

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND

JAMAICA

COMPETITIVENESS OF SMALL HOTELS

(JA-M1008)

DONORS MEMORANDUM

This document was prepared by the project team consisting of: Maritza Vela (MIF), Project Team Leader; Federico de Arteaga (MIF); Santiago Soler (MIF); M. Elena Nawar (MIF); Winsome Leslie (MIF); MIF Specialist (COF/CJA); Kevin McTigue (LEG); and Gustavo Segura (consultant).

CONTENT

I.	EXECUTIVE SUMMARY	1
II.	BACKGROUND	2
	A. The Small Hotel Sector in Jamaica and its challenges	2
	B. Proposed project	4
III.	PROJECT OBJECTIVES AND COMPONENTS	4
	A. Objectives	4
	B. Components	5
	Component I: Awareness Campaign and Network Creation (MIF US\$97,000; Local Counterpart US\$23,000)	5
	Component II: Development of Products and Services (MIF US\$61,250; Local Counterpart US\$16,100)	5
	Component III: Definition of Quality Standards (MIF US\$100,250; Local Counterpart US\$28,700)	6
	Component IV: Branding, Positioning, and Marketing (MIF US\$151,600; Local Counterpart US\$196,600)	6
IV.	EXECUTING AGENCY AND EXECUTION MECHANISM	7
	A. Executing Agency	7
	B. Execution mechanism	7
V.	COST AND FINANCING	8
VI.	BENEFITS AND RISKS	9
	A. Benefits	9
	B. Risks	9
VII.	MONITORING AND EVALUATION	10
VIII.	ENVIRONMENTAL AND SOCIAL IMPACTS	10
IX.	SPECIAL CONTRACTUAL CONDITIONS	11

ANNEXES

Annex I	Logical Framework
Annex II	Summarized detailed budget
Annex III	Table of similar MIF and Bank projects

APPENDICES

Proposed Resolutions

INFORMATION AVAILABLE IN THE TECHNICAL FILES

Annex IV	Detailed Budget
Annex V	Operations Manual
Annex VI	Terms of Reference for Project Coordinator and Administrative Assistant

Project Performance Monitoring Report (PPMR)

ABBREVIATIONS

CESI	Committee on Environment and Social Impact
GDP	Gross Domestic Product
JHTA	Jamaica Hotel and Tourist Association
JTB	Jamaica Tourist Board
IDB	Inter-American Development Bank
MIF	Multilateral Investment Fund
TPDCO	Tourism Product Development Company Ltd.

JAMAICA: COMPETITIVENESS OF SMALL HOTELS
(JA-M1008)

I. EXECUTIVE SUMMARY

Executing agency:	Jamaica Hotel and Tourist Association (JHTA)		
Beneficiaries:	Direct beneficiaries of this project are: 40 small hotels (25% of total sub-sector) that will join a network and receive training and marketing exposure; three inspectors who will be fully trained on small hotel grading and classification. The indirect beneficiaries will be the Jamaica Tourist Board (JTB), by becoming able to market the small hotel sub-sector internationally; and the Tourism Product Development Company (TPDCo ¹), by the increase in the rate of compliance with operating standards amongst small hotels.		
Amount and Source:	Modality: Grant – Small Enterprise Development Facility (III-A) MIF: US\$ 724,039 (70%) Counterpart: <u>US\$ 291,760</u> (30%) Total: US\$ 1,015,799 (100%)		
Terms:	Execution Period:	24 months	
	Disbursement Period:	30 months	
Objectives and Description:	The general goal of this project is contribute to improve the competitiveness of the small hotel sub-sector in Jamaica. The purpose is to establish a network of small hotels ² that comply with internationally recognized standards to provide services to a specific niche ³ tourism market. To achieve these objectives, the following four components are included in the project: (i) Awareness Campaign and Network Creation; (ii) Development of Products and Services; (iii) Definition of Quality Standards; and (iv) Branding, Positioning, and Marketing.		
Environmental/ Social review:	The Committee on Environment and Social Impact (CESI) reviewed this project document in its meeting on February 17, 2006. Recommendations have been included in the Operations Manual and in paragraphs 3.3, 3.7, 3.9, 8.2, and 8.3 of this document.		
Special contractual conditions:	As a condition precedent to the first disbursement of Bank resources, the Executing Agency (EA) must provide evidence that (i) the Project Coordinator has been selected; and (ii) JHTA has agreed to the Operations Manual.		

¹ TPDCo. is a department of JTB in charge of the definition and inspection of minimum operating standards for hotels in Jamaica.

² Hotels with between 10 and 100 rooms, holding a valid license issued by the Jamaica Tourist Board (JTB).

³ Natural surroundings, cultural history and heritage.

Relevant initiatives of other entities:	OAS-USAID sponsored the STEP Project (Small Tourism Enterprises), in 13 Caribbean countries. It included hotels with less than 75 rooms and other tourism attractions. Its main goal was the incorporation of environmental and sustainable tourism standards by participating hotels. USAID also sponsored the <i>Unique Jamaica</i> project, aimed to reposition Jamaica beyond the Sun, Sea and Sand market niche. It included small hotels, restaurants, travel agencies and other tourism attractions. Important lessons have been derived by these two projects.
---	--

II. BACKGROUND

A. The Small Hotel Sector in Jamaica and its challenges

- 2.1 Small tourism entities currently providing tourist accommodation in Jamaica represent just under fifty-two percent (52%) of the total room inventory on the island. These small accommodation entities include facilities such as: guest houses, resort villas, apartments and small hotel properties with between ten (10) to one hundred (100) rooms. The number of registered small hotels is 160, accounting for a total of 13,533 rooms. The small hotel sector accounts for 24.2% of the island's total room stock, while Guest houses, Apartments and Villas represents 27.7%.⁴
- 2.2 In 2005 there were 1,478,663 stopover arrivals in Jamaica representing an increase of 2.5% compared to 2004. Gross Revenues for the tourism industry in 2005 reached US\$1,535 million, an increase of 6.86% compared to 2004.⁵ These results were lower than expected and reflect in part the poor performance of the small hotel sub-sector, which reported an average occupancy rate of 41% in 2005 (34.5% in the case of less than 50 rooms, and 47% in the case of more than 50 rooms).⁶
- 2.3 Over the last ten years, tourist demand for small accommodation entities in Jamaica has slowed, with annual occupancy levels averaging below 50%. This downturn is due largely to several factors, mostly brought about by the competitive nature of the tourism sector and the inability of the small enterprises to compete with the larger properties. Some of the challenges faced by the small entities include: a) comparable pricing structures from larger properties that are offering more and better facilities; b) the proliferation of the all-inclusive concept, in which most small properties are not able to participate, due to the lack of requisite facilities and amenities which are necessary to sustain guest activities and interests; c) security features which are

⁴ Source: Sustainable Tourism as a Development Strategy Cluster. Consultant's Report - May 2005. Target Euro.

