to promote stronger and more inclusive growth. Accordingly, the Bank will organize its interventions around three pillars, two of which are closely related to this project: (i) human capital accumulation; and (ii) expansion of sustainable production opportunities. The strategy will incorporate actions that promote women's empowerment and diversity, climate change adaptation, and the use of new technologies to achieve greater impact from interventions. Institutional strengthening and the targeting and coordination of interventions to benefit low-income groups and regions will be key aspects of implementation. Under the Bank's country strategy with El Salvador 2021-2024, the operation is aligned with the pillar of revitalizing and restructuring production, particularly with efforts to develop sectors such as tourism, where the country is potentially attractive because of its natural and cultural capital, leading to an expansion in the region. But the COVID-19 crisis, compounded by shortcomings in the enabling infrastructure and the absence of an adequate interagency coordination framework, jeopardize its recovery and sustainable development in the years ahead. This initiative would effectively strengthen the

coordination of industry stakeholders, accelerate the digitalization processes of SMEs, and support the human talent linked to the sector.

- 3.3 The Bank's country strategy with Guatemala 2021-2024⁹ aligns with the project in the priority area of "Supporting the private sector to achieve higher, more inclusive, and sustainable growth," which seeks to promote productive restructuring in some sectors, and to train young people to enter the formal labor market. To help reactivate production, the IDB Group will support initiatives for the expansion of access to credit by the private sector (mainly MSMEs), with the portfolio in execution and new financial and nonfinancial interventions. This will be accomplished through initiatives to make financial resources more readily available to underserved segments, the strengthening of entrepreneurship and productivity, and leveraging any opportunities that may arise from the optimization of global value chains.
- 3.4 The project is aligned with the IDB Group country strategy with Costa Rica 2019-2022, as it seeks to help the country promote new business models that create more efficient and inclusive products and services based on the use of digital technologies benefiting SMEs. It is also aligned with the efforts to revitalize the tourism sector in response to the crisis caused by the pandemic.
- 3.5 The project is consistent with **the IDB Lab priority area of education, talent, and employment**, and addresses the acquisition of new skills to achieve higher quality employment opportunities, particularly in emerging industries and the new ways of working.
- 3.6 The project will coordinate efforts in Honduras with the IDB Lab project "Digitalization of the Microenterprise and Small Business Sector – Digital HUB-504 (HO-T1375)," executed by FEDECAMARA, with tourism being one of the prioritized sectors. The project will also coordinate and take lessons from the "Future Tourism Program: Digital Transformation for Tourism Reactivation in the Context of COVID-19 (RG-T3660)," whose general objective is to support efforts by the tourism sector in Latin America and the Caribbean to adopt digital and emerging technologies in order to optimize the competitiveness and sustainability of tourism development in the region. This includes the Smart Tourism Destination Network and other potentially related projects and initiatives in the sector in the countries where this pilot program is being implemented, both by the Bank and IDB Invest. The project will use information generated by the International Tourism Demand Model (ITDM) developed by the Bank, which allows realistic adjustments of the value of post-COVID-19-expected demand by the outbound market. This model provides information on the date of market recovery, considering each origin-destination pair based on an epidemiological model; it also examines the impact of income reduction at origin and how it affects the intention to travel and the reduction in confidence to travel, using data on post-pandemic travel intentions. The model will also be coordinated with other Bank-promoted platforms, especially the **ConnectAmericas** platform, due to its focus on women entrepreneurs and training to incentivize their participation in a variety of sectors, as well as the use and adoption of technology to transform and optimize business processes.
- 3.7 The project is aligned with the following **Sustainable Development Goals: SDG 5, Gender equality** (specifically Target 5.8: Enhance the use of enabling technology, in

⁹ Approved by the Board of Executive Directors in November 2021

particular information and communications technology, to promote the empowerment of women); SDG 8: *Decent work and economic growth* (Target 8.2: Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labor-intensive sectors.); SDG 9, *Industry, innovation and infrastructure* (Target 9.b: Support domestic technology development, research and innovation in the developing countries, including by ensuring a conducive policy environment for, inter alia, industrial diversification and value addition to commodities); and SDG 13, *Climate action* (Target 13.3: Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.).

