

TOURISM DEVELOPMENT AND TRAINING PROGRAM IN AYACUCHO

(TC-97-06-42-7)

EXECUTIVE SUMMARY

EXECUTING AGENCY: Cáritas Ayacucho, through the Tourism Training Center [Centro de Formación en Turismo] (CENFOTUR) and the Development and Employment Workshop School of the Lima Restoration Program.

BENEFICIARIES: Approximately 2,000 individuals entering the job market (with special emphasis on young people 16-24 years of age), as well as persons already employed in the tourism industry.

OBJECTIVES: The principal program objective is to train human resources in order to develop the tourism product of Ayacucho. The specific objectives are: (i) to offer technical training to young people in tourist services; (ii) to provide training in restoration to young people, to enhance their development and youth employment; (iii) to document and enhance the value of the fixed and movable cultural heritage in historic centers; and (iv) to increase awareness among and to educate key groups in ways and means of finding opportunities within the industry, for purposes of enhancing the tourism product.

DESCRIPTION: The objectives will be achieved through the implementation of a three-year program that will include the following components: (i) training in services related to the tourism industry (such as hotel management and associated services); (ii) training in restoration of the cultural heritage; and (iii) community awareness activities. Theoretical training activities will be centralized at a single training center, while hands-on training activities will be carried out at the respective tourist establishments and historic monuments.

(i) Training in tourist services

This component will be implemented with the participation of CENFOTUR, and instruction will cover lodging and apartment rentals; cooking and baking; restaurants and bars; travel agency counters and tourist guides. Courses in the chosen areas will last an average of about four months, and a certificate will be awarded to each trainee who

satisfactorily completes a course. Certification as a technical specialist in hotel management or tourism, accredited by the Ministry of Education, will be given to those who satisfactorily complete all courses (approximately a two-year program).

It is estimated that each course offered will have an average capacity of 20 students, and that a total of 300 students will be trained each year.

(ii) Training in restoration

This component will be implemented with the participation of the Development and Employment Workshop School of the Lima Restoration Program. The school's teaching methodology will be used, combining theoretical instruction, workshop training and hands-on practice. The essential feature of this methodology will be its eminently practical application, linked from the beginning to the cultural heritage on which the activity focuses. The comprehensive training will be geared toward preserving and restoring fixed and movable assets.

The workshops will last approximately six months each, also with a certificate awarded to each trainee satisfactorily completing one. Certification as a technical specialist in historic restoration, accredited by the Ministry of Education, will also be given to those who satisfactorily complete all the workshops. It is estimated that each course offered will have an average capacity of 15 students per specialty, and that a total of 90 students will be trained each year (two workshops in masonry).

The program will also offer short training courses for apprentices in three specialties: basic carpentry, basic electricity and basic masonry. These courses will last approximately three months, and each will be offered three times a year. Twenty-five students will be trained in each course, for a rate of about 225 students a year, taking into consideration that some students may take more than one course.

(iii) Community awareness activities

The purpose of this component is to: (i) build solid support for tourism, with private sector participation and commitment from key interested parties, including NGOs and the general public; (ii) ensure that local governments and the grassroots have greater knowledge of tourism and an understanding of

the policies, regulations, programs and services relating to the tourism industry; and (iii) improve awareness among and educate key target groups about the opportunities offered by the industry so they can reap some of the economic benefits of tourism through proper management of the cultural and historical heritage, which enhances the tourism product at the same time. In order to achieve these goals, Caritas will coordinate the promotional activities with the Peruvian Development Commission [Comisión para la Promoción del Perú] (PromPerú) and will hire two experts in community awareness for a total of 30 months.

FINANCING: Modality: grant

 Beneficiary: US\$ 700,000

 MIF: US\$1,600,000

 Total: US\$2,300,000

TERMS: Execution: 36 months

 Disbursement: 39 months

CESI: CESI approved this operation at its meeting on December 23, 1997, and the recommendations were considered by the project team.

BENEFITS: The project will foster cooperation between the public and private sectors and will help build an institutional consensus in the tourism industry. The project will capitalize on the soundness of the executing agencies, which have a track record in project implementation and management and are well known for excellence in training in tourist services and restoration.

The project will help expand the human capital base in the Department of Ayacucho, by developing the skills of approximately 2,000 persons, including individuals entering the job market and those already employed in occupations related to tourist services, and persons entering the job market in restoration of historic monuments.

The program will act as a catalyst to offer new commercial opportunities in the tourism industry for the local private sector, enhancing its growth and offering job opportunities to trainees.

RISKS: One risk is related to the pace of development of tourism in Ayacucho as compared with the speed of training in services to be offered. There may be a job surplus or insufficient operating capacity to

meet demand. Nevertheless, the infrastructure offered by CENFOTUR and by the Lima Workshop School provides enough flexibility for easily adapting training capacity to demand, thus reducing the risk. Both institutions may supplement the Ayacucho activities through their programs in several other cities in Peru.

Another risk will be whether the Ayacucho Cultural League [Patronato Cultural de Ayacucho], in cooperation with the National Chamber of Tourism [Cámara Nacional de Turismo] (CANATUR), is able to set up a private foundation to subsidize training costs after the end of the program execution period. This risk will be reduced by hiring an international expert to develop the terms of reference for creation of the foundation and to implement a fund-raising strategy.