⁵ Source for data: JTB Statistical Reports; and Project Report on Tourism in Jamaica by Target Euro Consulting.

⁶ The hotel sector in Jamaica experiences two distinct seasons: the period January through April with stronger occupancy levels; and May through December with lower occupancy rates.

costly, but of paramount importance in most areas within the Jamaican tourism product plants; and finally d) the high utility and maintenance costs which are usually incongruent with the economic returns the small accommodation properties are able to realize to be profitable.

- 2.4 For 2006, the JTB expects an increase in stopover arrivals of 9.2% (reaching 1,614,100 tourists), together with Gross Revenues of US\$1.681 million (an increase of 9.5% over 2005). The JTB has based these projections on recent large hotel room stock additions, which typically bring along important marketing efforts for the destination. However, it is not expected, given the current circumstances, that the small hotel sub-sector would benefit from this potential growth in the industry.
- 2.5 The Government of Jamaica's Master Plan for Sustainable Tourism Development has as a key objective the enhancement of the visitor experience by delivering a product based on what is unique in Jamaica -- natural surroundings, culture, history and heritage etc. The small hotels -- as opposed to the all-inclusive properties -- are best placed to offer these "niche" experiences. However, the major market segment for the small hotel sector continues to be the sun, sea and sand. Other segments of the market such as culture and heritage, and to a lesser extent, eco-tourism, are providing opportunities for product diversification and enhancement, but the small hotels are not well positioned to take advantage of these opportunities.
- 2.6 European and Canadian markets in particular, continue to favor the small hotel properties, as they normally provide the type of accommodation packages and facilities that are more attractive to these visitors. However, this hotel segment has not been adequately promoted in these markets, and these small businesses, which are unable to market themselves effectively, are in urgent need of promotional and sales support.
- 2.7 The large hotel chains and all-inclusive resorts normally have large budgets allocated to promoting their services and to maintaining the quality of their facilities, and, due to their size and low profitability, the small hotels cannot compete individually with them. In an effort to compete, small properties are often forced to reduce costs below their competitors in order to remain in business. In most cases, the need for cost-cutting has lead to dramatic decreases in quality, both service-related as well as infrastructure-related, since these hoteliers rarely invest in training their staff or refurbishing their facilities. This project seeks to enable a pilot group of small tourism accommodation entities to optimize their limited financial resources in a common tourism promotion strategy that would benefit them all.
- 2.8 One of the ways in which small hotels could compete more effectively with the larger properties is by forming a Network, in which they collectively improve their quality standards and combine their marketing efforts under a set of uniquely Jamaican brands.
- 2.9 Two projects in the past have tried to help the small hotel sub-sector. OAS-USAID sponsored the STEP Project (Small Tourism Enterprises), in 13 Caribbean countries. It included hotels with less than 75 rooms and other tourism attractions. Its main goal

was the incorporation of environmental and sustainable tourism standards by participating hotels. USAID also sponsored the Unique Jamaica project, aimed to reposition Jamaica beyond the Sun, Sea and Sand market niche. It included small hotels, restaurants, travel agencies and other tourism attractions. Important lessons have been derived by these 2 projects such as: focus on Jamaica; incorporate beneficiaries as decision makers in the process; take seminars to the resort locations and not just in the country's capital city.

B. Proposed project

- 2.10 The Project seeks to establish a Network of small hotels which will commercialize tourism services and products based on international market requirements. A solution will be provided to address marketing weaknesses of the small hotels by using a practical approach to help them achieve and maintain internationally acceptable quality standards before promoting them in the marketplace.
- 2.11 The project will design and implement a category and grading system of small hotels, unique to Jamaica but well understood by end customers in the target niche markets. Once implemented, this system will provide the basis for segmented marketing efforts.
- 2.12 It is expected that the project will result in: (a) an increase in the competitiveness of small hotel properties vis a vis their larger counterparts, measured by average yearly occupancy rate and presence of the small hotels in at least ten international tourism wholesalers; (b) an expansion of their product offering, and (c) a shift in their focus away from the “sun , sea and sand” market segment towards viable, local experience-oriented niche segments.

III. PROJECT OBJECTIVES AND COMPONENTS

A. Objectives

- 3.1 The general goal of this project is to contribute to improve the competitiveness of the small hotel sub-sector in Jamaica. The purpose is to establish a network of small hotels⁷ that comply with internationally recognized standards to provide services to a specific niche⁸ tourism market.
- 3.2 To achieve these objectives, the following four components are included: (i) Awareness Campaign and Network Creation; (ii) Development of Products and Services; (iii) Definition of Quality Standards; and (iv) Branding, Positioning, and Marketing.

⁷ Hotels with between 10 and 100 rooms, holding a valid license issued by the Jamaica Tourist Board (JTB).

⁸ Natural surroundings, cultural history and heritage.

B. Components

Component I: Awareness Campaign and Network Creation (MIF US\$97,000; Local Counterpart US\$23,000)

- 3.3 This component seeks to build awareness amongst the small hotel sub-sector about the importance of quality standards under a unique Jamaican system that can be easily understood by the target markets, and how such a system can be used as a strategic marketing tool. Activities to be financed include: (i) A promotion and awareness campaign directed to as many small hotels as possible (a conference will be held in each of the resort areas - Kingston, Montego Bay, Negril, Ocho Ríos, Port Antonio and South Coast). (ii) Training seminars for hotel managers and owners, intended to provide the base line concepts for all participating hotels in relevant operational topics such as: (a) improvement of management capability, (b) service excellence, (c) marketing for small hotel properties in the global marketplace, (d) developing saleable packages for small hotels, (d) environmental management systems for small properties and best sustainable tourism practices for small hotels, and (e) developing business and financial plans. Seminars will be taught at 3 resort areas (Negril –for all Negril and Montego Bay small hotels, Ocho Rios –for Ocho Rios and Port Antonio small hotels, and Kingston –for Kingston and South Coast small hotels). (iii) Categorization, branding and grading awareness seminars, intended to inform participants about the state-of-the-art categorization, branding and grading, and especially, how this can be used as a marketing tool. (iv) Formal establishment of the Network of Small Hotels of Jamaica, in which communications channels will be implemented.
- 3.4 As a result of this Component, the Project will have successfully attracted no less than 40 small hotels to participate in the first year (25% of all existing small properties), all of which will clearly understand the goals and characteristics of the Network and the network member responsibilities they have committed to.

