

**DEVELOPMENT OF NATIONAL SKILL STANDARDS AND REGIONAL TRAINING PROGRAMS
FOR THE TOURISM INDUSTRY**

(TC-97-12-31-7)

EXECUTIVE SUMMARY

EXECUTING AGENCY: CENFOTUR (Centro de Formación Turística)

BENEFICIARIES: CENFOTUR, Regional tourism training providers, tourism industry workers, and new entrants to the tourism sector labor market.

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

The specific objectives of the project are to: (i) facilitate the ongoing collection, analysis and dissemination of information related to human resource development needs for the tourism sector; (ii) define and implement a process which leads to acceptance of national, competency-based skill standards, assessments and certifications for new entrants and current workers; (iii) increase the availability and relevancy of tourism training programs by adapting/developing materials into courses based on competency standards; and (iv) increase the number of qualified training providers available to the sector throughout Peru.

FINANCING:	Modality:	Grant (Facility II)
	Recipient:	US\$ 713,000
	MIF:	US\$1,087,000
	Total:	US\$1,800,000

EXCEPTIONS TO POLICIES: There are no exceptions to policies and procedures.

SPECIAL CONTRACTUAL CONDITIONS: Conditions precedent to first disbursement: appointment of the National Project Director (paragraph 4.4). Conditions precedent to disbursement under the second component of the project: authorization of the inter-agency agreements governing the relationship between CENFOTUR and the Regional providers (paragraph 4.5).

Other conditions: contracting for two external evaluations by a third-party specialist(s) acceptable to the Bank at month 18 and 30 after the effective date of the agreement (see paragraphs 7.3).

I. COUNTRY ELEGIBILITY

- 1.1 On December 14, 1993, the Donors Committee of the Multilateral Investment Fund (MIF) declared the Republic of Peru eligible for MIF financing. The proposed project is eligible for MIF financing because it is consistent with the general purpose of the Multilateral Investment Fund (MIF), and with the criteria for grant financing under the Human Resources Facility. This project, as conceptualized, would improve the human capital base of the tourism sector, an industry that is a multiplier for socio-economic development because it directly and indirectly benefits diverse segments of the economy and creates new jobs and incomes. In the area of training and education in Peru, priority areas for the IDB include reform of delivery systems and the strengthening of the human resource base to better address emerging labor market needs through a more efficient and effective delivery system and greater private sector participation. The proposed project is in line with this strategy.

II. BACKGROUND

A. Tourism sector

- 2.1 The Peruvian tourism sector is experiencing impressive growth rates due principally to improvements in infrastructure and tourism services, the variety of attractions, new investments in the sector and a stable political climate. The sector's enormous growth potential will eventually make tourism one of the strongest contributors to Peru's socio-economic development. Currently this sector holds third place in generation of foreign income.
- 2.2 The hospitality and tourism sector in Peru consists of more than 60,000 firms divided among hotels, restaurants and tourism agencies. In 1997, tourism revenues increased by 34% over 1996 earnings (\$632 million in 1996 and \$850 million in 1997) and the trend continued through 1998 (revenues for 1998 are estimated at \$900 million). The number of tourist arrivals for the period of January to August 1998 was 545,943, an increase of 11.2% for the same period in 1997. This indicator is very significant given that many Peruvian industries suffered from the effects of El Niño but the tourism industry held steady. This confirms that Peru is once again competing at a regional level for international tourist arrivals and foreign income.

