

**DEVELOPMENT OF SKILLS, STANDARDS AND CERTIFICATION SYSTEM FOR THE TOURISM
SECTOR**

(TC-98-01-45-9-BR)

EXECUTIVE SUMMARY

EXECUTING AGENCY: Hospitality Institute (HI)

BENEFICIARIES: Direct beneficiaries of the project will be the tourism sector which will be equipped to oversee the development and implementation of the skill standards and certification system. The target populations would be current workers, new entrants, industry employer, and training providers.

OBJECTIVES: The overall objective of the project is to facilitate improvements in service quality and increase competitiveness by establishing the framework for a system of national, competency-based skill standards and certification for workers in the tourism sector.

Specific objectives of the project are: (i) facilitate the ongoing collection, analysis and dissemination of information related to human resource development needs for the tourism sector; (ii) define and implement a process which leads to acceptance of national, competency-based skill standards, assessments and certifications for new entrants and current workers; and (iii) test the viability of the skill standards and certification system by piloting its implementation in Bahia.

FINANCING: Modality: grant under the Human Resources Facility (Facility II)

MIF:	US\$ 2,500,000
HI:	US\$ 2,500,000
Total:	US\$ 5,000,000

EXCEPTION TO POLICIES AND PROCEDURES: The project will be carried out according to Bank's policies and procedures.

SPECIAL CONTRACTUAL CONDITIONS: Conditions precedent to the first disbursement: the establishment of the Project Execution Unit (see paragraph 4.3).

Other conditions: i) within 3 months of the effective date of the agreement the National Industry Certification Council should be appointed (see paragraph 4.2); and ii) three external reviews will be conducted by a third-party specialist(s) acceptable to the Bank at month 12, 24 and 3 months after completion of the project (see paragraph 7.3).

I. PROJECT ELIGIBILITY

- 1.1 Brazil was declared eligible for all modalities of financing by the Multilateral Investment Fund (MIF) on February 9, 1995.

II. BACKGROUND

A. The Tourism Sector

- 2.1 Both the government of Brazil and the private sector are now recognizing the importance of the tourism industry as a job generator and foreign exchange earner. While Brazil is one of the world's top 10 countries in terms of area, population, and GDP, where tourism is concerned, Brazil currently does not even rank among the top 40 countries and accounts for less than 2% of world tourism receipts. Given tourism's increasingly important role in the global economy and the industry's potential for growth in Brazil, development of the sector has become an important thrust for Brazil's future - in terms of both economic growth and social progress.
- 2.2 Although the sector is benefiting from significant capital investment in infrastructure, there is a need to complement the investment in infrastructure with a corresponding investment in human capital to manage these investments and increase return on investment through the provision of value-added services. Development of an internationally competitive workforce has become a major concern of the sector's shareholders.
- 2.3 The tourism sector currently employs almost 12 million people in Brazil, of which approximately 65% are employed in restaurant and food service operations. Job growth has been conservatively estimated at 5% annually or 25% over the next five years. The projected job growth for the tourism sector is due to: a national commitment to the development of tourism as a means of economic diversification and job creation; the physical investments in the Brazilian Northeast in the tourism area; and the large amount of private capital investment in tourism and recreation: approximately US\$3.5 billion have been invested in the last five years in thematic parks and an estimated US\$2 billion on 56 hotel projects that will create a need for more than 50,000 new jobs. Significant job growth is also anticipated in new and emerging occupations such as eco-tourism and event planning/management that are well-suited for entrepreneurs due to the low capital investment required to start small businesses in these segments ^{1/}.

B. Institutional Context

- 2.4 A number of countries around the world are establishing national tourism training and education bodies. These bodies coordinate and oversee tourism education, training, and public awareness. Due to fragmentation of responsibility for tourism training among public and private institutions, it has been difficult to move this process forward within the public sector in Brazil. The private sector recognizes the importance of delivering education and training that is relevant to the industry's needs and is prepared to take a lead role in the design, implementation, and sustainable financing of a human

resources development system and the creation of body to oversee standards, certification, and accreditation for the industry 2/.

- 2.5 The Hospitality Institute (HI) was established as a private non-profit organization with private and public sponsors, such as: employers; trade associations; federal, state, and local governments; as well as education and training providers. HI is not a traditional campus-based entity. Chartered with the financial support among others of the Odebrecht Foundation and the Bank of Brazil Foundation, two of Brazil's most venerable foundations with proven track records in stimulating systemic social change, HI is designed to work with shareholders to identify areas of greatest need and then assist public and private training providers and educational institutions in acquiring industry-relevant training materials and methodologies. The Institute, because of its diverse representation, access to resources, and ability to effect transfer of technical know-how, is an appropriate vehicle to launch such an initiative for the tourism sector in Brazil.