**SPECIAL
CONTRACTUAL
CONDITIONS:**

As a condition precedent to the first disbursement:

(i) Cáritas will submit to the Bank the agreements entered into by Cáritas and CENFOTUR, and by Cáritas and the Lima Workshop School, for their respective training programs (see paragraph 3.21).

(ii) Cáritas will submit to the Bank legal evidence that facilities have been procured through a loan and restitution arrangement with the Archbishopric of Ayacucho (see paragraph 3.29).

(iii) Cáritas will submit to the Bank evidence that the contributions necessary to fully fund the activities planned during the first year of program execution have been committed (see paragraph 3.29).

I. ELIGIBILITY

- 1.1 On December 14, 1993, the Donors Committee declared, on the basis of a memorandum prepared by the Bank, that Peru is eligible to receive financing from the Multilateral Investment Fund (MIF).

II. BACKGROUND

A. The tourism industry

- 2.1 Tourism is an important sector with the potential to be instrumental in the socioeconomic development of Peru. According to the World Travel and Tourism Council (WTTC), tourism and services related to travel, food and lodging constitute the largest industry and generate the largest number of jobs (260 million in 1997) worldwide.
- 2.2 According to the Ministry of Tourism, the tourism sector in Peru consists of over 60,000 businesses, including hotels, restaurants and travel agencies. The sector employs over 220,000 persons directly, plus another 200,000 workers indirectly through seasonal and part-time employment. The sector is Peru's third largest generator of foreign currency. In 1996, a record 668,537 tourists visited Peru, generating more than US\$725 million. Preliminary statistics for 1997 indicate that there were more than 730,000 foreign visitors, who generated US\$850 million to US\$900 million. There has been an average 25% increase in travelers arriving in Peru in the past three years. It is estimated that by the year 2000, the annual number of visitors will exceed one million.

B. The tourism sector in Ayacucho

- 2.3 The Department of Ayacucho, located in the central sierra of Peru, was the area most strongly affected by the terrorist violence that plagued the country from the 1980s to the early 1990s. This caused a considerable segment of the population to emigrate from rural areas to the department capital, and the city of Ayacucho (Huamanga) suffered the impact of a migration that has overwhelmed its capacity to provide employment and services. In addition, economic activity in the region was significantly affected, and tourism-related activities were practically paralyzed.
- 2.4 According to information provided by the Regional Office of Industry and Tourism [Dirección Regional de Industria y Turismo] for the period between 1980 and 1995, the number of visitors to Ayacucho fell from 53,600 in 1987 to 20,442 in 1992. The influx of foreign tourists was especially affected by this situation, declining from 13,400 in 1980 to less than 250 per year between 1990 and 1992. Starting in 1993, the number of tourist arrivals in

Ayacucho began to increase. Given the fact that estimated national growth for the five-year period 1998-2002 may reach nearly 100%, raising the number of arrivals from 730,000 to about 1,415,000, it is estimated that the number of arrivals in Ayacucho may also increase from about 55,000 to 150,000 during that period. Such an increase could be achieved if the number of Peruvian visitors increases in the same proportion (nearly 100%) and if the number of foreign visitors increases to just 5% of arrivals in the country.

- 2.5 This potential cannot be realized, however, mainly because of the condition of the principal tourist attractions of Ayacucho and the limited tourist services offered at area destinations. The deteriorated condition of its main attractions – religious, colonial and archeological art – as well as the limited tourist services, prevent travel agencies and wholesale operators from even considering the region as capable of serving a considerable flow of tourists, either Peruvian or foreign, without measures being taken concurrently to improve the situation.
- 2.6 Ayacucho has an impressive supply of tourist attractions, such as the caverns where Pikimachay Man lived more than 10,000 years ago; the Inca city and administrative center of Vilcashuamán; the archeological ruins of the Wari empire; Quinua, the town of craftsmen; the Quinua pampa and its monument to the battle of Ayacucho; Condoray with its textile art; and Titankuy National Park, to name a few. Ayacucho also has a beautiful and varied geography, where protected areas have been established as national preserves and historic sanctuaries that serve as a refuge for representative species of the region, with great potential for ecotourism.
- 2.7 Since its beginnings, the city of Ayacucho has also had close ecclesiastical ties, and it is this ecclesiastical heritage that constitutes the city's most valuable tourism product. After its founding and subsequent move in 1540 to its present location, the city experienced significant growth, which was reflected in the construction of churches and mansions. Special mention should be made of its religious art, represented in 33 colonial churches that were built over the course of three centuries and hold valuable art treasures. Other features very attractive to local and foreign tourists are its mansions with spacious courtyards and stone arcades, the craftsmanship of its altarpieces, Huamanga ceramics and sculpted stone, and its religious feast days and traditions, particularly Holy Week, which draws the largest influx of visitors in the year.
- 2.8 Although the colonial churches, apart from their religious significance, are currently one of the main tourist attractions of Ayacucho, many of them have not been properly maintained or repaired, and they have suffered serious deterioration over the years. Furthermore, since there is currently no system to protect popular tourist sites, the churches in Ayacucho cannot be opened

regularly for visits from the public, except during worship services.

