

**MULTILATERAL INVESTMENT FUND
PROJECT ABSTRACT**

I. BASIC PROJECT DATA

Project title: Improving MSE Competitiveness in the Cruise Ship Tourism Sub-sector.
Project number: BL-M1001
Country: Belize
Project team: Fernando Campero (SDS/MSM), Team Leader; Santiago Soler (MIF); Juan Luna (RE1/EN1); Leon Harris (COF/CBE)
Executing Agency: Belize Tourism Industry Association (BTIA)
Financing Plan: MIF: US\$ 525,000
Counterpart: US\$ 225,000
Total: US\$ 750,000
Tentative dates: *POC*: May 2004; *CRG*: Sep 2004; *Donors Committee*: Oct. 2004.

II. BACKGROUND AND PROBLEM STATEMENT

- 2.1 The tourism industry is a major contributor to economic growth in Belize, representing around 17% of Gross Domestic Product in 2003 and generating one out of six jobs in the country. It is the leading gross generator of foreign exchange and makes a significant contribution to government revenues. Tourism is still an emerging industry in Belize, with most of its indicators showing a positive trend. Between 1998 and 2002, for example, the number of hotel beds grew at an annual rate of 5% and hotel occupancy increased by 39%. The industry has experienced remarkable growth in the past two years, particularly in the number of visitors arriving by cruise-ships. From a total of 14,183 cruise-ship passengers attracted in 1998, the figure climbed to 271,737 in 2002 and to more than 500,000 in 2003. The Ministry of Tourism projects this growth to continue over the next 5 years.
- 2.2 The two major categories of tourist attractions in Belize are the marine sporting activities (such as diving, snorkeling, sailing and sea kayaking), at the country's barrier reef, and its Mayan archaeological and natural attractions. As a result of an IDB-supported tourism development project, executed under loan 1250/OC-BL, several major Maya archaeological sites are being developed for large scale tourism in a manner that is archeologically and environmentally sustainable. Two of these sites, *Altun Ha* and *Lamanai*, which are within driving distance from the port, have recently been restored and already attract an important flow of visitors (58,100 and 19,500 in 2002, respectively). The two sites constitute circuits of growing importance for the industry catering to cruise-ship passengers and have the potential of evolving into a full-fledged tourist cluster. A third site, *Caracol*, is in the last stages of development and is scheduled to open to the public in 2004. It is expected that this site will rapidly evolve into another major tourist circuit.
- 2.3 The rapid increase in cruise-ship passengers is posing a major challenge to the tourism industry in Belize. Typically, a cruise-ship passenger spends only one day in the country and does not stay overnight, generating the challenge to local enterprises of providing an adequate set of services that can cater to the visitor's needs during this short period of time. About 40% of cruise-ship passengers stay in Belize City while the remaining 60% travel to visit the nearby Mayan archeological circuits of *Altun Ha* and *Lamanai*.

Comment [FC1]: Confirm dates.

- 2.4 The range of tourism products offered to them at these circuits, however, is very limited. Besides the Belize Tourism Village, situated right off the wharf where cruise tourists land, cruise passengers staying in Belize City will only find fragmented offerings of goods and services. Tourists who go on to visit the archeological circuits will not find well organized cultural, entertainment, adventure or dining experiences either. Increasingly, these visitors are interested in sustainable tourism products, of which they can find a very limited offer.
- 2.5 Currently, the growth in cruise-ship passengers has exceeded the ability of existing private local enterprises to adequately meet visitors' demand in terms of products, services and activities. The improvements in tourism infrastructure that have taken place in the country in recent years have not been accompanied by concomitant improvements in the variety and quality of parallel tourism products offered to arriving visitors by enterprises linked to the tourism sector. As a consequence, the large and growing flow of visitors arriving daily in the country have little opportunity to exercise their demand for goods and services and use their purchasing power, promoting a sub-optimal level of economic activity in the sector, thus reducing the potential benefits to the Belizean economy from the explosive growth in this segment of the industry. Moreover, the lack of quality ancillary tourist services to complement the country's main tourist attractions could constitute a competitive disadvantage vis-à-vis neighboring Caribbean countries, in the highly competitive cruise-ship market, as tourists define their preferences based on their overall experience.
- 2.6 Besides a limited number of large companies catering to the tourism sector, which operate mainly in the hotel, transportation and tour operation businesses, most of the services offered to tourists –particularly in the circuits of Belize City, *Altun Ha* and *Lamanai*— are carried out by community based organizations and by micro and small enterprises (MSEs¹). These MSEs face several weaknesses in the process of conducting their businesses, which limit their competitiveness and their ability to better respond to the challenges posed by the rapid growth in the tourism sector. Most MSEs confront problems in areas such as the design and operation of tourism products, the quality of the services they render, and access to channels of distribution to market their services. These problems stem, to a large degree from: (i) lack of technical skills and of access to technical expertise required to improve the quality of their services and product offerings; (ii) deficient business and management skills to operate efficiently and at high quality levels; (iii) weak organizational skills, which have limited their access to support mechanisms (i.e. like those derived from association in a group) and resulted in an inadequate integration with larger companies in the industry; and (iv) limited linkages to country-wide marketing networks and weak coordination and institutional representation of MSEs interests at the national level. The limitations facing MSEs also reduce the ability of larger companies to market the country's tourist attractions in the form of product enhancements and complements to the services they currently offer, and thus take better advantage of the cruise-ship passenger's demand.
- 2.7 The proposed project aims at taking advantage of the opportunities posed by the growing number of cruise-ship passengers arriving in the country, by helping to organize the provision of quality tourism products in the most important tourism circuits visited by this