C. The State Bahia: The Test Case

- 2.6 The testing of the system is proposed for the state of Bahia which, in the last few years, has become an important gateway for domestic and foreign tourism. This is due not only to its natural and cultural treasures and the spontaneous hospitality of its residents but to effective government policies and measures which have been implemented: the launching of the Bahia Program for the Development of Tourism - a strategy targeted at boosting the state's socioeconomic development which has created Integrated Tourist Centers in regions which have the potential to attract domestic and foreign tourists; and working in partnership with the private sector to mobilize important segments of society through the Bahia Quality Program. Much like the rest of Brazil, however, Bahia's potential in this area has not been sufficiently exploited. Long-term projections show the number of visitors increasing from 2 million to 10 million annually, raising the sector's share of the state GDP from 4% to 16% but much needs to be accomplished, particularly in the area of human resource development, before this vision can become a reality.

III. PROJECT OBJECTIVES AND COMPONENTS

A. Objectives

- 3.1 The overall objective of the project is to facilitate improvements in service quality and increase competitiveness by establishing the framework for a system of national, competency-based skill standards and certification for workers in the tourism sector.
- 3.2 Specific objectives of the project are: i) facilitate the ongoing collection, analysis and dissemination of information

Overall Benchmarks

- * 50 skill standards are established according to priorities determined by needs assessment
- * At least 70% of the stakeholders expressed their willingness to participate in the program.
- * 4,800 individuals enrolled in testing of certification system.
- * 80 education & training providers & employers participate in the testing of the system.
- * 240 trainers received training in the system.

2/ The definition of technical terms are explained in the Glossary listed in the technical files.

related to human resource development needs for the tourism sector; ii) define and implement a process which leads to acceptance of national, competency-based skill standards, assessments and certifications for new entrants and current workers; and iii) test the viability of the skill standards and certification system by piloting its implementation in Bahia.

B. Project Components

- 3.3 The project will have a three year duration and will consist of two subprograms: Development of a framework for national skill standards and certification and Testing of the system. Subprogram A will include: Assessment of human resource development needs; Standards and certification system; Model curricula and train the trainer; and Marketing and Promotion. Subprogram B will include: Testing of the system in the state of Bahia and Summary of results, and development of long-term strategy, and dissemination.
1. Subprogram A - Development of a framework for national skill standards and certification (US\$3,204,000)
- 3.4 **Assessment of human resource development needs** (US\$270,000, 56% will be financed by MIF). This component will facilitate the identification of the sector's human resource development needs. The main activities will include: i) assimilation and analysis of labor market information for the sector from available sources; ii) identification of the universe of public and private sector education and training programs to determine capacity by area of skill specialization for the purpose of strengthening linkages between supply and demand; and iii) publication and dissemination of information on employment trends including skills gaps, new and emerging occupations, and aggregate employment to industry, education and training providers, workers, students, the general public and government.
- 3.5 **Skill standards and certification system** (US\$1,485,000, 37% will be financed by MIF). This component will establish a system of skill standards and certification. The main activities will include: i) charter an independent certification council that includes balanced participation of all shareholders; ii) identification and agreement by the certification council on a methodology for identifying and validating national, competency-based skill standards, assessments, and certification; iii) development of a cost-effective means for assessing/certifying the competence of individuals according to established skill standards; and iv) identification and validation of national, competency-based skill standards, assessments, and certification for a minimum of 50 guest service occupations according to areas of need determined by the certification council.
- 3.6 **Model curricula and train the trainer programs** (US\$530,000, 59% will be financed by MIF). This component will adapt model curricula for educators and industry trainers and create programs for training multipliers who are equipped to educate and train individuals to the skill standards that are established. The main activities will include: i) development of model curricula for each of the skill standards established under the project; ii) development of training programs for industry trainers on design and delivery of standards-based training; and iii) development of training programs for educators on design and delivery of education programs based on competency-based skill standards.