B. Response to increased growth in the sector

- 2.3 Growth in Peru's tourism industry is being propelled by the private sector as reflected by the level of investment in new hotel projects and the renovation and expansion of existing properties. As of June 1998, investment totaled \$316.8 million, corresponding to 4,889 new or renovated hotel rooms. New hotel expansion will

require a minimum of 18,000 new employees for the sector to meet the needs of the new and/or renovated properties. 1/

- 2.4 The government too, is intensifying its efforts to channel resources and ensure sustained growth in the sector. Peru's Ministry of Tourism, Integration and International Business (MITINCI) is working with other ministries to improve tourism infrastructure and government figures reflect that the tourism budget has steadily increased over the past three years. The government has clearly stated that tourism is a priority for the nation and recently passed legislation eliminating the 18% sales tax for tourism packages purchased abroad and relaxing the tax obligations of new hotel owners.
- 2.5 The international community has responded to the sector's development potential as well. There are currently several projects in execution funded by international sources which include: 1) Japanese International Cooperation Agency (JICA): "Development of a Strategic Master Plan for the Sector"; 2) The European Union's Integrated Support Program for the Development of the Tourism Sector in Peru; 3) The GTZ's Promotion of Small and Medium Tourism Enterprise Development; 4) The OAS's Destination Management System; 5) The Agencia Espanola de Cooperación Internacional (AECI). "Support for the Strategic Development of Peru's Tourism Sector." and 6) the MIF is financing, TC-97-06-42-7, "Training Program for the Tourism Sector in Ayacucho."
- 2.6 The principal objective of the MIF financed project in Ayacucho is the training of human resources in order to develop that region's tourism product. The project is developing a group of Master Trainers in response to the proven demand for tourism training needed in Ayacucho and will utilize the training and didactic materials developed by AECI for the training activities in its tourism project. The AECI project has similar goals, given that one of the principal objectives of the AECI program is to develop adequate, quality tourism services in Peru through the development and professionalization of the tourism workforce. The Bank and AECI have worked in close collaboration to ensure that the project under consideration and AECI's training programs, will work together to address the regional training needs outside of Lima in the most popular and rapidly developing tourist destinations.

C. Human resources constraints confronting the sector

- 2.7 MITINCI reports that the sector directly employs over 220,000 workers and indirectly employs through seasonal and part-time employment an additional 200,000 workers. Of this workforce only

1/ Direct employment in the tourism sector is based on estimates of direct employees per room which is estimated at 1.2. Indirect employment has been calculated based on ratios of indirect employees per direct employee in the construction and accommodation sector: 2.5 indirect employees to direct employee.

15% is formally trained, and of that 15%, two-thirds work in the capital, leaving the regions with only one-third of all trained personnel. This is an alarmingly low rate but is even of greater concern when the majority of the untrained workers are those dealing directly with tourists.

- 2.8 The most prevalent constraint for raising the quality of tourism services offered regionally is the scarcity of tourism training providers, who for the most part are concentrated in Lima and basically cater to the higher and middle management levels. In terms of training for basic tourism workers outside of Lima, the supply of qualified training providers is very limited, generally of poor quality and not accredited.
- 2.9 The primary provider of tourism education and training in Peru is Centro de Formación en Turismo (CENFOTUR), located in Lima. CENFOTUR was created in 1978 as a public organization responsible for tourism education under the direction of MITINCI. By means of subsequent revisions to its status, CENFOTUR has evolved into a principally private organization that is operationally self-sufficient: over 50% of CENFOTUR's capital and over 90% of its income are privately owned and managed today. The training school itself functions fully with the income derived from student tuition and the most recent annual report reflects consistent and increasing income generation from the school. CENFOTUR has an Executive Board comprised of recognized private and public sector leaders from the sector.²
- 2.10 CENFOTUR is one of a select group of tourism training institutes, whose programs are fully backed and accredited by the Ministry of Education (MED). In fact, the courses and certificate programs offered by CENFOTUR are generally over-subscribed primarily because the leading employers in the industry prefer their employees to have a CENFOTUR certificate due to of CENFOTUR's excellent reputation in providing training for entry level and customer service occupations. In addition, CENFOTUR is the designated executing partner for the Train the Trainers component of the AECI project.

III. PROJECT OBJECTIVES AND COMPONENTS

A. Objectives

- 3.1 The overall objective of the project is to expand training delivery, improve service quality, and increase competitiveness in the tourism sector by establishing the framework for a system of national, competency-based skill standards.