- 2.9 The Department of Ayacucho currently has 34 establishments providing accommodations (15 hotels and 21 hostels), with approximately 600 rooms and 900 beds. There are approximately 220 restaurants with the capacity to serve 5,800 persons. Hotels and restaurants together generate 1,230 jobs. If an increase of 100,000 arrivals in Ayacucho is expected within the next five years, a staff of about 3,000 skilled workers would be necessary.
- 2.10 There is, however, an almost complete lack of qualified staff to provide these tourist services in Ayacucho. According to CANATUR and PromPerú, the main problem in training staff in Ayacucho stems from inadequate existing programs, the lack of experts in the various specialties and the lack of suitable educational infrastructure.

C. Investment in tourism in Ayacucho

- 2.11 With the new-found political stability, public and private sector institutions are now emerging in Ayacucho, as well as semipublic and bilateral cooperative agencies that are investing in or heavily supporting the promotion of Ayacucho as a tourist destination, both in Peru and abroad.
- 2.12 PromPerú has estimated that the Department of Ayacucho has the potential to become the second ranking tourist destination after Cuzco. Accordingly, the government is investing in the promotion of Ayacucho as a destination and has developed a detailed master plan for 1997-98, which calls for a series of measures such as: (i) training staff to provide services to travelers; (ii) supporting and publicizing cultural and artistic events (such as crafts); (iii) consolidating interinstitutional coordination and sharing its vision of tourism development with the local authorities and institutions; (iv) encouraging the organization of events that attract travelers to the destination; and (v) creating a favorable atmosphere for generating a market culture.
- 2.13 The proposed project will benefit from the resources and activities planned by PromPerú in the sector, recognizing that sector development requires solid support and leadership from the government in order to pave the way for private sector investment. The project proposes working in association with PromPerú to identify training and community awareness activities, as detailed in the third component of the project, and in accordance with the PromPerú Master Plan for 1997-98.
- 2.14 Among the private sector concerns that are investing in Ayacucho are banks which, in opening new branch offices there, have considered facilities that maintain the city's traditional architecture. Some have even established their own art galleries

or museums. There has also been investment in hotels over the past three years, with new establishments being built, thereby increasing the supply of hotel rooms.

- 2.15 In addition, the frequency of flights has increased from one to four daily, one of them as a stopover on the Lima-Cuzco route, which represents a great opportunity for attracting foreign tourists. Furthermore, the Ica-Ayacucho highway is in its final construction phase. Once completed, it will considerably reduce the overland travel time and distance to Ayacucho, attracting even more potential tourists.

D. Institutional context of the project

- 2.16 Peruvians are very knowledgeable about the tourism sector and training for it, which will facilitate implementation of the project. CENFOTUR, founded in 1972, is a decentralized, semi-public agency of the Tourism Department in the Ministry of Industry, Tourism, Integration and International Trade Negotiations. Its function is to plan and carry out the institutional educational policy of vocational training and to provide training and refresher courses for working staff, and for additional staff needed in the tourist industry.
- 2.17 The training given by CENFOTUR is divided into a Hotel Management College and a Tourism College. CENFOTUR has achieved unprecedented success in tourism training: its programs are completely filled and in great demand by workers in the industry and in government and are self-sustaining. Graduates of CENFOTUR programs are easily absorbed into the job market and their credentials are recognized by tourism chambers and associations. CENFOTUR has the organization and experience necessary to assume responsibility for helping to train professionals in tourism and hotel management under the proposed project.
- 2.18 In setting up its training programs, the proposed project will also benefit from the experience of the Development and Employment Workshop School of the Lima Restoration Program. The school is being financed with funds from the Government of Peru through the National Culture Institute [Instituto Nacional de Cultura] (INC), and through bilateral assistance from the Spanish government through the Spanish International Cooperation Agency [Agencia Española de Cooperación Internacional] (AECI). The school was founded in 1991 and has developed an extensive apprenticeship program for young people. The goal of the school is to provide young people with training to assist them in their development, education, and employment, with a view to restoring and enhancing the fixed and movable cultural heritage in the historic centers of Peruvian cities. The Workshop School has developed programs and theoretical material and hands-on practice that can be easily applied to the Ayacucho context.