Component II: Development of Products and Services (MIF US\$61,250; Local Counterpart US\$16,100)

- 3.5 The objective of this component is to develop the content that will be communicated in the marketing strategy to be launched internationally, and to design an effective communication strategy aimed at the niche markets, showing that the suppliers of these products and services (i.e. the small hotels) have been trained in order to maintain their standards. Activities to be financed include: (i) Analysis of the products and services offered by Network members, clustering similar product and service-offerings into categories that will reflect particular brands. No less than 5 different tourism products and 10 services will be identified; (ii) Development of a branding system, which will allow easy identification of each brand and brand offerings by the final customer. The branding will cluster comparable properties under one or more of the following categories: location, size, amenities available, services offered and any other determining factors unique to specific groups of properties; (iii) Creation and launch of a web-portal, intended to strengthen the

opportunities of network members in tourism generating markets worldwide, and to facilitate the dissemination of information on brand categories and standards.

- 3.6 As a result of this Component, the small hotels that are part of the Network will be ready to undertake a marketing campaign, ensuring that they can sustain the level of quality stated in the marketing program. Also, the niche markets will be able to differentiate the various brands available in Jamaica, which will offer no less than 5 tourism products and 10 tourism services.

Component III: Definition of Quality Standards (MIF US\$100,250; Local Counterpart US\$28,700)

- 3.7 The objective of this component is to design the Jamaican small hotel grading system, aligned with internationally recognized systems. Environmental issues will be some of the most important elements to be considered for the Jamaican system. A good environmental “rating” is closely monitored by customers in the target markets and this has, therefore, become an important aspect of competitiveness for small hotels. Activities to be financed include: (i) technical assistance in order to determine, along with the small hotels, the different international grading systems which will be the basis for the Jamaican Small Hotels’ grading system; (ii) working sessions with participating hotels, in which they will actively participate in determining the final elements of the system; and (iii) hiring and training of three inspectors, who will inspect, evaluate and determine the grading levels of each participating hotel. Every inspector will be in charge of two adjacent resort areas.
- 3.8 As a result of this Component, the program will have a comprehensive grading system in terms of design, characteristics, and operations, which should be widely accepted by the small hotel Network since its members will be directly involved in the decision-making process of all specific aspects of the system. In addition, all the members of the Network (at least 40 small hotels, 25% of the existing small properties) will receive a grading within a brand category by the end of the Project.

Component IV: Branding, Positioning, and Marketing (MIF US\$151,600; Local Counterpart US\$196,600)

- 3.9 This fourth component is crucial for the participating small hotels since low market visibility and limited marketing efforts are ranked as their key constraints with respect to competitiveness. For the success of such a marketing campaign, the previous phases of the Project should be duly completed. Activities to be financed include: (i) Design of a marketing and positioning strategy for the Network, with the help of an internationally recognized marketing consultant. The strategy must contain at least the following elements: market overview, overview of main competing destinations, current situation of the product, marketing goals, strategy outline, detailed budget and implementation timeline. (ii) Implementation of the Strategy that will include: printing of promotional material, attendance at four international trade shows with the JTB; signing marketing contracts with at least ten international wholesalers; three international press tours, with the presence of at least ten international journalists in each trip; and continued internet marketing efforts in order to better position the

Network's website in the most popular search engines. (iii) Development of an e-commerce platform, intended to facilitate direct business between small hotels and the final customers or with the international wholesalers.

- 3.10 As a result of this Component, at least 40 small hotels will achieve the market visibility that they require in order to better compete in the marketplace, since there will be signed contracts with no less than ten international wholesalers. Booking will be received from at least ten wholesalers through the e-commerce platform. Also, the JTB will include the Small Hotel Network in their promotional efforts at international trade shows.

IV. EXECUTING AGENCY AND EXECUTION MECHANISM

A. Executing Agency

- 4.1 The Jamaica Hotel and Tourist Association (JHTA) will be the executing agency of the Project. The JHTA is a reputable organization within the tourist sector in Jamaica. During its 45 years of existence, this institution has led various initiatives all aimed at improving the profile of Jamaica as a tourist destination, and the condition of hotels as crucial participants. The JHTA successfully executed a previous MIF project to improve worker skills in the tourist sector, approved in 1996 (ATN/MH-5416-JA). The JHTA will be responsible for securing the local counterpart resources, and will host and supervise the Project Executing Unit (PEU). The PEU will be responsible for the organization and coordination of all the activities to be carried out.

B. Execution mechanism

- 4.2 The PEU will hire a Project Coordinator and an Administrative Assistant to manage project activities. The PEU will have the following tasks: (i) direct the execution of all activities of the Project; (ii) maintain bank accounts for the Project; (iii) establish and maintain accounting and financial records; (iv) complete the POA and semi-annual follow-up reports of the Project; (v) complete financial statements for the Project which can later be audited; (vi) complete the technical and administrative reports to be sent to the MIF/IADB bi-annually; (vii) follow-up on the performance indicators defined in the Logical Framework; (viii) propose improvements to the design and implementation of the Project whenever possible; (ix) appoint consulting assignments for the Project; and (x) any other activities related to the implementation of the Project.
- 4.3 Execution and disbursement periods. The Project will have an expected execution period of 24 months, with a period of disbursements of 30 months.
- 4.4 A revolving fund will be set up for 10% of the MIF contribution, which will be disbursed and managed in a separate account. The executing agency will submit semi-annual financial reports on the status of the revolving funds to the Bank. Disbursements of grant funds and the purchase of goods and the contracting of services will be done in accordance with Bank and MIF procedures.