B. Scalability

- 3.8 The project will work with MSMEs in the identified destinations of Costa Rica, El Salvador, Guatemala, and Honduras. The project outcomes can be scaled by the national and local tourism chambers and associations of each FEDECATUR member country, as well as by other organizations linked to the project (municipal governments, sports and cultural federations or associations, or others related to natural capital and biodiversity, or archaeological heritage). The progressive payment mechanism is based on the MSMEs' ability to pay and the potential sale of services on the platform could generate income for their expansion.

C. External risks

- 3.9 The main risks of the project include (i) deterioration of the business climate due to the public health crisis caused by the pandemic and sociopolitical crises; (ii) climate variability and extreme natural events; (iii) threats to public order; (iv) MSMEs' lack of interest; and (v) complexity of stakeholder coordination. As a mitigation measure, the platform and its usefulness will be widely disseminated. In addition, FEDECATUR brings together and represents the majority of tourism establishments and businesses and therefore has the capacity to coordinate and ensure the sustainability of the mechanism once the project is completed.

IV. INSTRUMENT AND BUDGET PROPOSAL

- 4.1 The total cost of the project is US\$1,700,000, of which US\$575,000 (34%) will be provided by IDB Lab as nonreimbursable technical-cooperation funding. Counterpart financing of US\$1,125,000 (66%) will be provided by FEDECATUR, from its own resources and/or from other project partners.

Components	IDB Lab	Counterpart	Total
Component 1: Strengthening the business fabric of the tourism industry to accelerate recovery	\$400,000	\$150,000	\$550,000
Component 2: Stimulation of tourism demand and promotional campaigns		\$760,000	\$760,000
Component 3: Strengthening the digital and environmental management of destinations	\$75,000	\$165,000	\$240,000
Project administration (executing unit costs)	\$35,000	\$50,000	\$85,000
Project evaluation, ex post reviews, and audits*	\$15,000	\$0	\$15,000
Contingencies	\$50,000	\$0	\$50,000
Total	\$575,000	\$1,125,000	\$1,700,000
	34%	66%	100%

*Project evaluation, ex post reviews, and audits will be executed by the Bank.

- 4.2 IDB Lab's contribution will support the main project activities to: (a) generate training content and support for the technology platform; (b) strengthen digital and environmental management; and (c) test the platform and its mechanism for implementation in MSMEs, chambers, and associations, which is expected to be financially sustainable.

V. EXECUTING AGENCY AND IMPLEMENTATION STRUCTURE

A. Description of the executing agency

- 5.1 The executing agency will be the Federation of Central American Chambers of Tourism (FEDECATUR), constituted in Honduras. Its services are aimed at the national chambers of tourism and include mainly: (1) serving, representing, and defending the interests of the national chambers and associations; (2) creating favorable conditions; and (3) strengthening the private tourism sector at the regional level. FEDECATUR members include:
- Belize Tourism Industry Association (BTIA)
 - National Chamber of Tourism of Costa Rica (CANATUR)
 - Salvadoran Chamber of Tourism (CASATUR)
 - Guatemalan Chamber of Tourism (CAMTUR)
 - Honduran Chamber of Tourism (CANATURH)
 - National Chamber of Tourism of Nicaragua (CANATUR)
 - Chamber of Tourism of Panama (CAMTUR)
- 5.2 FEDECATUR will be the executing partner with physical headquarters in Tegucigalpa, Honduras. The chambers and associations of Costa Rica, El Salvador, Guatemala, and Honduras will participate in this pilot program.