- 2.19 In the past six years, the Archbishopric of Ayacucho has successfully carried out close to 40 projects for repair of churches and repair and/or construction of child care facilities, orphanages, and training and social development centers, for a total amount equivalent to US\$2 million. To finance these projects, it used its own resources, as well as grants from sources including the Tourism Development Fund [Fondo de Promoción al Turismo] (FOPTUR), the Compensation and Development Fund [Fondo de Compensación y Desarrollo] (FONCODES), the United States Agency for International Development (USAID), the Ayacucho Emergency Association [Asociación de Emergencia de Ayacucho] (AEA), PromPerú and Japan Cooperation [Cooperación Japón]. The Archbishopric, as the project sponsor, has offered to provide the infrastructure to establish and operate a center for vocational training and tourism support services, which will house the proposed project activities. The center will be located in a building owned by the Archbishopric where an advanced technical institute, also supported by the Archbishopric, is currently operating but will be relocated.
- 2.20 The Ayacucho Cultural League, a noncommercial, nonprofit association whose purpose is to restore the historical heritage of the Department of Ayacucho, was created to participate in sector development planning, and specifically to protect the major monuments and relics. The league's objectives are to: (i) increase awareness in the Ayacucho community about the cultural and ecological value of the region, through initiatives and activities to help disseminate information about the department's esthetic, cultural and historical value; (ii) develop standards for urban development and that will help preserve assets of historical value; (iii) promote and arrange with the authorities incentives to stimulate private investment and/or reinvestment in Ayacucho; (iv) participate with private and/or public institutions in achieving the proposed objectives; and (v) conduct studies and/or research to promote tourism in Ayacucho.
- 2.21 Since its creation, the league has had the support of a multitude of public figures and institutions from the public and private sectors (including the Archbishopric of Ayacucho, president of the University of Huamanga, a former mayor of the city, prominent professionals, Banco de Crédito, Southern Perú, Banco del Nuevo Mundo and Banco Latino). This support has given the league great grass-roots appeal among both the public and private sectors. It is also significant in that it demonstrates the high priority the local community is assigning to tourism development.
- 2.22 Cáritas Ayacucho, which requested Bank assistance to develop the human capital base for tourism development in the Department of Ayacucho, has an extensive record in channeling and managing projects financed through grants from Peruvian and foreign sources.
- 2.23 The CENFOTUR program, a leading tourism training program, and the Lima Workshop School program, the country's most highly reputed

restoration program, took part in the project design, providing Peruvian and foreign experts to work with Cáritas and the project team on field trips and in the preparation of training plans and budgets for the development of training capacity in the sector. The plans were adjusted to accommodate projected growth in the department projections and the experience of these institutions with a similar product in other regions of the country.

- 2.24 Based on the projected growth in the tourism sector, the improvements in infrastructure and air and land transportation, and public and private sector interest in investing and/or participating in investments in tourism in Ayacucho, Cáritas requested funds from the MIF Human Resources Facility. The purpose of the operation is to help finance the design and delivery of training programs needed to assist in the development of the human resources base in Ayacucho. Development of the base is necessary for the increased investment flows and private sector expansion, which are essential to success in the sector.

III. THE PROPOSED PROJECT

A. Objectives

- 3.1 The principal program objective is to train human resources in order to develop the tourism product of Ayacucho. The specific objectives are: (i) to offer technical training in tourist services; (ii) to provide training in restoration to young people, to enhance their development and employment; (iii) to document and enhance the value of the fixed and movable cultural heritage in historic centers; and (iv) to increase awareness among and educate key groups in ways and means of finding opportunities within the industry, for purposes of enhancing the tourism product.

B. Description

- 3.2 The objectives will be achieved through the implementation of a three-year program that will include the following components: (i) training in services related to the tourism industry (such as hotel management and associated services); (ii) training in restoration of the cultural heritage; and (iii) community awareness activities. The project will train approximately 2,000 individuals entering the job market (with special emphasis on young people between the ages of 16 and 24) and persons already employed in the tourism industry. Theoretical training activities will be centralized at a single training center, while hands-on training activities will be carried out at the respective tourist establishments and historic monuments.

(i) Training in tourist services

- 3.3 The training program for tourism industry services will adapt the training model used by CENFOTUR in Lima to the specific circumstances and conditions in Ayacucho. CENFOTUR will prepare and subsequently implement a plan that includes the following activities: (i) define and identify the group to be trained; (ii) establish criteria for formulating course content; (iii) establish the specific programs for training; (iv) determine infrastructure needed and other requirements; (v) devise the general training plan for instructors; and (vi) establish the criteria for evaluation and monitoring of the training program in tourism industry services.
- 3.4 Based on the project design, the instruction will cover lodging and apartment rentals; cooking and baking; restaurants and bars; travel agency counters and tourist guides. Courses in the chosen areas will last an average of about four months, and a certificate will be awarded to each trainee who satisfactorily completes a course. Certification as a technical specialist in hotel management or tourism, accredited by the Ministry of Education, will be given to those who satisfactorily complete all courses (approximately a two-year program). Courses may also be given for specific needs, such as for guides specializing in ecotourism.
- 3.5 It is estimated that each course offered will have an average capacity of 20 students, and that an average of 300 students will be trained each year (900 during the program execution period) since some students are expected to specialize in more than one area. The basic selection criterion for the recipients will be completion of at least secondary education. This requirement, which will be validated through an examination and screening process conducted by CENFOTUR, will ensure that all candidates have the basic aptitude and skills to absorb the training in tourism services to be provided under the project.
- 3.6 CENFOTUR will also carry out training workshops and seminars for instructors on an ongoing basis (approximately three times per year). The sessions will generate procedures for creating learning situations for the monitors and their subsequent systematizing and application.

(ii) Training in restoration of the cultural heritage

- 3.7 To set up the training program in cultural heritage restoration, a study was conducted and the model of the Development and Employment Workshop School of the Lima Restoration Program was selected. The school will develop and subsequently implement a program for the following activities: (i) define and identify the market to be trained; (ii) define the criteria for formulating course content; (iii) establish the specific training programs; (iv) determine infrastructure needs and other requirements; (v) devise a general

training plan for instructors; and (vi) establish criteria for evaluation and monitoring of the restoration training program.