- 3.7 **Marketing and promotion** (US\$919,000, 54% will be financed by MIF). This component will drive participation in the skill standards and certification system and create demand for tourism employment and career opportunities. The main activities will include: i) development and implementation of strategic marketing efforts linked to a recognizable brand identity for the skill standards and certification system; ii) identification and promotion of industry career path opportunities; iii) creation of linkages and negotiation of agreements for integrating the skill standards developed by the project within the framework of the proposed national system of skill standards for all sectors of the Brazilian economy and in current as well as new education and training programs; and iv) promotion/recognition of education and training providers and industry employers who participate in the skill standards and certification system.

2. Subprogram B - Testing of the system and dissemination of results (US\$800,000)

- 3.8 **Testing of the system in the state of Bahia** (US\$700,000, 86% will be financed by MIF). This component will test the skill standards and certification system. The main activities will include: i) implement national, competency-based skill standards, assessments, and certification in Bahia for a targeted number of occupations where upgrading of skills for new entrants and current workers is considered critical to the success of the tourism sector; ii) engage key shareholders including the State Secretariats of Tourism, local tourism officials, industry associations, employers, union representatives, and education and training providers in the implementation of the system; and iii) conduct skill-based competitions for current workers and students to encourage adaptation of standards and provide recognition for professionalism and good quality service.
- 3.9 **Summary of results and development of long-term strategy** (US\$100,000, 40% will be financed by MIF). This component will share the results of the project. The main activities will include: i) compile a Summary of Results and Lessons Learned during the project ii) develop a strategic plan/business plan for broader implementation if the project has strong prospects for long-term sustainability; and iii) disseminate Summary of Results and Lessons Learned via a published report and a series of regional seminars with a particular focus on the Northeast.

IV. PROJECT EXECUTION, DIRECT BENEFICIARIES AND SUSTAINABILITY

A. Project execution

- 4.1 The HI will be the executing agency for this project. As part of the project preparation, the team analyzed this institute and determined that its staffing, systems, and budget were fully adequate to manage the activities of this project.
- 4.2 In designing and implementing this project, the HI will establish a third-party National Industry Certification Council (NICC), comprised of employers, trade associations, unions, professional associations, government, education and training providers, and community-based organizations, to endorse the design and implementation of a system of skill standards, assessments and certifications for the sector. As part of the project analysis, the composition and structure of the

NICC has been established; the council will commence its activities upon authorization of the project 3/.

- 4.3 Day to day implementation will be managed by a Project Execution Unit (PEU) established under the proposed project. Staffing of the PEU will be done by HI and will consist of a Project Director, three Technical Specialists, and two Technical Assistants located in the project offices in Salvador, the capital city of Bahia. The PEU will be housed in the offices of HI 4/.
- 4.4 Technical assistance called for in this project is principally comprised of individual consultants and firms, according to terms of reference developed by the project team. All international consulting firm contracts will be financed with MIF resources. Under Subprogram A, there will be three international consulting firm contracts; one for the job analysis (US\$250,000) to develop skill standards; one for the standards-based model curricula design (US\$200,000); and one for promotional and marketing activities (US\$225,000). Under Subprogram B, there will be one international consulting firm contracts for the implementation of the skills standards and certification system (US\$400,000). There will be a total of five individual consultants and one Project Director assigned to the PEU to manage project activities and three short-term individual consultants required for Subprogram B. Terms of reference for all consultants and documentation related to international procurement will be approved by the Bank. All other procurement of goods and services will follow established local procedures.
- 4.5 The execution period will be 36 months and a disbursement period of 42 months. Reporting and monitoring will be the primary responsibility of the PEU. The PEU will be responsible for the preparation of semi-annual progress reports in which activities undertaken during the previous six months will be documented and a workplan for the following period prepared. These reports will be submitted to the IDB and within 30 days after completion of each six month period. A revolving fund of 10% of MIF grant resources will be established once conditions prior to first disbursement have been met (see paragraph 9.1). This will be replenished upon presentation of the disbursement request.

B. Beneficiaries

- 4.6 Direct beneficiaries of the project will be the tourism sector which will be equipped to oversee the development and implementation of the skill standards and certification system. The target populations would be current workers, new entrants, industry employers, and training providers.

C. Sustainability

- 4.7 Potential revenues such as fees charged to participants for certification and license fees paid by employers to implement the skill standards in their businesses will be generated. It is expected the project will be sustained after the third year by a combination of funding sources and revenues. A summary budget is included in Table V-1.

3/ Composition and structure of NICC may be found in the technical files.

4/ The PEU's staffing requirements and terms of reference may be found in the technical files.