²/The Technical annexes include an institutional and financial analysis of CENFOTUR.

- 3.2 The **specific objectives** of the project are to: (i) facilitate the ongoing collection, analysis and dissemination of information related to human resource development needs for the tourism sector; (ii) define and implement a process which leads to acceptance of national, competency-based skill standards, assessments and certifications for new entrants and current workers; (iii) increase the availability and relevancy of tourism training programs by adapting/developing materials into courses based on competency standards; and (iv) increase the number of qualified training providers available to the sector throughout Peru.

B. Components

- 3.3 The project will have a three year duration and will consist of two components: (i) Development of national skill standards and (ii) Training of trainers and project promotion. The first component will consist of the following activities: needs assessment of the industry in the targeted regions; development of competency based standards; and curricula design and adaptation based on the standards. The second component will include: development of training of trainer programs, establishment of a data base, and marketing and promotion of the standards and training programs.

1. Component I - Development of national skill standards
(US\$668,000)

- 3.4 The first activity, **Assessment of human resource development needs** will define specialized regional training requirements as well as general training needs. It will also validate the selection of regions that will participate in the project (Approximately 4-5). The needs assessment criteria will include: number of tourism personnel in the region, number of tourism establishments in the region, assessment of local training capacity; type of diversity of specialty programs required, new tourism investments in the region, governmental plan for infrastructure development in the region, and budget considerations. The project will contract the services of a local consulting firm, in collaboration with project staff, to undertake the needs assessment work.
- 3.5 The second activity **development of competency based standards** will establish a system of skill standards. This will entail: (i) chartering an Advisory Council that includes balanced participation of all stakeholders from the sector³; (ii) identification and agreement by the Advisory Council on a methodology for identifying and validating national, competency-based skill standards, assessments, and certification; (iii) development of a cost-effective means for assessing and certifying the competence of individuals according to established

³ The composition of the Advisory Council and its terms and conditions of operation are included in the technical files.

skill standards; and (iv) identification and validation of national, competency-based skill standards, assessments, and certification for a minimum of 40 occupations according to areas of need determined by the needs assessment and that meets the approval of the Advisory Council.

- 3.6 To undertake this work the project will hire the services of an international firm to: (i) conduct a strategic planning session with project staff and the appointed Advisory Council; (ii) profile occupations; (iii) license, adapt and verify standards; and (iv) conduct training of trainer sessions for training in the standards.
- 3.7 The last activity under this component is **curricula design and adaptation based on the standards**. This activity will consist of developing and/or adapting new training programs based on the needs assessment and standards setting process. New programs will be designed to work both independently and interdependently with other CENFOTUR program materials.
- 3.8 The following levels of curricula will be contemplated for the training programs: (i) craft-level training and education leading to a certificate for skilled workers; (ii) career-level training and education leading to a diploma; and (iii) in-service training and re-training for adults seeking employment entry into the hospitality and tourism industry, and also for workers currently in the industry who are seeking to advance to supervisory and mid-management ranks. The project will hire a full-time curricula design specialist that will work in collaboration with short-term experts in curricula design.

2. Component II - Training of trainers and project promotion
(US\$556,000)

- 3.9 The first activity will be to develop **training of trainers programs** in accordance with the standards and curricula design/adaptation for local trainers. The project will identify locally based training providers in the targeted regions of the project as participants of training of trainer programs. Materials developed through the standards setting process and available in Peru and on the international market will be adapted and tested on a pilot basis. 150 trainers from the regions (30 trainers per region) will be targeted to receive training initially. These master trainers, will then be in a position to train locally as CENFOTUR-accredited providers, thereby creating a multiplier affect. It is estimated that the project will train up to 3,000 industry workers and a similar amount of new entrants to the tourism labor market over the three year grant period. A full-time project training specialist and short-term international trainers will be hired for this activity.
- 3.10 The second activity of the component will be to **develop a database** to manage the standards, training materials, participants, and

provider networks established by the project. The database will generate job profiles, job descriptions, training checklists and other related printed materials that will be available at cost to employers and trainers, thereby generating a source of revenue for the project. A local short-term consultant will be hired to develop the data base.