- 4.5 Procurement of goods and services. In order to engage the services of consultants, and to procure goods and services with MIF funds, the executing agency must comply with all Bank standards, procedures, and policies for the procurement of goods and services and for the selection and hiring of consultants, as set forth in documents GN-2349-7 and GN-2350-7, respectively.
- 4.6 Status of project preparation. The executing agency has agreed with the design of the project and the budget. The operations manual as well as the terms of reference for the Project Coordinator and Administrative Assistant have been prepared and are available in the technical files (Annexes IV and V).

V. COST AND FINANCING

- 5.1 **Cost and financing.** The cost of the project is estimated at US\$1,015,799. The MIF will contribute US\$724,039 on a non-reimbursable basis and the executing agency will be responsible for providing US\$291,760 in counterpart resources.

BUDGET (IN US\$)				
Budget Category	MIF US\$	JHTA US\$	TOTAL US\$	%
Personnel	172,500	0	172,500	17%
Logistics	8,700	27,360	36,060	4%
Component 1	97,000	23,000	120,000	12%
Component 2	61,250	16,100	77,350	8%
Component 3	100,250	28,700	128,950	13%
Component 4	151,600	196,600	348,200	35%
Sub Total	\$591,300	\$291,760	\$883,060	90%
Miscellaneous	17,739	0	17,739	2%
Baseline, Monitoring and Evaluation	70,000	0	70,000	7%
Audit	15,000	0	15,000	2%
Total	\$694,039	\$291,760	\$985,799	100%
Cluster activities	30,000	0	30,000	
GRAND TOTAL	\$724,039	\$291,760	\$1,015,799	100%

- 5.2 **Sustainability.** The financial sustainability of the Network is expected to come from three possible sources of income after the Project is completed: (i) a subscription fee for new hotels joining the Network; (ii) re-evaluation fees for all hotels participating in the Network (this will allow them to keep a certain grade, or be upgraded within the respective category); and (iii) sales of advertisements on the Network's Website. The Executing Unit must present its sustainability strategy during a workshop to be

held six months before the end of the Project, to develop a strategy to sustain the activities of the Network, once the MIF support has concluded. It is expected that the Network will still be physically hosted by the JHTA at its Kingston headquarters.

VI. BENEFITS AND RISKS

A. Benefits

- 6.1 The project will contribute to the establishment of a Network of 40 small hotels initially (25% of all existing small hotels) which, by being trained on how to maintain specific levels of quality standards, and jointly developing a grading and branding system, will be able to implement a quality marketing strategy that will result on an increase of annual average occupancy rate to 65%, and an increased marketplace visibility. The direct beneficiaries of this project are: (i) Primarily, at least 25% of all existing small hotels of Jamaica (40 small hotels); and three inspectors (each one in charge of two resort areas of Jamaica) who will be fully trained on small hotel grading and classification. Secondarily, the Jamaica Tourist Board (JTB), which after the completion of this project will be able to include small hotels in its marketing efforts; and the Tourism Product Development Company (TPDCo), which is constantly trying to increase the rate of standards compliance of small hotels (a central aspect of the new Network).

B. Risks

- 6.2 *Risk:* A possible risk is that small hotels will not respond to the invitation of joining the Network, or that they will not maintain the level of interest required for the success of the project. *Mitigant:* An awareness campaign has been planned in Component 1. In addition, there will be a fee of US\$1,000 required for participation in the Network that, although not prohibitive for small hotels, is high enough to motivate enthusiastic participation in order to get the maximum out of the investment.
- 6.3 *Risk:* The small hotels might have doubts about the Project's effectiveness since they could consider it a repetition of efforts that have not been successful in the past (for instance, "Inns of Jamaica" and, to some extent, "Unique Jamaica"). *Mitigant:* This risk will be mitigated by effectively communicating to potential participants about the differences among the three initiatives. Former marketing efforts of small hotels in Jamaica did not consider the service quality or categorization issues; they did not adequately take into account the marketing strategy for the target market as it is done in this Project.
- 6.4 *Risk:* The small hotels might lose interest in participating if meetings are far away from their location. *Mitigant:* A lesson learned from previous tourism projects is that Kingston was the focus of project activities, thus making attendance of participants from the other resort areas of the island difficult. *Mitigant:* This risk is mitigated by holding awareness sessions and training seminars in at least three resort areas where small hotels from no more than two places of origin attend in each case.

VII. MONITORING AND EVALUATION

- 7.1 Monitoring. The executing agency will prepare and submit to the Country Office in Jamaica, project progress reports within thirty 30 days after the completion of each semester and a final report within 30 days from the final disbursement. These reports will follow a format previously agreed with the Bank and will address project activities and finances, as well as results measured in terms of the indicators and benchmarks identified in the project's logical framework. The Bank will utilize these reports to monitor project implementation progress and to prepare a Project Completion Report within three months of the last disbursement.
- 7.2 Evaluations. An intermediate and a final evaluation of the project will be undertaken by external consultants contracted directly by the Bank with project funds. The mid-term evaluation will be prepared 12 months after the commencement of the project or when 50% of project resources have been disbursed. A final evaluation will be conducted three months after the end of project execution or when 95% of the Bank's contribution has been disbursed.
- 7.3 During the project's execution, the executing agency will compile supervision and project evaluation indicators. These indicators are set forth in the Logical Framework (see Annex I) and will be used by the Bank and the executing agency to gauge the overall impact and to assess the results. The executing agency will provide access to all the information and documentation needed to conduct these evaluations.