- 4.8 Incentives to participate in the system are inherent to its design and consist of the following: i) training and education providers that seek industry validation for their services would be able to attract greater numbers of students; ii) employers from the sector seeking qualified and occupationally certified workers would benefit from having access to the systems's data base; and iii) new entrants to the labor market and those already employed in the sector would be able to compete better for jobs in the industry and those employed would have better career mobility.

V. COST AND FINANCING DURING EXECUTION AND OPERATION PHASES

- 5.1 The total cost of the project is estimated to be US\$5,000,000; US\$2,500,000 of which would be provided by the MIF through non-reimbursable financing and US\$2,500,000 which would be provided by HI 5/.

Table V-1: TOTAL COST AND FINANCING OF TC (figures in thousands)					
PROGRAM COMPONENT AND EXPENDITURE ITEM	IDB/MIF	LOCAL COUNTERPART	TOTAL	%	
1. Administration	0	396	396	8	
2. Subprogram A *	1,510	1,694	3,204	64	
2.1 Assessment of human resources	150	120	270		
2.2 Skill Standards & Certification System	545	940	1,485		
2.3 Model Curricula & train the trainers	315	215	530		
2.4 Marketing and promotion	500	419	919		
3. Subprogram B *	640	160	800	16	
3.1 System test in Bahia	600	100	700		
3.2 Dissemination of results & strategy dev.	40	60	100		
4. Evaluation	100	0	100	2	
5. Contingencies	250	250	500	10	
TOTAL	2,500	2,500	5,000		
PERCENTAGE	50.0	50.0	100.0	100.0	

* The total cost for consulting firms for Subprograms A and B is \$1,430; for individual consultants \$340; and for training materials, equipment and data processing \$380.

VI. PROJECT JUSTIFICATION AND RISKS

A. Benefits

- 6.1 The benefits of the project are as follows: i) it will position the private sector to play an on-going leadership role in targeting human resources development to the specific needs of the industry; ii) it will encourage partnerships with education and training providers, government and non-governmental organizations; iii) it will facilitate the sharing of information and serve to leverage available resources to the industry's benefit; iv) it will create new linkages to previously underserved members of the industry; and v) finally, it will have important demonstration effects because the skill standards and certification system developed under the project has the potential for application in other sectors of Brazil's economy.

5/ Detailed project budget may be found in the technical files.

B. Risks

- 6.2 One risk is the geographical and historical fragmentation of the industry itself, and the need to integrate new private sector agents in the industry, given emerging tourism markets. This risk is mitigated through the broad-based role of the HI, in determining and responding to industry-wide training needs.
- 6.3 Another risk is the possible transition difficulty to be expected in bringing education and training for the tourism sector to a nationally accepted industry standard, in view of the sector's limited experience in development and oversight of education and training systems. This risk is mitigated by the active participation of all levels of government in the design and implementation of the proposed system.

VII. PROJECT PERFORMANCE CRITERIA/BENCHMARKS AND EVALUATION OF RESULTS

A. Project results

- 7.1 The results of the project will include: i) a framework for a system of national, competency-based skill standards and certification for workers in the tourism sector; ii) ongoing collection, analysis and dissemination of information related to human resource development needs for the tourism sector; iii) competency-based skill standards for a targeted number of guest service occupations which will provide an industry-relevant measurement system against which the skills of new entrants and current workers can be assessed and certified; iv) a stronger partnership between the private and public sectors leading to better facilitation and coordination of general and specialized skill training; v) development of new work-based learning and academic programs linked to skill standards; vi) identification of increased employment and career opportunities; and vii) a change in perception among Brazilians about the viability of tourism employment and career opportunities.
- 7.2 Success of the test of the system in Bahia will be measured not only by the numbers who participate, but also by the impact of the certification on the quality of the tourism product. HI will use several methods, both qualitative and quantitative, to gauge the impact of the project: i) tracking of changes in guest perceptions (e.g., exit surveys conducted by tourism agencies and guest comment cards from individual properties) during the test of the system (quantitative); and ii) conducting a study of benchmarks (quantitative) among industry employers and education and training providers participating in the test of the system. The collection and administration of this information will be built into a management information system maintained by the HI.