- 3.11 The third activity will be the overall **marketing and promotion** of the occupational standards and training materials to gain national acceptance of the standards, curricula, and training programs among training and education providers, employers, and to create demand for tourism employment and career opportunities. Project staff, in collaboration with short-term local and international experts will undertake the marketing activities.

IV. PROJECT EXECUTION, DIRECT BENEFICIARIES AND SUSTAINABILITY

A. Project execution

- 4.1 The project will be executed by CENFOTUR, who will take the lead in chartering an Advisory Council that will consist of representatives from the Ministry of Education, MITINCI, educational institutions with tourism career programs and regional/national tourism associations. The Council will provide third party verification by serving as an advisory body for the establishment of the standards, certification, and training programs and will play an active role in marketing and promoting the project.
- 4.2 The team has determined that the project is ready for immediate implementation based on the following observations: CENFOTUR has the authority to award degrees and to accredit training providers for the sector; it has a sufficient revenue stream from its course offerings to meet its operational costs; evidence has been provided of counterpart contribution from its own budget and bilateral sources; and due to the high quality of its teaching staff and the prestigious composition of its board structure.
- 4.3 The day-to-day implementation and management of the project will be the responsibility of a project execution unit, appointed by CENFOTUR and located at CENFOTUR headquarters. The PEU will consist of: a full-time National Project Director, Training Specialist, Curricula Design Specialist, Training Assistant, and Accountant. (The terms of reference for the PEU are contained in the Technical Files.)
- 4.4 The hiring of consulting firms and individual consultants will be conducted in accordance with Bank and MIF procedures; all contracts are estimated to be below US\$200,000.00. The Project Director and selected consultants for components 1 and 2 will be contracted individually. Firms will be hired through competitive procurement according to Bank regulations for the other activities.

- 4.5 Local training providers will be identified in each of the regions selected for implementing the Training of Trainers course. Operating agreements defining the terms and conditions for participation in CENFOTUR training programs at the local level have been developed in draft as part of the project design work and will be formalized during project implementation. These agreements are important because through this project, local providers will be strengthened and accredited by CENFOTUR. Diplomas and training certificates received by industry workers and youth seeking employment in the sector from the regions will have universal acceptance throughout the country.
- 4.6 The project will be supervised by the Bank's Country Office in Peru. The execution period will be 39 months and a disbursement period of 42 months. The executing agency will submit semi-annual progress reports which will provide a review of activities carried out during the period, reports of progress against identified benchmarks, levels of disbursement, and qualitative assessment of project impact. The executing agency will submit its final report within three months of project completion. The report will summarize all activities conducted and the project's achievements.

B. Beneficiaries

- 4.7 The direct beneficiaries of the project will be CENFOTUR and regional training providers that will have improved training capacity (150 Master Trainers), programs and materials. The indirect beneficiaries are (i) industry workers who will have access to regional training programs, accredited by the leading tourism training institution in the country and (ii) new entrants to the tourism labor market that will have a quality supply of regional training programs.

C. Sustainability

- 4.8 Participant training fees are an important cost-recovery feature of this program. Projected revenues from training fees are based on modest increments in the current fee structure currently charged by regional training providers in their short-term industry and diploma courses. The project proposes to operate training on a trimester schedule, at local training sites in the regions and in-firm. The project is expected to meet its target training number of 150 trainers and 3000 industry workers in the second and third years of operation, at which time the operational costs of the project would be covered.