VIII. ENVIRONMENTAL AND SOCIAL IMPACTS

- 8.1 No negative environmental or social impacts related to the Project are expected. The Project is expected to generate positive impacts by improving the condition of many small businesses, which represent an important source of income for a number of families in Jamaica.
- 8.2 The Committee for Environmental and Social Impact (CESI) raised concerns and made recommendations about the following issues: a) the fact that improving the activity of the small hotels in Jamaica would bring along more generation of waste, for which the participating hotels might not be properly trained to manage; b) whether a strong environmental management approach would support promotional efforts for the small hotels; c) whether the Project would effectively motivate a good environmental performance by the participating hotels; d) whether the PEU would have the capacity to evaluate the small hotels on their environmental performance; e) it recommended that the design of the standards be based on a scheme already operating and recognized at an international level; f) it recommended that an activity be included in order to enhance the entrepreneurial capacity of the small hotels, through the production of business plans to value the feasibility of new products oriented to specific markets and segments.
- 8.3 The project has taken into consideration these issues, and has included the following elements to respond to each concern or recommendation (respectively): a) Component I includes training seminars related to Environmental Management and Best Sustainable Lodging Practices, many of which cover waste water and solid

waste disposal and treatment; b) successful experiences of other countries, such as Costa Rica, will be used as an example to develop the Network's marketing strategy in Component IV, which will leverage the certified environmental performance of the Network participants (developed in Component III), as a marketing tool directed to the niche target market; c) by having a grading system (Component III) which would award a better qualification to those small hotels with a better environmental performance, the Network is creating an incentive for good environmental performance; d) activity three of Component III consists in recruiting and training three inspectors for the grading system, who will receive the appropriate training in order to evaluate the small hotels on their environmental management details; e) activity one of Component III will ensure that the final grading system is fully based on internationally recognized grading systems; f) one of the subjects for the seminars to be conducted under the activities of Component I is the development of sound business plans and financial evaluations of projects and new products for the small hotels.

IX. SPECIAL CONTRACTUAL CONDITIONS

- 9.1 Prior to the first disbursement the executing agency should have selected the Project Coordinator and validated the Operations Manual with the Country Office.

**ANNEX I
LOGICAL FRAMEWORK
JA-M1008**

DESCRIPTION	INDICATORS	VERIFYING TOOLS	ASSUMPTIONS
<u>GOAL</u>			
Contribute to improving the competitiveness of the small hotel sub-sector in Jamaica.	<p>By the third year after the project's end:</p> <ul style="list-style-type: none"> • Small hotels in Jamaica will report an average annual occupancy rate of 65% or more. • All participating hotels will be in the "Recommended hotel¹" category by JTB/TPDCo. 	<ul style="list-style-type: none"> ▪ JTB Statistical Reports. ▪ Base Line Report. 	<ul style="list-style-type: none"> • No extreme external events (for example hurricanes or terrorist attacks in the originating markets) to negatively affect the tourism industry of Jamaica.
<u>PURPOSE</u>			
<p>Develop a network of small hotels* that comply with internationally recognized standards to provide services to a specific niche² tourism market.</p> <p>* Hotels with a number of rooms between 10 and 100, holding a valid license issued by the Jamaica Tourist Board (JTB).</p>	<p>At the end of the Project:</p> <ul style="list-style-type: none"> • A network of no less than 40 hotels is in place, all of which are graded according to categories. • Wholesalers catering to the niche market segment will have information about the Network. • 10 international wholesalers will have contracts to commercialize the Network's hotels. 	<ul style="list-style-type: none"> • Surveys of international market segments. • Website of Network. • JTB Reports. • Intermediate and final evaluations. • TPDCo. Inspection reports. 	<ul style="list-style-type: none"> ▪ JTB has embraced the Network and included it in the international trade shows attended

¹ A recommended hotel is compliant with all 4 groups of TPDCo. requirements, related to: a) Fire Prevention; b) Health; c) Security; d) Insurance.

² Natural surroundings, cultural history and heritage.

DESCRIPTION	INDICATORS	VERIFYING TOOLS	ASSUMPTIONS
	<p>By the second year of the project's end:</p> <ul style="list-style-type: none"> • Network will have at least 80 members. 		
COMPONENTS			
<p>1. Awareness Campaign and Network Creation</p> <p>The goal of this component is to create awareness amongst the small hotel sub-sector of Jamaica about the importance of quality standards under a unique Jamaican system which can be easily understood by the target markets, and how such a system can be used as a strategic marketing tool.</p>	<ul style="list-style-type: none"> ▪ A total of 27 seminars have taken place by month 6. ▪ No less than 150 managers or owners from small hotels made aware of the project by month 6. ▪ At least 40 hotels adhere to the Project's concept by month 8. ▪ Network is officially created by the end of the first year of the Project. 	<ul style="list-style-type: none"> • List of attendance to seminars. • Agreement for the creation of the Network. • M&E system report and Base Line report. • ISDP. • PCR Report. 	<ul style="list-style-type: none"> • Small Hotels show interest in participating in the network.
<p>2. Development of Products and Services</p> <p>The goal of this component is to define products and services available in the Network, which will be the base of the marketing strategy to be launched internationally.</p>	<ul style="list-style-type: none"> • At least 6 products and services defined and branded within the Network, and ready to be marketed by month 14 of the Project. 	<ul style="list-style-type: none"> • Reports by team of Inspectors. • M&E system report and Base Line report. • ISDP. • PCR Report. • Registry of attendance, minutes of small hotels meetings. 	<ul style="list-style-type: none"> • Small hotels maintain high level of participation.
<p>3. Definition of Quality Standards</p> <p>The goal of this component is to research and design the Jamaican small hotel grading system. The system must</p>	<ul style="list-style-type: none"> • Hotel classification and grading system is in place by month 12 of the Project. • 3 inspectors trained by month 12. 	<ul style="list-style-type: none"> • Executing Unit Progress Report • Reports by team of Inspectors. • M&E system report and Base 	<ul style="list-style-type: none"> • Involved small hotels participate in working sessions. • There is availability of qualified personnel for

DESCRIPTION	INDICATORS	VERIFYING TOOLS	ASSUMPTIONS
be aligned with internationally recognized systems, and must include environmental aspects for evaluation.	<ul style="list-style-type: none"> Hotels duly classified and graded by month 14 of the Project. 	Line report. <ul style="list-style-type: none"> ISDP. PCR Report. Registry of attendance, minutes of small hotels meetings. 	inspector positions.
<p>4. Branding, Positioning and Marketing</p> <p>The goal of this component is to increase market visibility of the small hotels through marketing efforts.</p>	<p>Marketing campaign designed by month 15.</p> <p>By the end of the Project:</p> <ul style="list-style-type: none"> Marketing Plan is implemented. Brand system is in full use. Website is in full functionality. 	<ul style="list-style-type: none"> Website of Network. M&E system report and Base Line report. Intermediate and final evaluations from external consultant. ISDP. PCR Report. Registry of attendance and minutes of small hotels meetings. 	<ul style="list-style-type: none"> Participating small hotels provide necessary information for marketing plan in a timely fashion. Participating small hotels maintain level of participation International Market segments have been adequately informed about the Network.