¹ MSE will be used from here on to define micro and small enterprises and community based organizations.

client segment: Belize City, *Altun Ha- Lamanai* and *Caracol*. To this end, the project will contribute to the development of MSEs as reliable providers of quality tourism products in these sites, as well as to the integration of the MSEs and larger players in the supply chains catering to these tourist circuits, in order to provide more attractive and complete tourist product offerings, improving the quality of the services. The project will advance the concept of sustainable tourism, one that is socially, culturally and environmentally viable. To achieve these goals the project will support the provision of training and technical assistance services to MSEs operating in the tourism sector, aimed at: (i) promoting the development of technical and managerial skills of tourism MSEs; (ii) improving MSE business linkages with other players in the tourism industry; and (iii) strengthening the institutional framework to improve MSE participation and integration to the industry. The project will build on the experience of the Belize Tourism Industry Association (BTIA) in providing training and on its recognition in the sector, to engage MSEs and larger enterprises working in the industry.

III PROJECT OBJECTIVES AND DESCRIPTION

- 3.1. The general objective of the project is to increase the competitiveness of the tourism industry in Belize, by promoting development of community based organizations and micro and small enterprises (MSE) as providers of tourism products. The purpose of the project is to develop the capacity of MSEs to provide a range of quality tourism-related products and services in three key cruise-ship passenger destination circuits: *Altun Ha- Lamanai*, Belize City and *Caracol*. The improved quality and variety of the tourism offerings should improve the attractiveness of these sites thus improving their competitiveness as tourism clusters.

B. Components and Activities

- 3.2. **Component I: Development of Technical and Managerial Skills in MSEs:** The purpose of this component is to assist in the formation of new MSEs and strengthen those that are catering to the cruise tourism industry sub-sector by improving their technical and managerial skills and capabilities, in order to assist them in offering wide-ranging and higher quality products and services to cruise-ship passengers. This component will include the following activities: (i) identification of demand for specific tourism products by cruise-ship passengers; (ii) adaptation of existing training modules for MSEs operating in the tourism sector; (iii) training and technical assistance to MSEs in: (a) new product design and retooling existing ones to match market demand (including support to MSE from distant districts that can offer good value-added products in cluster areas); (b) improving the quality of current tourism products (including obtaining product certification, when appropriate)²; and (c) business and managerial competences (business planning, marketing, accounting, etc.); (iv) raising MSE environmental and cultural awareness in product design, with emphasis on sustainable tourism products; and (v) provision of managerial and technical support for MSEs start-ups.
- 3.3. **Component II: Improving MSEs Business Linkages in Tourism:** The aim of this component is to promote and strengthen the establishment of business linkages between

Comment [FC2]: 3.1. Option

2: The general objective of the project is to make Belize a more attractive destination for the cruise-ship industry, by improving the competitiveness of micro and small enterprises (MSEs) operating in the tourism sector. The purpose of the project is to improve the capacity of MSE to provide a range of quality products and services to tourists (in three key cruise-passenger destination clusters), by improving their technical and managerial skills, their organizational structure and their integration into Belize's mainstream tourism industry.