V. COST AND FINANCING:PROJECT EXECUTION AND OPERATION

- 5.1 Total program costs are US\$1.8 million; US\$1.08 million will be financed by the MIF. CENFOTUR will contribute the equivalent of US\$.71 million or 40% of project costs. CENFOTUR's counterpart contribution will be used to co-finance training and material

design under each component and the costs for project administration.

Cost Table (in US\$ thousands)			
	MIF	COUNTERPART	TOTAL
1. Component I: Development of National Skills Standards	510	158	668
• Needs Assessment	35	5	40
• Standards			
- Strategic Planning	50		50
- Licensing Planning	135	115	250
• Curricula Design (includes specialist)	290	38	328
2. Component II: Training of Trainers/Project promotion	395	161	556
	184	100	285
• Train the trainers (includes specialist)	100	8	108
• Database	19	15	34
• Marketing/Promotion	92	38	130
3. Project Coordination/Administration		400	400
4. Evaluation	75		75
5. Contingencies	100		100
TOTAL	1,080	719	1,800
	60%	40%	

A detailed budget is presented in the Technical Files

VI. PROJECT JUSTIFICATION AND RISKS

- 6.1 The main benefits of the project are: (i) it will address the demand for quality training in the sector in the targeted project regions; (ii) it will establish partnerships with education and training providers, government and non-governmental organizations; (iii) it will improve information on employment and training trends in five regions of the country thereby enabling the connection of labor supply and demand in the sector; and (iv) it will improve training quality for the sector at the regional level as courses will be based on occupational standards that have national recognition.
- 6.2 One risk is the geographical diversity of Peru and the need to address a number of tourism training requirements to respond to the country's diverse geography, history, and culture. This risk is mitigated by the planned needs assessment that will be conducted in each of the targeted regions to ensure that the standards and curricula designed/adapted for the project correspond to the actual needs of the local regions' industry.
- 6.3 Another risk is the possible transition difficulty to be expected in arriving at nationally accepted occupational standards, in view of the regions' limited experience in delivering training courses in accordance with nationally accredited programs. This risk is

mitigated by: (i) the active participation of key stakeholders in the standards setting process; (ii) the extensive training of trainer programs called for in the project; and (iii) CENTOFUR's own track record in delivering quality training based on industry demand.

VII. PROJECT PERFORMANCE CRITERIA AND EVALUATION OF RESULTS

A. Project results

- 7.1 The results of the project will include: (i) ongoing collection, analysis and dissemination of information related to human resource development needs for the tourism sector in five regions of Peru; (ii) a framework for a system of national, competency-based skill standards and certification for workers in the tourism sector; (iii) a stronger partnership between the private and public sectors leading to better facilitation and coordination of general and specialized skill training; (iv) competency-based skill standards for a 40 occupations which will provide an industry-relevant measurement system against which the skills of new entrants and current workers can be assessed and certified; (v) development of new work-based learning and academic programs linked to skill standards; (vi) the expansion of quality training for the sector in five regions of the country; and (vii) a promotional strategy for how to market the standards and training to other regions of the country.
- 7.2 The project will engage the consultancy services of a third-party specialist(s) acceptable to the Bank to conduct the mid-term and final reviews at the 18-month and three months after the conclusion point. This first assessment will focus on the organizational and consensus building aspects of the project, including the Advisory Council's functioning and the implementation of the inter-agency agreements governing CENFOTUR and regional providers. The ex-post evaluation will establish if the overall goals and objectives of the project were met in a satisfactory manner and if the training and other indicators noted in the logical framework (see Annex I) were accomplished.

VIII. EXCEPTION TO POLICIES AND PROCEDURES

- 8.1 There are no exceptions to policies and procedures.

IX. SPECIAL CONTRACTUAL CONDITIONS

- 9.1 Conditions precedent to first disbursement: the National Project Director is appointed (see paragraph 4.4). Conditions precedent to disbursement under the second component of the project: the inter-agency agreements governing the relationship between CENFOTUR and the Regional providers have been authorized (see paragraph 4.5).
- 9.2 Other conditions: two external evaluations will be conducted by a third-party specialist(s) acceptable to the Bank at month 18 and 30 after the effective date of the agreement (see paragraphs 7.2).