DESCRIPTION	INDICATORS	VERIFYING TOOLS	ASSUMPTIONS
<u>ACTIVITIES</u>			
1. Awareness Campaign and Network Creation (US\$ 97,000)	INDICATORS	VERIFYING TOOLS	ASSUMPTIONS
<p>1.1 Promotion and awareness campaign amongst small hotels.</p> <p>1.2 Training seminars for hotel managers and owners on: improvement of management capability, service excellence, marketing for small hotel properties in the global marketplace, developing saleable packages for small hotels, environmental management systems for small properties, and developing business and financial plans.</p> <p>1.3 Categorization, branding and grading awareness seminars.</p> <p>1.4 Official creation of the network and definition of communication channels and monitoring system.</p>	<p>1.1 One conference has taken place in each one of the resort areas of Jamaica. Total of 6 conferences held in the first month of the project. Invitation is open.</p> <p>1.2 18 seminars completed (6 themes at 3 of the 6 resort areas) by month 6.</p> <p>1.3 3 seminars completed (held at 3 of the 6 resort areas) by month 6.</p> <p>1.4 At least 40 hotels adhere to the Network's concept by month 8 of the project. An intranet is created in order to channel relevant information amongst network participants.</p> <p>1.4 Network's official launching event has taken place by month 8 of the project.</p>	<ul style="list-style-type: none"> • Minutes of conferences. • Assistance sign sheet of each seminar held. • Fully functional intranet. • Signed agreement of participation. 	<ul style="list-style-type: none"> • JHTA is able to bring together most small hotels in each region for the initial seminars. • There is availability of qualified experts for developing and conducting the seminars. • Small hotels are willing to attend the seminars even before forming the network

DESCRIPTION	INDICATORS	VERIFYING TOOLS	ASSUMPTIONS
2. Development of Products and Services (MIF: US\$ 61,250)	INDICATORS	VERIFYING TOOLS	ASSUMPTIONS
<p>2.1 Detailed analysis of the products and services offered by Network members, clustering similar product and service-offerings into categories that will reflect particular brands.</p> <p>2.2 Development of a branding system for each category which will allow easy identification of each brand and brand offerings. The branding will cluster comparable properties under one or more of the following categories: location, size, amenities available, services offered and any other determining factors unique to specific groups of properties.</p> <p>2.3 Creation and launching of a web-portal to increase the visibility of network members in tourism generating markets worldwide and to facilitate the dissemination of information on brand categories and standards.</p>	<p>2.1 Analysis of products and services completed and clustering into categories ready by month 8.</p> <p>2.2 Branding system defined by month 10 of Project.</p> <p>2.3 Fully functioning Website on-line by month 15 of Project.</p>	<ul style="list-style-type: none"> • Executing Unit progress reports. • Mid-term Project evaluations by MIF consultant. 	<ul style="list-style-type: none"> • Small hotels maintain strong interest in the program

DESCRIPTION	INDICATORS	VERIFYING TOOLS	ASSUMPTIONS
3. Definition of Quality Standards (MIF: US\$100,250)	INDICATORS	VERIFYING TOOLS	ASSUMPTIONS
<p>3.1 Research study of different international grading systems</p> <p>3.2. Preparation of Draft Classification and Grading System for Jamaica</p> <p>3.3 Definition of classification and grading system</p> <p>3.4 Hiring and Training of 3 officers (one for every 2 resort areas), who will inspect, evaluate and determine the grading levels of each participating hotel.</p>	<p>3.1 Consulting report finished by month 6.</p> <p>3.2 Draft Classification and Grading System prepared by month 7.</p> <p>3.3 Three working sessions finished by month 11 with the presence of representatives of at least 80% of the participating small hotels.</p> <p>3.3 Grading system defined by month 11.</p> <p>3.4 Officers hired and trained by the end of the first year of the project.</p> <p>3.4 Properties duly categorized and graded by month 15.</p>	<ul style="list-style-type: none"> • Mid-term Project evaluations • Signed work contracts with inspectors and consultants. 	<ul style="list-style-type: none"> • There is availability of qualified experts for developing and conducting the seminars.

DESCRIPTION	INDICATORS	VERIFYING TOOLS	ASSUMPTIONS
4. Branding, Positioning and Marketing (MIF: US\$151,600)	INDICATORS	VERIFYING TOOLS	ASSUMPTIONS
<p>4.1 Design of a marketing and positioning strategy for the Network, including at least:</p> <ul style="list-style-type: none"> • Design and implementation of printed material. • Attendance to international trade shows with JTB. • Contracts with international wholesalers. • International press tours. <p>4.2 Implementation of marketing and positioning strategy.</p> <p>4.3 Development of an e-commerce platform for the hotels' network using the available Website.</p>	<p>4.1 Marketing Strategy finished by month 15 of Project.</p> <p>4.2 By the end of the project:</p> <ul style="list-style-type: none"> • Printed marketing materials available, such as brochures, banners, etc. • Attendance to 4 major international trade shows. • Commercialization contracts with at least 10 international wholesalers. • 3 press tours completed with the presence of at least 10 journalists on each trip. <p>4.3 Website has functional features for transactions by the end of the Project.</p>	<ul style="list-style-type: none"> • Photos of trade shows attended and press tours held. • Copies of contracts with international wholesalers. • Mid-term Project evaluations • Website. 	<ul style="list-style-type: none"> • Small hotels maintain interest in the program • Wholesalers are interested in commercializing small hotel network