- 3.8 The school's teaching methodology will be used, combining theoretical workshop training and hands-on practice. The essential feature of this methodology is its eminently practical application, linked from the beginning to the cultural heritage on which the activity focuses. The comprehensive training will be geared toward preserving and restoring fixed and movable assets.
- 3.9 Prior to startup of the training programs, training workshops and seminars will be held to train facilitators. These sessions will generate procedures for creating learning situations for the monitors and their subsequent systematization and application. Instructor profiles, criteria for course content design, and the general training plan for instructors will be developed jointly by Caritas and the Workshop School.
- 3.10 In addition, under the project, an information and historical documentation center will be established with the experience of the Workshop School. The center will serve as source for a data base, documented survey or general information on the historic heritage (fixed and movable), for university student and specialists, researchers, teachers, tour guides and tourists. The materials for the center will be collected during and after the project implementation period.
- 3.11 While the information center is being established, the Workshop School will adapt its training program, which will operate initially in six phases, with an educational program in five specialties in architectural restoration. The program will be conducted through six workshops, as follows: two workshops in masonry; one in plasterwork; one in structural carpentry; one in shop carpentry and one in electricity. The training will be approximately 40% theoretical and 60% hands-on or practice, with the latter being conducted at some of the city's actual historic monuments.
- 3.12 The workshops will last approximately six months each, with a certificate awarded to each trainee satisfactorily completing one. Certification as a technical specialist in historic restoration, also accredited by the Ministry of Education, will be granted to those who satisfactorily complete all the workshops (an approximately three-year program with a total of 2,160 hours of theory and 3,600 hours of practice). Each course offered will have an estimated average capacity of 15 students per specialty, and approximately 90 students will be trained each year (two masonry workshops).
- 3.13 The program will also offer short training courses for apprentices in three specialties: basic carpentry, basic electricity and basic masonry. These courses will last approximately three months, and

will each be offered three times a year. Twenty-five students will be trained in each course, for a rate of about 225 students a year, taking into consideration that some students may take more than one course. The basic selection criterion for the trainees will be completion of at least three years of secondary education. This requirement, which will be validated through an examination and screening process conducted by the Workshop School, will ensure that all the candidates have the basic aptitude and skills to absorb the training to be provided under the project.

(iii) Community awareness activities

- 3.14 The purpose of this component is to: (i) attract private sector participation and commitment on the part of NGOs and the general public to tourism in Ayacucho; (ii) ensure that local governments and the grassroots have greater knowledge of tourism and an understanding of the policies, regulations, programs and services relating to the tourism industry; and (iii) improve awareness among and educate key target groups about the opportunities offered by the industry so they can reap some of the economic benefits of tourism through proper management of the cultural and historical heritage, which enhances the tourism product at the same time. In order to achieve these goals, Caritas will work in cooperation with PromPerú and will hire two experts in community awareness for a total of 30 months.
- 3.15 Four workshops will be conducted during the project execution period, on the following topics: (i) quality of service delivery; (ii) tourist awareness and identity; (iii) tourist information; and (iv) promotional activities. The first two subjects will be aimed at civic and community leaders, with contacts coordinated through the Ayacucho Cultural League.
- 3.16 The tourist information and promotional activities include the organization of the other two workshops, as well as the production of printed materials, media advertising campaigns, and coordination of promotional activities targeting a general tourist audience. Advertising campaigns will be conducted in the communications media in Lima, using the press and television to highlight Ayacucho's tourist attractions and presenting the city as a year-round destination. In addition, promotional activities will be coordinated with travel agencies and airlines to encourage them to consider Ayacucho in their route expansion plans.
- 3.17 And lastly, this component will try to remedy some of the problems associated with the dearth of information on the city's historic and cultural sites, which has been identified as an obstacle to a good turnout of tourists staying in Ayacucho. Among the deficiencies noted are the scant availability of tourist information on principal tourist attractions, the limited dissemination of information on existing locations where visitors can obtain tourist information, and the absence of printed and/or

audiovisual materials on Ayacucho (brochures, books, posters, post cards and videos).

- 3.18 To remedy this problem, through the use of the information and historical documentation center mentioned in the restoration training component, the two experts to be hired will ensure coordination with the institutions in charge of managing the various attractions in order to generate statistical information on the sector and other information useful to travelers, students and researchers, among other users.