APPENDIX I - SUMMARY LOGICAL FRAMEWORK

OBJECTIVES	INDICATORS	METHOD OF VERIFICATION	ASSUMPTIONS
<p>Overall Goal:</p> <p>The overall objective of the project is to expand training delivery, improve service quality, and increase competitiveness by establishing the framework for a system of national, competency-based skill standards for workers in the tourism sector.</p>	<ul style="list-style-type: none"> • All required components in place for successful operation and maintenance of a skill standards system. • Improvements in service quality, increased visitors and profits, and ability to compete at regional levels in the selected areas. 	<ul style="list-style-type: none"> • Full evaluation of policies and procedures, research methodologies and systems. • Review guest/visitor survey results and other statistical benchmarks for success identified by industry employers. 	<ul style="list-style-type: none"> • A system of national skill standards will be accepted in Peru. • Existing skill standards and methodologies will succeed in Peru.
<p>Specific Objectives:</p> <p>(1) Facilitate the ongoing collection, analysis and dissemination of information related to human resource development needs for the tourism sector.</p>	<ul style="list-style-type: none"> • Completed needs assessment and training/skills needs are identified. • Minimum of 40 standards developed. • Occupational profiles and standards are organized in a Tourism HR database. 	<ul style="list-style-type: none"> • Verification of findings from needs assessment. • Advisory Council is created with participation from private industry, educators and government. • Inspection of annual reports on employment trends. 	<ul style="list-style-type: none"> • The project will be capable of functioning as an effective clearinghouse of data and producing new information which is of value to key shareholders.
<p>(2) Define and implement a process which leads to acceptance of national, competency-based skill standards, assessments and certifications for new entrants and current workers.</p>	<ul style="list-style-type: none"> • Acceptance of competency-based standards by at least 70% of tourism stakeholders. • Industry participates in the validation of occupational standards. 	<ul style="list-style-type: none"> • Survey of key stakeholders to determine recognition and level of acceptance of process. 	<ul style="list-style-type: none"> • Tourism stakeholders support standards and voluntarily participate in their implementation. • Key shareholders will be able to sustain interest in and commitment to project.

SUMMARY LOGICAL FRAMEWORK (continued)			
(3) Increase the availability and relevancy of tourism training programs by adapting/developing materials into courses based on competency standards.	<ul style="list-style-type: none"> • Specific programs designed for regional implementation based on needs assessment • Benchmarks for competitiveness identified among industry employers and co-partnering education and training providers. 	<ul style="list-style-type: none"> • Review and validation of educational materials developed for new courses. 	<ul style="list-style-type: none"> • Regional tourism stakeholders commit to training programs.
(4) Increase the number of qualified training providers available to the sector throughout Peru.	<ul style="list-style-type: none"> • 150 trainers are certified to deliver programs developed under the project specifically for the regions identified in needs assessment. 	<ul style="list-style-type: none"> • Output from Tourism HR Database. • Survey of new/certified Trainers. 	<ul style="list-style-type: none"> • Tourism stakeholders, educators and trainers accept new training approaches.

PROPOSED RESOLUTION

PERU. NON REIMBURSABLE TECHNICAL COOPERATION FOR THE DEVELOPMENT OF NATIONAL SKILL STANDARDS AND REGIONAL TRAINING PROGRAMS FOR THE TOURISM INDUSTRY

The Donors Committee of the Multilateral Investment Fund

RESOLVES:

1. That the President of the Inter-American Development Bank or such representative as he shall designate is authorized, in the name and on behalf of the Multilateral Investment Fund, to enter into such agreements as may be necessary with the Centro de Formación Turística (CENFOTUR) 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 development of national skill standards and regional training programs for the tourism industry.
2. That up to the sum of US\$1,087,000 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.