Competitiveness of Small Hotels in Jamaica

ITEM	MIF	US\$	Local Countrprt. US\$	TOTAL	US\$
Execution Unit and Logistics		\$181,200	\$27,360	\$208,560	
Execution Unit					
Personnel		\$172,500	\$0	\$172,500	
Project Coordinator (US\$4,500 x 30 months)		\$135,000		\$135,000	
Administrative assistant (US\$1,250 x 30 months)		\$37,500		\$37,500	
Logistics		\$8,700	\$27,360	\$36,060	
Equipment					
Office space, 50 m2 per month x * US\$ 12			\$14,400	\$14,400	
1 computer, 1 printer		\$1,500		\$1,500	
Supplies (US\$120 x 2 staff x 24 months)			\$5,760	\$5,760	
Communications					
High Speed Internet, Phone, Cellular (US\$ 300/month)			\$7,200	\$7,200	
Coordinator Travel Expenses					
One trip per month to resort areas, \$300 per trip x 24 months		\$7,200		\$7,200	
Component 1. Awareness Campaign and Network Creation		\$97,000	\$23,000	\$120,000	
1.1 Promotion and awareness campaign amongst small hotels		\$13,500	\$2,000	\$15,500	
6 awareness seminars in 6 locations (\$2,000 each)		\$12,000		\$12,000	
Seminar meeting rooms (provided by JHTA members)			\$2,000	\$2,000	
Coordinator travel expenses for awareness seminars (6 days x \$250)		\$1,500		\$1,500	
1.2 Training seminars for hotel managers and owners		\$66,000	\$6,000	\$72,000	
Consultancy for development of content of seminars (6 themes x 5 days x \$400)		\$24,000		\$24,000	
18 seminars on Hotel Management Themes, in 3 locations (6 in each location, \$2,000 each)		\$36,000		\$36,000	
Consultant travel expenses for training seminars (24 days x \$250)		\$6,000		\$6,000	
Seminar meeting rooms, lodging for consultants (provided by JHTA members)			\$6,000	\$6,000	
1.3 Categorization, branding and grading awareness seminars		\$12,500	\$3,000	\$15,500	
3 Seminars. Includes international travel costs		\$5,000	\$1,000	\$6,000	
International lecturers - consulting and lecture costs (3 days x 3 events x US\$500)		\$4,500		\$4,500	
Seminar meeting rooms, lodging for consultants (provided by JHTA members)			\$2,000	\$2,000	
1.4 Official creation of the network, definition of communication channels, monitoring system		\$5,000	\$6,000	\$11,000	
Legal consultancy for Design of agreement of participations for all participants			\$1,000	\$1,000	
Design and Creation of Intranet, Network communications channels and monitoring		\$5,000		\$5,000	
Network Launch Event			\$5,000	\$5,000	
1.5 JHTA Follow up		\$0	\$6,000	\$6,000	
Management supervision time (24 months x US\$250)			\$6,000	\$6,000	

Component 2. Development of Products and Services	\$61,250	\$16,100	\$77,350
2.1 Analysis of products and services offered by Network members, clustering into categories	\$29,250	\$8,100	\$37,350
Consultancy for Analysis (45 days x US\$400)	\$18,000		\$18,000
Traveling Cost for Consultant (45 days x US\$250)	\$11,250		\$11,250
Lodging for consultant (Provided by JHTA member)		\$8,100	\$8,100
2.2 Development of a branding system for each category	\$24,000	\$2,000	\$26,000
Consulting for Development of Branding System	\$15,000		\$15,000
Workshops for Presentation of Branding System (\$2,000 each)	\$6,000		\$6,000
Meeting room for events, lodging for consultants (provided by JHTA members)		\$2,000	\$2,000
Traveling Cost for Consultant, Project Coordinator (2 pax x 6 days x US\$250)	\$3,000		\$3,000
2.3 Creation and launching of a web-portal	\$8,000	\$0	\$8,000
Development of Web Portal	\$8,000		\$8,000
2.4 JHTA Follow up	\$0	\$6,000	\$6,000
Management supervision time (24 months x US\$250)		\$6,000	\$6,000
Component 3. Definition of Quality Standards	\$100,250	\$28,700	\$128,950
3.1 Research study of successful international grading systems.	\$10,000	\$0	\$10,000
Consultancy to Evaluate different internationally proven successful grading systems	\$10,000		\$10,000
3.2. Preparation of draft classification and grading system for Jamaica	\$15,750	\$2,700	\$18,450
Consultancy for development of Draft on Classification System and Grading (30 days x \$400)	\$12,000		\$12,000
Travel costs	\$3,750		\$3,750
3.3 Working sessions to define classification and grading system	\$14,000	\$2,000	\$16,000
6 Working sessions. Includes travel costs (\$2,000 each)	\$12,000		\$12,000
Working session meeting rooms, lodging for consultants (provided by JHTA members)		\$2,000	\$2,000
Consultancy for Preparation of Final Document (5 days x US\$400)	\$2,000		\$2,000
3.4 Training of 3 inspector officers	\$60,500	\$18,000	\$78,500
Technical assistance - 3 inspectors (3 x 12 months x US\$1,500)	\$54,000		\$54,000
Travel costs for inspector officers (3 x 12 months x \$300)		\$10,800	\$10,800
4 Training sessions with inspector officers	\$2,000		\$2,000
Office space for inspector officers (50 m2 x \$12 x 12 months)		\$7,200	\$7,200
Laptops to perform inspections and record data	\$4,500		\$4,500
3.5 JHTA Follow up	\$0	\$6,000	\$6,000
Management supervision time (24 months x US\$250)		\$6,000	\$6,000

Component 4. Branding, Positioning and Marketing	\$151,600	\$196,600	\$348,200
4.1 Design of a marketing and positioning strategy for the Network	\$65,000	\$3,600	\$68,600
Strategy Development Campaign	\$60,000		\$60,000
Travel cost for consultants (20 days x US\$150)	\$5,000		\$5,000
4.2 Implementation of marketing and positioning strategy	\$75,600	\$187,000	\$262,600
Design and implementation of printed material (10,000 brochures x US\$3 + Banners, etc.)	\$24,000	\$12,000	\$36,000
Attendance to international trade shows with JTB (4 shows x US\$10,000)		\$40,000	\$40,000
International press trips, International and local transportation costs (3 trips x 10 people x US\$2,000)	\$30,000	\$30,000	\$60,000
International press trips, Food and activities costs (3 trips x 10 people x US\$2,500)		\$75,000	\$75,000
International press trips, lodging costs (3 trips x 10 people x US\$1,000 provided by JHTA members)		\$30,000	\$30,000
Internet Marketing Positioning (18 months x US\$1,200)	\$21,600		\$21,600
4.3 Development of an e-commerce platform for the hotels' network	\$11,000	\$0	\$11,000
Development of Website adjustments	\$10,000		\$10,000
Launch Event for full functional website	\$1,000		\$1,000
4.4 JHTA Follow up	\$0	\$6,000	\$6,000
Management supervision time (24 months x US\$250)		\$6,000	\$6,000
SUB TOTAL	\$591,300	\$291,760	\$883,060
Miscellaneous	\$17,739		\$17,739
Baseline, Monitoring and Evaluation	\$70,000		\$70,000
Audit	\$15,000		\$15,000
TOTAL	\$694,039	\$291,760	\$985,799
Cluster activities	\$30,000		
GRAND TOTAL	\$724,039	\$291,760	\$1,015,799
Percentually	70%	30%	100%