C. Execution

- 3.19 Responsibility for Program execution will be assumed by Cáritas Ayacucho, with the support of CENFOTUR and the Lima Workshop School as the subexecuting agencies, which will be responsible for the technical design and implementation of the training programs in tourist services and restoration, respectively. Cáritas is considered the most qualified institution to coordinate the execution of this project, since it is the only private organization in the department that has a track record of working with international and multilateral agencies in the implementation of training projects and programs in social sectors.
- 3.20 Cáritas Ayacucho has been in operation since 1987, originally through the Oficina Archdiocesana de Acción Social de Ayacucho [Ayacucho Archdiocesan Office of Social Action] (OASA), and became Cáritas officially in 1994. Its objectives include the human and social development of the community through educational programs and self-help systems, and through the promotion, coordination and implementation of service projects for low-income groups. Since 1995, it has carried out a total of 12 projects for a total of over US\$5 million, financed by various national, multilateral and bilateral agencies. Its organizational structure is sufficiently flexible, which enables it to assume responsibility for program management and implementation, efficiently and at low administrative cost.
- 3.21 CENFOTUR and the Lima Workshop School are both solid organizations, involved in the design and implementation of training programs in tourist services and in restoration of the cultural heritage, respectively. Accordingly, draft agreements have been drawn up between Cáritas and CENFOTUR, and between Cáritas and the Lima Workshop School, for the respective training programs, and have been reviewed and found to be in order. The signed agreements must be submitted to the Bank as a condition precedent to the first disbursement.
- 3.22 A program coordination unit will be created in Cáritas to coordinate project execution. It will consist of a director and three coordinators, each of the latter being responsible for one component (training in tourist services, training in restoration,

and community awareness activities). The coordination unit will also be in charge of coordinating activities with PromPerú.

- 3.23 The project activities will be carried out at a training and tourism center, where the above-described training will be given. The center will also house the project coordination activities and other activities related to tourism, such as information services and exhibits, in addition to other commercial activities that support tourist services.
- 3.24 The Training and Tourism Center is being established in a building owned by the Archbishopric of Ayacucho, where an advanced technical institute, also supported by the Archbishopric, is currently operating. The Archbishopric has assigned the building to program execution, for which purpose it will enter into a loan and restitution agreement covering a period of at least 10 years.
- 3.25 The program will also receive the advisory support from the Ayacucho Cultural League, which, among other functions, takes part in the city's urban planning for the specific purpose of successfully restoring and preserving its historic center, thus making it especially well qualified for this role. Its advisory services will be useful in program orientation and monitoring, and in developing and attracting private sector support.
- 3.26 Once the operation is approved, a mission consisting of the project team, with the participation of Caritas and the subexecuting agencies, will be carried out to review the interinstitutional agreements and draw up the work plan for the first year of activities.
- 3.27 Responsibility for the operation will lie with the Country Office in Peru, which will periodically review its progress and will be in charge of coordinating the mid-term and final evaluations of the operation with the Program Coordination Unit. The evaluations will be conducted taking into consideration the logical framework attached as Annex III-3.

D. Cost, source of financing and cost recovery

- 3.28 The program cost is estimated at the equivalent of US\$2.3 million of which the equivalent of US\$1.6 million will be contributed by the MIF (Human Resources Window) on a nonreimbursable basis, and a local counterpart contribution equivalent to US\$700,000, as broken down in the following table:

Category	MIF	Local counterpart	Total
Tourist services training	345	145	490
Restoration training	660	355	1,015
Community awareness	215	50	265
Coordination unit	260	150	410
Evaluations	60	0	60
Contingencies	60	0	60
TOTAL	1,600	700	2,300

The counterpart and MIF funds for the three components and the Coordination Unit will be used for consultants, training materials and equipment, training, and logistical support (see information in the project technical files).

- 3.29 The following expenditures will be recognized as part of the local counterpart contribution: (i) the property and facilities where the training and tourism promotional activities will be carried out, being assigned by the Archbishopric of Ayacucho under a loan and restitution agreement (\$100,000); (ii) logistical and staff support to be provided by Caritas to the Coordination Unit during program execution (\$50,000); (iii) the contributions to be made by AECI to complete the financing of the training activities in restoration (\$350,000); and (iv) the contributions of CENFOTUR (\$75,000) and of private sector institutions (\$70,000) needed to complete the financing of the training activities in tourist services. As a condition precedent to the first disbursement, legal evidence will be submitted that the facilities have been assigned and that the contributions needed to complete the financing of the activities to be carried out during the first year of program execution have been committed.
- 3.30 Based on the projected growth the tourism sector in Ayacucho prepared by PromPerú, the courses are expected to be in high demand. A private foundation will be established under the project in association with the League and CANATUR to subsidize the costs of training after the project execution period. The foundation will provide scholarships to selected candidates for training in tourist services and restoration. The funds will be generated through fund-raising activities and the sale of tourist-related goods and services. Within 12 months after project initiation, the Coordination Unit will hire an international expert who will work with the League and CANATUR to develop terms of reference and a strategy to raise funds for the foundation.

IV. DISBURSEMENT OF FUNDS

- 4.1 The disbursement of funds and the procurement of the goods and services to be financed with resources from the MIF contribution will be carried out in accordance with Bank procedures. An advance equivalent to 5% of the contribution will be established up at the request of the executing agency.

V. FEASIBILITY AND RISKS

A. Benefits

- 5.1 The project will encourage cooperation between the public and private sectors and will help build an institutional consensus in the tourism industry. The project will capitalize on the soundness of the executing agencies, which have a track record in project implementation and management and are well known for excellence in the training in tourist services and restoration.
- 5.2 The project will help expand the human capital base in the Department of Ayacucho, by developing the skills of approximately 2,000 persons, including individuals entering the job market and workers in occupations related to tourist services, and individuals entering the job market in restoration of historic monuments.
- 5.3 The program will serve as a catalyst to offer new commercial opportunities in the tourism industry for the local private sector, by promoting growth in the sector and offering job opportunities to trainees.