3.2. Option 3: The general objective of the project is to increase the attractiveness of Belize as a destination for the cruise-ship industry, by improving the quality of tourism-sector products and services offered by micro and small enterprises. The purpose of the project is to improve the capacity of MSE to provide a range of quality products and services to tourists (in three key cruise-passenger destination clusters), by improving their technical and managerial skills, their organizational structure and their integration into Belize's mainstream tourism industry.

3.3. Option 4: The general objective of the project is to promote the development of micro and small enterprises (MSEs) as providers of competitive tourism products and services in three key cruise-passenger destination clusters (Atun Ha-Lamanai, Belize City and Caracol), in order to increase the competitiveness of Belize as a tourist destination. The purpose of the project is to develop the capacity of MSE to provide quality tourism-sector products and services, by improving their technical and managerial skills, their organizational structure and their integration into Belize's mainstream tourism industry.

3.4. Option 4: The general objective of the project is to improve the competitiveness of micro and small enterprises (MSEs) operating in the tourism sector, in order to make Belize a more attractive destination for the cruise-ship industry.

3.5. Option 5: The goal of the project is to increase the ... [1]

Comment [FC3]: (business plans, marketing strategies, production processes, cost structure)

² Efforts in the certification of sustainable tourism will be coordinated with MIF project ATN/ME-8382-RG, executed by Rainforest Alliance and implemented in Belize through Programme for Belize (Pfb).

MSE and larger tour operators, as well as among tourism-sector MSEs themselves. This incorporation into business chains is expected to open new ways for MSE operators to overcome limitations in size, improve efficiency, increase opportunities and better utilize their limited resources to enhance profitability. Better vertical and horizontal linkages among the sector businesses will help to improve the organization of the tourism supply chain, and thus lead to the development of competitive tourism clusters for cruise-ship passengers. This, in turn, should help to improve the overall attractiveness of Belize as a destination country for the cruise-ship industry.

- 3.4. This component will include the following activities: (i) a rapid assessment of the current challenges, limitations and shortfalls facing the tourist supply chains; (ii) develop integration strategies between MSEs and larger operators; (iii) identifying pilot projects and long-term alliances between MSEs and larger operators; (iv) design of business plans geared to the formation of MSE networks integrated vertically or horizontally and to the organization of subcontracting chains between larger operators and MSEs; (v) providing advice to help identified business linkages between MSEs and larger firms to function; (vi) developing forums that will foster strategic alliances and partnerships; (vii) raise the awareness among MSEs on the benefits of forming or strengthening an association and develop strategies to increase participation and membership of MSEs in their respective organizations; and (viii) provide training on setting up and running newly formed associations.

- 3.5. **Component III: Strengthening Local and International Private Sector Partnerships:** The purpose of this component is to strengthen the institutional structure of BTIA in order to ensure adequate representation and coordination of MSE needs in the tourism sector, to support the development and implementation of a strategy to integrate MSEs into the tourist supply chain, as well as to coordinate and facilitate the training, technical assistance and advisory activities towards MSEs envisioned in the project. The component will include the following activities: (i) the updating of BTIA's strategic plan, which would include, a strategy to: (a) widen the participation of MSEs representatives in its institutional structure; (b) promote the affiliation of MSEs in associations; (c) develop and strengthen horizontal and business linkages in the sector, involving MSEs; (d) market tourism products to cruise-ship passengers; and (e) establish partnerships and linkages with cruise-ship industry operators; (ii) develop promotional activities to sensitize MSE to the proposed project; (iii) promoting and developing partnerships with cruise-ship destination clusters in neighboring countries; and (iv) upgrade and improve BTIA capabilities to manage and monitor project execution.

IV. COST AND FINANCING

- 4.1 The total project cost is expected to be US\$750,000, of which MIF would contribute US\$525,000 in non-reimbursable funds (Facility III-A), and the remainder US\$225,000 would come from counterpart resources raised by BTIA (counterpart funding would originate in part in the Belize Tourism Board). The expected implementation period is 36 months.