RELATED PROJECTS
JAMAICA: COMPETITIVENESS OF SMALL HOTELS
(JA-M1008)

A. Projects in the sustainable tourism cluster

Project number / Approval date	Project name, executing agency, and amount	Date of signature and disbursement period in months	Percentage disbursed	Comments: Satisfactory execution or problems with execution, including delays, extensions, reformulation, change in executing agency, etc.
ATN/ME-8382-RG 30 July 2003	International accreditation system and consolidation of national systems for sustainable tourism certification to facilitate SME competitiveness and market access Asociación Alianza del Bosque Lluvioso [Rainforest Alliance Association] US\$3,020,000	27 October 2003 49 months	61.5%	Project performance is generally satisfactory. The assumptions remain valid, project activities are being performed without any problems, and the initial targets are being surpassed in some cases.
ATN/ME-8867-PE 22 September 2004	Promoting the development of the Northeast Tourist Circuit to enhance MSME competitiveness Cámara Regional de Turismo de Cajamarca (CARETUR) and ALAC US\$798,431	18 March 2005 54 months	10.00%	Project performance is generally satisfactory, as it has complied with the planned activities and strengthened the team in the executing unit, and there is a good working relationship with the consultants supporting the project.

Project number / Approval date	Project name, executing agency, and amount	Date of signature and disbursement period in months	Percentage disbursed	Comments: Satisfactory execution or problems with execution, including delays, extensions, reformulation, change in executing agency, etc.
ATN/ME-8977-SU 1 December 2004	Sustainable tourism development Conservation International Suriname (CIS) US\$845,000	10 March 2005 36 months	10.00%	This project is rated very satisfactory, since the presidential elections gave impetus to the tourism sector. It is therefore highly probable that project activities will be fulfilled.
ATN/ME-8987-RG 8 December 2004	Competitive development of rural tourism in the Andes Fundación CODESPA US\$2,028,190	11 March 2005 54 months	6.00%	Although project performance is classified as unsatisfactory overall, because it is proceeding very slowly, it is hoped that there will be time to fulfill the project activities.
ATN/ME-9211-BR 25 May 2005	Estrada Real–Network of tourism SMEs State of Minas Gerais Estrada Real US\$1,701,740	14 July 2005 42 months	12.00%	Project execution remains positive.
ATN/ME-9273-BL 30 June 2005	Improving small business competitiveness in the tourism industry Belize Tourism Industry Association US\$580,000	7 September 2005 42 months	10.00%	Satisfactory classification in general. Although project execution began quite slowly, progress thus far has been satisfactory.

Project number / Approval date	Project name, executing agency, and amount	Date of signature and disbursement period in months	Percentage disbursed	Comments: Satisfactory execution or problems with execution, including delays, extensions, reformulation, change in executing agency, etc.
ATN/ME-9410-EC 21 September 2005	Sustainable productive sector development in Galapagos Cámara Provincial de Turismo de Galápagos (CAPTURGAL) US\$1,863,616	29 November 2005 48 months	5.00%	The conditions precedent had already been fulfilled in the first six months of execution, and the coordinator has been hired. Startup has been favorable.
ATN/ME-9466-BH 26 October 2005	Sustainable tourism network for SMEs Bahamas Hotel Association US\$1,301,000	17 March 2006 48 months	24.00%	The first six months of execution have proceeded satisfactorily.
ATN/ME-9512-DR 16 November 2005	Model for sustainable tourism management in Bayahibe Asociación de Hoteles Romana Bayahibe US\$1,302,480	4 January 2006 48 months	10.35%	Satisfactory classification in general. The actions included in the components are part of the AHB's activities plan and in December 2005, the local community and the AHB were very enthusiastic about project execution.
ATN/ME-9563-CO 7 December 2005	Rural tourism development in Territorio Paraíso Fundación Carvajal US\$845,000	31 March 2006 36 months	10.00%	The project is in the initial phase of execution, following delivery of the contract on 31 March 2006. The conditions precedent were met in full, and the overall classification is satisfactory.

Project number / Approval date	Project name, executing agency, and amount	Date of signature and disbursement period in months	Percentage disbursed	Comments: Satisfactory execution or problems with execution, including delays, extensions, reformulation, change in executing agency, etc.
ATN/ME-9588-GU 14 December 2005	Competitive development of cultural tourism with indigenous communities Cámara de Turismo de Guatemala [Guatemalan Chamber of Tourism] (CAMTUR) US\$1,157,737	24 January 2006 48 months	10.00%	The conditions precedent were satisfactorily met, and the project was declared eligible in April 2006. The startup workshop was held in July 2006.
ATN/ME-9720-ME 8 March 2006	Tourism development for MSMEs in the tequila region Consejo Regulador del Tequila US\$1,572,370	27 April 2006 48 months	10.00%	The executing agency has fulfilled the conditions precedent, and the project is therefore eligible for disbursements to begin. Satisfactory classification in general.
ATN/ME-9832-CR 31 May 2006	Rural community tourism in Costa Rica and replication in Central America COOPRENA US\$1,092,048	15 August 2006 48 months	0.00%	The agreement has just been signed. Implementation of initial activities is satisfactory, and fulfillment of the proposed components probable.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND

PROPOSED RESOLUTION MIF/DE-___/06

Jamaica. Nonreimbursable Technical Cooperation ATN/ME-____-JA for the
Competitiveness of Small Hotels

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 Bank, as Administrator of the Multilateral Investment Fund, to enter into such agreements as may be necessary with the Jamaica Hotel and Tourist Association (JHTA), and to take such additional measures as may be pertinent for the execution of the project proposal contained in document MIF/AT-___ with respect to technical cooperation to improve the competitiveness of the small hotels subsector in Jamaica.

2. That up to the amount of US\$724,039 or its equivalent in other convertible currencies, shall be authorized for the purpose of this resolution, chargeable to the technical cooperation resources of the Small Enterprise Development Facility of the Multilateral Investment Fund.

3. That the above-mentioned sum is to be provided on a nonreimbursable basis.

LEGIII/JA-812267-06
JA-M1008