B. Structure and implementation mechanism

- 5.3 FEDECATUR, through its team in Honduras, will be in charge of project execution. It will receive resources from the Bank and other contributing partners including national tourism associations and other private sector actors. FEDECATUR will be responsible for contracting the services needed to achieve the project's objectives. Following a process to compare different options for the platform, the decision was made to contract DDD Servicios Estratégicos directly and to use the ACTIMO platform. FEDECATUR will coordinate country activities with the national chambers of tourism, which will be responsible for implementing the platform through local chambers to reach the beneficiary MSMEs.
- 5.4 FEDECATUR's proposal suggests contracting DDD directly and using the ACTIMO platform. DDD Servicios Estratégicos, based in Costa Rica, is a company with 20 years of experience helping tourism companies with training and the management of customer service, marketing, and sales. Over the years, the company has served more than 200 companies in the region. DDD is headed by Mr. Bary Roberts Strachan,¹⁰ a tourism industry professional with over 50 years as a successful entrepreneur in hospitality, food and beverage, tour operation, transportation, and other areas. He has been at the forefront of sustainable and regenerative tourism in Central America in both the private and public sectors, and is credited with conceiving, designing, and implementing the Certificate for Sustainable Tourism.
- 5.5 [ACTIMO](#), represented in Central America by DDD Servicios Estratégicos, is a technology platform designed for communication and training. It has individual tracking and scheduling controls and allows different users to be grouped together. It is a tool to help organizations deploy programs and joint actions of various stakeholders. This tool allows for the real-time virtual verification of the effective and timely implementation of health protocols required by national agencies, as well as the assessment of products and services offered by the companies. There is a sliding scale payment mechanism for platform membership, segmented by MSME size, and pricing will increase based on increased ability to pay.
- 5.6 A project coordination team will be established by the organizations and other agencies associated with the project, with which a joint work plan will be developed to involve the stakeholders in the activities; common metrics (some included in this document) will also be defined to evaluate the status of the project.
- 5.7 The chairpersonship of FEDECATUR rotates annually. In 2021, the Salvadoran Chamber of Tourism (CASATUR) is the pro tempore chair; in 2022 it will be chaired by Guatemala and in 2023 by Honduras. The project execution unit will be linked to FEDECATUR in Honduras and a governance mechanism will be designed to take advantage of the rotation system to ensure the participation of all countries.

¹⁰ <https://www.hbs.edu/creating-emerging-markets/interviews/Pages/profile.aspx?profile=broberts>.

VI. FULFILLMENT OF MILESTONES AND SPECIAL FIDUCIARY ARRANGEMENTS

- 6.1 **Results-based disbursements and fiduciary arrangements.** The executing agency will agree to the IDB Lab standard arrangements concerning results-based disbursements, procurement policies, and financial management applicable to the private sector. This is consistent with the result of the diagnostic needs assessment of the executing agency, which shows that FEDECATUR has a financial management system acceptable to IDB Lab and a monitoring and accountability structure in place for the annual presentation of its institutional financial statements to the Bank.
- 6.2 **Risk- and performance-based project management.** Under this modality, disbursement amounts for the project will be determined according to the project's liquidity requirements, estimated for a maximum period of six months. IDB Lab and the executing agency will agree on these requirements, which will reflect activities and costs programmed in the annual planning exercise.
- 6.3 **Disbursements.** The first disbursement will be subject to fulfillment of the conditions precedent, and subsequent disbursements will take place if the following two conditions are met: (i) IDB Lab has verified that the milestones have been fulfilled, as agreed upon in the annual plan; and (ii) the executing agency has accounted for at least 80% of the cumulative funds advanced. If disbursement milestones are not met, the executing agency will present, for the Bank's no objection, an action plan to achieve the milestones. If the action plan is unsuccessful, the Bank may cancel the project's undisbursed balance.

VII. ACCESS TO INFORMATION AND INTELLECTUAL PROPERTY

- 7.1 **Access to information.** The information in this document is classified as "public upon approval" under the Bank's Access to Information Policy.¹¹
- 7.2 **Intellectual property.** The project will be carried out using the know-how and methodologies previously developed by the executing agency, which will retain ownership thereof. The intellectual property of the platform will remain in the hands of the executing agency so that it can continue to manage the platform independently after the project ends. Diagnostic assessments and other deliverables obtained under the project belong to the Bank. The Bank will grant the executing agency an irrevocable, worldwide, perpetual, royalty-free, and nonexclusive license to use, copy, distribute, reproduce, and publicly display and perform any proprietary product resulting from the project's execution, and to develop derivative works.

¹¹ <https://www.iadb.org/en/access-information/home>.