V. EXECUTING AGENCY AND EXECUTING MECHANISM

- 5.1. The Belize Tourism Industry Association (BTIA) will be the project executing agency. BTIA is a non-profit organization, formed in 1985, to represent the needs and interests of the private sector in the tourism industry. It has the mission to serve and promote the interest of

its member organizations, to develop and promote tourism in Belize and to influence and secure the improvement of the industry. It has approximately 300 affiliated businesses that pay annual fees. It has offices in several secondary cities. BTIA members include representatives from different players and groups in the tourism industry, including the Belize Hotel Association, the Belize National Tour Operators Association, the Belize Ecotourism Association, and the Mundo Maya Organization. BTIA aims at extending the reach of the tourism industry in Belize and offers training to its members. BTIA also offers training services at all levels of the industry. It participates in the implementation of an ecotourism training program in coordination with BTB, the executing agency of the MIF-funded project ATN/MH-7092-BL, which has enabled BTIA to improve its organizational capabilities.

VI. ENVIRONMENTAL AND SOCIAL IMPACTS AND PROPOSED ACTIONS

- 6.1 Due to the nature of the program, no direct negative social or environmental impacts are foreseen. The project is expected to contribute to positive social and environmental performance through the promotion of sustainable tourism products, which emphasize on the preservation of the environment and of cultural identities. Training activities are expected to include sensitization of MSEs to environmental and cultural issues in their business activities, as these aspects have been identified to play a critical role in the attractiveness of tourist sites and in the preferences of visitors to the country. The project will foster cultural preservation encouraging community based organizations to develop tourism products highlighting the ethnic identities of Maya, Garifuna, Creole and Mestizo groups.

VII. MAJOR ISSUES

- 7.1. The following aspects should be taken into consideration during the analysis of the project proposal: (i) the strategy for the sustainability of project results, including an assessment of the potential products and services and their profitability, given the intermittent demand and potential competition; (ii) the project execution arrangements; (iii) confirmation of sources and uses of counterpart funding to BTIA (especially from BTB); (iv) the involvement of the Toledo Development Corporation³ in the project; (v) strengths and competencies of service providers to support MSE activities; and (vi) strength and capabilities of BTIA to execute the project.

VIII. ACTION PLAN

- 8.1 If the project were to be determined eligible by the POC, it is expected that the analysis of the operation and the preparation of the Donors Memorandum can be completed in 3 months.

³ TDC was formed in March 2002, by Belize to promote the economic development of the Toledo District. BTIA proposed TDC to facilitate the promotion of Maya culture products to tourists visiting Belize City and nearby historic sites of Mayan ruins.

- 3.1. Option 2: The general objective of the project is to make Belize a more attractive destination for the cruise-ship industry, by improving the competitiveness of micro and small enterprises (MSEs) operating in the tourism sector. The purpose of the project is to improve the capacity of MSE to provide a range of quality products and services to tourists (in three key cruise-passenger destination clusters), by improving their technical and managerial skills, their organizational structure and their integration into Belize's mainstream tourism industry.
- 3.2. Option 3: The general objective of the project is to increase the attractiveness of Belize as a destination for the cruise-ship industry, by improving the quality of tourism-sector products and services offered by micro and small enterprises. The purpose of the project is to improve the capacity of MSE to provide a range of quality products and services to tourists (in three key cruise-passenger destination clusters), by improving their technical and managerial skills, their organizational structure and their integration into Belize's mainstream tourism industry.
- 3.3. Option 4: The general objective of the project is to promote the development of micro and small enterprises (MSEs) as providers of competitive tourism products and services in three key cruise-passenger destination clusters (Atun Ha-Lamanai, Belize City and Caracol), in order to increase the competitiveness of Belize as a tourist destination. The purpose of the project is to develop the capacity of MSE to provide quality tourism-sector products and services, by improving their technical and managerial skills, their organizational structure and their integration into Belize's mainstream tourism industry.
- 3.4. Option 4: The general objective of the project is to improve the competitiveness of micro and small enterprises (MSEs) operating in the tourism sector, in order to make Belize a more attractive destination for the cruise-ship industry.
- 3.5. Option 5: The goal of the project is to increase the competitiveness of the MSEs engaged in the cruise tourism industry in Belize by improving their technical and managerial skills, their organizational structure and their integration into Belize's mainstream tourism industry. The purpose of the project is to increase competence and profitability of MSEs by enabling them to offer broader and higher quality services/products that would fill the purchasing needs and unmet demands of an increasing volume of cruise-ship tourists to Belize