

Office for Advisory Services in Latin America and the Caribbean

Orient Express Hotels and Peru Rail

IFC is helping local producers sell their products to an international five star hotel and train and improve the company's social commitment

Background

Since 2001, IFC, through the investment department, agreed to invest US \$27 million to support the expansion strategy of Peru Orient Express Hotels and Peru Rail (POEH/PR) in the tourism sector in Cusco, Peru by raising the standards of their products and services. While this investment showed financial success, POEH/PR and IFC noted that there was resentment on the part of the local residents due in part to local misunderstandings regarding the long-term benefits of POEH/PR operations in the region. This led to discussions between POEH/PR and the ELB program to enter into a partnership to support a linkages pilot project.



In November 2004, IFC and Peru Orient Express Hotels and Peru Rail signed an MOU to mutually support a pilot project aimed at assisting POEH/PR develop commercial links between Hotel Monasterio and Peru Rail S.A. operations and local producers and encourage the company to expand its community outreach activities. The goal of the project was to demonstrate the ability of local producers to meet POEH/PR standards and encourage POEH/PR to expand on the pilot activities to further enhance the benefits of the investment to local communities.

The initiative consisted of training local producers and service providers on meeting the standards of the hotels and trains and included training on folkloric dances, hygiene, marketing, trout production management, micro finance and others.

Building from the success of the pilot project, IFC continued supporting the company by assisting them in preparing a Community Outreach and a Communications Strategy. IFC signed an MOU for this phase in March 2006 and the consultancies were completed in September 2006.

Project Results

- A local dance association from Poroy was created and formalized. The project trained the members on the use of musical instruments, dances, and financial management. Through the initiative, 28 women and men from Poroy were trained and 19 people are currently involved in the association.
- The pilot initiative trained 30 local potato producers on crop improvement, growing practices, fertilizers, and hygiene control. A local potato association was formalized and they are currently selling to the hotel.
- The project also trained the personnel of a local NGO on food hygiene, trout handling, processing, maintenance of the fish ponds, standardization, finance and marketing. The NGO has been selling trout to the Hotel since mid 2005.
- The Association of Virgen del Carmen (corn on the cob women vendors) received training on hygiene, corn manipulation, micro finance, promotion and commercialization. Recently the vendors received

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health certification from the municipality. The vendors increased sales by approximately 25% through this initiative due in part to increased awareness regarding hygiene standards.

- The pilot project contributed towards the demonstration that, with assistance, local businesses can meet the high standards of an international five star hotel. This brings about confidence and builds self esteem to access other clients.
- Two strategic base documents were prepared to support the company manage its community outreach activities in a more sustainable and integrated manner. The company has now hired a Community Relations Officer responsible for managing the relationship between the communities and the company.
- Senior management and operations staff have an increased awareness and recognition about the importance of developing long term relationships with stakeholders and establishing sustainable partnerships with the communities.

Value Added for Orient Express Hotels, Trains and Cruises

The client benefited from this initiative since they increased their pool of local suppliers. The clients of Peru Rail have an enhanced experience through the local dances initiative. The company's awareness regarding the importance of building long term relationships with the local suppliers and the communities has increased. The company is now committed to improving their community relations efforts in Cusco and has recognized that in order to operate in the area, sustainable initiatives need to be developed.

Lessons Learned

- Pilot projects can provide an opportunity to focus on specific short term deliverables that can be more easily attained in a shorter time horizon. This allows the project to obtain quick results and identify problems/issues under a more controlled/focused setting. Pilot results can be used for obtaining additional stakeholder buy-in and to ensure necessary changes are incorporated before scaling up the project.
- Project managers should ensure that key personnel in partner organizations are available when needed to conduct project tasks and are fully committed to the project. Additionally, there should be a clear decision maker/project coordinator on the client side to ensure that timelines can be met and that tasks are properly coordinated and managed within the client operations.
- Pilot projects with short timelines and deliverables necessitate more "hands-on" project management and more frequent/regular communication.
- Linkages pilot projects should be designed with realistic time frames, in particular if it involves linkages with providers from remote areas. They should also be designed in the areas of client primary influence.
- When selecting service providers, special attention should be given to organizations with previous experience working with private firms on similar projects. The service provider's experience in meeting the demands of short term/high impact projects should be given significant weight.
- Establishing deliverables-based contracts (payment only after deliverables are met) with TA providers reduces the risk that TA providers will not complete deliverables. Deliverables-based contracts also limit the budget outlays to the contract i.e. funding linked to deliverables and not time. Terms of References for TA must be realistic and specific to avoid communication problems with the service providers.
- Diagnostic consultancies regarding community relations and stakeholder engagement should be done preferably with one single service provider and contract rather than two different diagnostics. This avoids confusion with the client, more efficient budget, leveraging of resources and avoids creating too many expectations in the communities. The diagnostic name should be consistent with the client's internal terms. For example – if the client uses Community Relations we should name the study in the same manner.