B. Risks

- 5.4 One risk concerns the pace of development of tourism in Ayacucho, compared with the speed of training in services to be offered. There is a possibility of a job surplus or insufficient operating capacity to meet demand. Nevertheless, the infrastructure offered by CENFOTUR and by the Lima Workshop School provides enough flexibility for easily adapting training capacity to meet the demand, thus reducing the risk. Both institutions could supplement the Ayacucho activities through their programs in several other cities in Peru.
- 5.5 Another risk is whether the Ayacucho Cultural League [Patronato Cultural de Ayacucho], in association with the National Chamber of Tourism [Cámara Nacional de Turismo] (CANATUR), is able to set up a private foundation to subsidize training costs after the end of the program execution period. This risk will be reduced by hiring an

international expert to develop the terms of reference for creation of the foundation and to implement a fund-raising strategy.

VI. FULFILLMENT OF CRITERIA FOR PROJECT ELIGIBILITY

- 6.1 The project is consistent with Article I (b) and (d), of the MIF Agreement, regarding the development of strategies for private sector expansion. The project is also consistent with the grant criteria under the Human Resources Facility, one of the objectives of which is to provide funds to develop the human resources base needed to increase investment flows and expand the private sector. The project will finance activities designed to improve productivity in the labor force through training programs promoted by the private sector, one of the priorities approved by the MIF Donors Committee in March 1997.

VII. CONSISTENCY WITH THE BANK'S PROGRAM AND DEVELOPMENT PLANS FOR THE SECTOR

- 7.1 This project is consistent with the Bank's strategy for Peru, and particularly with the focus on the social sectors. The Bank's country strategy assigns priority to: (i) economic modernization; (ii) the creation of conditions that will enable the private sector to increase the job creation rate and to support the government in expanding coverage, improving the quality of social services, and reducing poverty; and (iii) modernization of public sector institutions. The proposed operation is consistent with this strategy, and particularly section (ii) thereof, inasmuch as it specifically addresses the obstacles encountered by human capital in economic development. The project emphasizes cost-effective training programs, human resource development, institutional strengthening, expansion of private sector capacity and participation in training programs.
- 7.2 This project is also consistent with the country's sector development plans, in that it fully complements the study and the activities recommended in the PromPerú document entitled "Promoción Integral de Ayacucho como Destino Turístico" ["Comprehensive Development of Ayacucho as a Tourist Destination"]. The plan of activities in this study seeks, among other things, to develop the human resources base in the tourism sector in Ayacucho, through: (i) new training activities; (ii) improvement in the quality of training services; (iii) market identification and product development; (iv) creation of tourist information points; and (v) promotional campaigns and special events.

VIII. AVAILABILITY OF MIF RESOURCES

- 8.1 **Funding modality.** The project will be financed by means of a grant, based on the following considerations: (i) the Donors Committee declared Peru eligible for all MIF funding modalities on December 4, 1993; (ii) Peru has complied with the eligibility criteria for obtaining grant funds at the country level (Article III, Section 5(b) of the MIF Agreement) specified in Section III, paragraphs 3.1-3.2 of Eligibility Memorandum MIF/GN-20; and (iii) the proposed project will have a catalytic effect on investment flows, as stipulated under Article III, Section 5(a) of the MIF agreement, inasmuch as it will provide investors with expanded capacity for job training in areas in demand by the private sector.

IX. EVALUATIONS

- 9.1 The Bank will hire individual consultants to conduct two project evaluations: a mid-term evaluation 18 months after project initiation, and a final evaluation to be carried out within 12 months after the last disbursement.
- 9.2 During the life of the project, the Coordination Unit and the subexecuting agencies will compile project evaluation and monitoring indicators. There will be continuous indicators to examine: (i) information on the type of participant based on the eligibility criteria established by CENFOTUR and the Workshop School, and the specific services/training offered to the students; (ii) the institutional framework, including the selection process, placement and program administration; (iii) project impact, including the findings of the followup study on individual participants, and their participation in the program (total number of applicants, trainees and graduates); number of trainees per program; number of job placements; number of trainees certified; studies and followup completed; number of trainees at the beginning and end of the project; (iv) cost-effectiveness of the project; and (v) support from the private sector and the ability to sustain training activities.
- 9.3 A final evaluation will be conducted within 12 months after the last disbursement. To that end, the Bank will hire consultants to carry out the evaluation based on the specific objectives mentioned above, as the foundation for the work plan. The consulting services will assess the impact of the program on individual participants and on the industry. The evaluation will focus on key areas such as: the cost-effectiveness of the service provided; impact of the training on wages; whether the target groups obtained certified skills; job placement rate for the unemployed; and

improvement of the quality of services and customer satisfaction. The evaluation will also indicate the foundation's ability to sustain program activities.

- 9.4 The executing agency will offer access to all information and documentation needed to conduct the evaluations. The executing agency will submit to the Bank semiannual reports detailing project progress.