B. Project reviews

- 7.3 The HI will engage the consultancy services of a third-party specialist(s) acceptable to the Bank to conduct the project reviews at the 12 month, 24 month and 3 months after the completion of the project. Project disbursements will be assessed based on the results achieved after the 12 and 24 month reviews. The first review will focus on the organizational and consensus building aspects of the project and their impact on the overall administrative operations which have been put into place. The second review will take into account the impact of the program on individual participants, the industry, and the inter-relationship the project is designed to

promote. The final review will focus on several key areas such as: an assessment of the cost-effectiveness of the service provided; attainment of certifiable skills by target groups; and improvements in quality of services and customer satisfaction. The review process will be guided by the general and specific goals of the project (see Annex I-1) and the detailed logical framework that is contained in the technical files.

VIII. EXCEPTION TO POLICIES AND PROCEDURES

- 8.1 The project will be carried out according to Bank's policies and procedures.

IX. SPECIAL CONTRACTUAL CONDITIONS

- 9.1 Conditions precedent to the first disbursement: the establishment of the Project Execution Unit (see paragraph 4.3).
- 9.2 Other conditions: i) within 3 months of the effective date of the agreement the National Industry Certification Council should be appointed (see paragraph 4.2); and ii) three external reviews will be conducted by a third-party specialist(s) acceptable to the Bank at month 12 and 24 of project implementation; and 3 months after the completion of the project (see paragraph 7.3).

X. ENVIRONMENTAL AND SOCIAL IMPACT

- 10.1 The profile for this operation was sent to the Committee on Environment and Social Impact (CESI) for information on June 26, 1998.

SUMMARY OF THE LOGICAL FRAMEWORK ^{1/}

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
OVERALL GOAL The overall objective of the project is to facilitate improvements in service quality and increase competitiveness by establishing the framework for a system of national, competency-based skill standards and certification for workers in the tourism sector.	All required components in place for successful operation and maintenance of a skill standards and certification process. Improvements in service quality and ability to compete result from a test of the system.	Operational audit of policies and procedures, research methodologies, and systems. Review guest/visitor satisfaction levels and benchmarks for success identified by industry employers.	A system of national skill standards and certification will be accepted in Brazil. The research methodology used in many other countries to establish valid, reliable skill standards and certification will succeed in Brazil.
Specific objective (i) facilitate the ongoing collection, analysis and dissemination of information related to human resource development needs for the tourism sector;	Critical skill gaps are identified as a result of needs assessment. 50 skill standards are established according to priorities determined by needs assessment.	Inspection of annual reports on employment trends. Verification of findings from needs assessment.	Project will be capable of functioning as an effective clearinghouse of data and producing new information which is of value to key shareholders.
Specific objective (ii) define and implement a process which leads to acceptance of national, competency-based skill standards, assessments and certifications for new entrants and current workers; and	Acceptance of process and outputs by at least 70% all key shareholders: workers, educators and trainers, and government.	Survey of key shareholders to determine recognition/acceptance of process.	Key shareholders will be able to sustain interest in and commitment to project.
Specific objective (iii) test the viability of the skill standards and certification system by piloting its implementation in Bahia.	Number of people enrolled in testing of certification system in Bahia totals 4,800. Number of education and training providers and employers participating in testing of system in Bahia totals 80. Number of trained trainers totals 240. Changes in guest perceptions regarding quality of service. Benchmarks for competitiveness identified among industry employers and education and training providers participating in the test of the system. Increased interest in employment and career opportunities among individuals participating in the test of the system.	Output from HI certification management information system. Output from HI certification management information system. Output from HI certification management information system. Review of exit surveys conducted by tourism agencies and guest comment cards from individual properties during the test of the system.	Key shareholders industry employers, workers, educators and trainers accept new approaches.

^{1/} A detailed Logical Framework is available in RE1/SO1 technical files.

PROPOSED RESOLUTION

**BRAZIL. NONREIMBURSABLE TECHNICAL COOPERATION FOR
THE DEVELOPMENT OF SKILLS, STANDARDS AND CERTIFICATION
SYSTEM FOR THE TOURISM SECTOR**

The Donors Committee of the Multilateral Investment Fund

RESOLVES:

1. That the President of the Inter-American Development Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Multilateral Investment Fund, to enter into such agreements as may be necessary with the Hospitality Institute (HI) and to take such additional measures as may be pertinent for the execution of the project memorandum referred to in Document MIF/AT- with respect to a technical cooperation program for the development of skills, standards and certification system for the tourism sector.
2. That up to the amount of US\$2,500,000, or its equivalent in other convertible currencies, is authorized for the purpose of this resolution, chargeable to the resources of the Human Resources Facility of the Multilateral Investment Fund.
3. That the above-mentioned sum is to be provided on a nonreimbursable basis.