LOGICAL FRAMEWORK

Objectives: The principal program objective is to train human resources in order to develop Ayacucho's tourism product. The specific objectives are to: (i) provide technical training to young people in tourist services; (ii) provide training, focusing in restoration to enhance development and employment; (iii) increase awareness among and educate key groups in ways and means of finding opportunities in the industry, for purposes of enhancing the tourism product; and (iv) attract the private-sector resources needed to sustain the capacity developed under this project for training in tourist services and in restoration of the cultural heritage.

Outputs:

The specific outputs include: (i) establishment of two training programs for the tourism sector at a training center; (ii) delivery of general and specialized training to approximately 2,000 individuals entering the job market, and industry workers; (iii) development of a training staff highly qualified for training in tourism and restoration; (iv) a survey and data base of tourist sites and objects; (v) development of awareness of career opportunities in the tourism sector and appreciation of the benefits to be derived from sector growth; and (vi) establishment of a private foundation to guide and sustain training in tourism and restoration beyond the life of the project.

Project component	Monitoring indicator	Means of verification	Assumptions
1. training in services related to the tourism industry (such as hotel management and associated services);	Determination of work requirements, course content and equipment needs for CENFOTUR activities. Curriculum requirements established for certification and training programs. Content of instructor training programs developed. New communication channels set up between tourist establishments and the Center. Training programs in demand by the tourism establishments.	Loan and restitution agreement with Archbishopric formalized. Designs and plans for the Center drawn up. Agreement between Cáritas and CENFOTUR authorized. Equipment and materials needed for training delivery procured. Towards year three of the project, training in tourist services provided to 1,200 persons including young people and employees of the industry. Instructor training programs introduced and, toward the end of year two of project execution, core staff functioning.	Continued political stability in the department. Rapid sector development occurs as estimated in the government's projections (over 10% annually). Growth of demand for the tourism product does not exceed the supply of training to be developed under the project. Private sector increases its participation in tourism training and contributes to the cost of training upon exhaustion of the MIF contribution.

2. training in restoration of the cultural heritage	<p>Determination of work requirements, course content and equipment needs for activities of the Restoration Workshop School. Curriculum requirements established for certification and training programs.</p> <p>Information compiled on churches and historic sites and art objects to be included in the data base for preparation of research, advertising and guide materials. New communication channels set up between travel agencies and operators.</p>	<p>Loan and restitution agreement with Archbishopric signed. Agreement between Cáritas and the Lima Workshop School authorized. Equipment and materials needed for training delivery procured. Towards the end of the project execution period, 945 persons, including individuals entering the job market and workers in the restoration industry, trained in areas related to restoration of the cultural heritage.</p> <p>Instructor training programs introduced and, toward the end of year two of project execution, core staff functioning.</p>	<p>Demand for cultural heritage tourism increases at the rate expected by PromPerú.</p> <p>Local community interest in cultural heritage tourism increases and the community contributes to the cost of training and restoration projects.</p>
---	---	--	--

<p>3. community awareness</p>	<p>Project Coordination Unit identified and, with the help of the project team, subcontracts with subexecuting agencies reviewed and work plan completed for the first year of execution. Design and draft engineering plans for setting up the project office reviewed. Participation of Ayacucho Cultural League and Chamber of Tourism in defining TORs and establishing the private foundation, promotional materials and training events planned for the project procured. Information gathered on number of visitors. The following qualitative and quantitative methods developed for measuring the impact of the training: (i) interviews with participants conducted; (ii) mechanism for measuring visitor perception (in cooperation with the Chamber of Tourism); and (iii) followup information on participant placement and wages.</p>	<p>Project Coordination Unit appointed. Agreement with subexecuting agencies accepted. Coordination Unit established in the Center for Training and Tourism Development. Initial mission conducted, consisting of project team and subexecuting agencies, to develop work plan for implementation of first year of project. Consultants (two) hired to conduct community awareness campaign and training activities (total of 7 workshops). Training workshops conducted. Advertising materials gathered during execution period for local and national press distributed. Advertising campaigns conducted in Lima communications media. Consultant hired to develop the frame of reference to establish the foundation and develop fund-raising activities to finance training after project completion. Terms of reference drawn up to establish the private foundation, fund-raising strategy devised to help support the Center's operating costs, and training activities carried out within 12 months after project implementation.</p>	<p>CENFOTUR's advertising campaigns for the Department conducted.</p> <p>The private sector supports, and is able to generate funds for, the continuation of training activities instituted by the project.</p>
-------------------------------	---	---	---

PROPOSED RESOLUTION

PERU. NON REIMBURSABLE TECHNICAL COOPERATION FOR
THE AYACUCHO TOURISM DEVELOPMENT AND TRAINING PROGRAM

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 Cáritas Ayacucho, and to take such additional measures as may be pertinent for the execution of the plan of operations referred to in Document MIF/AT- with respect to a technical cooperation for the Ayacucho Tourism Development and Training Program.
2. That up to the sum of US\$1.600,000 or its equivalent in other convertible currencies shall be authorized for the purpose of this resolution, chargeable to resources of the Human Resources Facility of the Multilateral Investment Fund.
3. That the above-mentioned sum is to be provided on a non-reimbursable basis.