

FINAL EVALUATION

LAO/020

Strengthening of Human Resources in the
Hospitality and Tourism Industry in Lao
People's Democratic Republic

PROJECT SUMMARY DATA

Country	Lao People's Democratic Republic
Long project title	Strengthening of Human Resources in the Hospitality and Tourism Industry in Lao People's Democratic Republic
Short project title	Tourism Human Resources Development
LuxDev Code	LAO/020
Version of the Report	July 2016

RATING OF THE PROJECT BY THE EVALUATION MISSION

Global rating (Effectiveness)	2 On a scale of 1 (excellent results, significantly better than expected) to 6 (the project was unsuccessful, or the situation has deteriorated on balance)
Rating using other evaluation criteria	Relevance: 1 Effectiveness: 3 Sustainability: 4

EXECUTIVE SUMMARY

Framework of the final evaluation mission

When the bilateral cooperation between the Grand Duchy of Luxembourg and Lao People's Democratic Republic commenced with Project LAO/020 "Strengthening of Human Resources in the Hospitality and Tourism Industry in Lao People's Democratic Republic" in July 2008, it was understood that a key to the long-term development and sustainability of a vibrant tourism sector is the relationship between the education sector and the tourism industry. Close consultation and involvement by the private sector is critical in relation to manpower planning, in service training and the overall education provision. This was foreseen in LAO/020 through effective structures for consultation between the Lao National Tourism Administration, the appropriate Government Ministries (mainly the Ministry of Education and Sports) and the industry associations, namely the Lao Hotel & Restaurant Association and the Lao Association of Travel Agents and their provincial counterparts. In short, the Luxembourg-Lao project LAO/020 was proposed as the vehicle through which human resources in the Hospitality and Tourism industry would be strengthened and capacity built into the sector. LuxDev has served as the Executing Agency for the Luxembourg Ministry of Foreign and European Affairs. Initially, the Executing Agency on behalf of Lao People's Democratic Republic was the Lao National Tourism Administration. At that time the Ministry of Education and Sports was a recognised junior partner as well in the project implementation. Due to unforeseen institutional changes within Lao National Tourism Administration during project implementation, Ministry of Education and Sports became the Executing Agency on behalf of Lao People's Democratic Republic in 2012.

Initially, it was planned that the project would be implemented over five years with an initial Luxembourg contribution of 5.5 million EUR. However due to changes of the project's scope, additional three years were required. Luxembourg and Lao People's Democratic Republic agreed on an extension of the project duration until June 2016. The overall financial contribution by Luxembourg increased to 7.5 million EUR. In monetary terms the contribution by the Government of Lao People's Democratic Republic equated to approximately 1.1 million EUR. The main part of this comprised in-kind contributions, namely the provision of land in Vientiane and Luang Prabang for the establishment of education facilities and office space for the project.

With the technical closure of the project on 30 June 2016 the German consultancy mascontour GmbH was commissioned by LuxDev to conduct the final evaluation of LAO/020.

Specific objective of the project

The specific objective of LAO/020 was to assist Lao People's Democratic Republic to develop and operationalise a long-term Human Resources Development Strategy to enable greater international competitiveness in the tourism sector and to meet the current and future employment needs of the sector through the following results:

Result 1: Elaborating an integrated Human Resources Development Strategy and Action Plan (2008–2018) for the tourism sector in Lao People's Democratic Republic, which underpins the Lao People's Democratic Republic National Tourism Strategy 2006-2020 and the National Strategic Plan on Education and Training. This Human Resources Development strategy and action plan will become the route map for the project.

Result 2: Strengthening the capacity of tourism training providers to deliver quality training by installing a comprehensive teacher training programme accessible to a wide audience of tourism teachers and trainers in the public and private sector.

Result 3: Upgrading and/or developing selected hospitality and tourism curricula, training programmes, teacher packs and teaching resources to support training delivery.

Result 4: Increasing and strengthening the capacity of the MOES to deliver quality education and training through the development of a Lao National Institute of Tourism & Hospitality facility in VTE, which will serve as the model of 'best practice' in tourism education and training in Lao People's Democratic Republic. Specific capacity building of Lao National Institute of Tourism & Hospitality staff and management will take place.

Result 5: Implementing an Outreach Programme providing training and support services to tourism training providers in strategic locations throughout Lao People's Democratic Republic targeting specifically rural communities.

Main achievements of the project

LAO/020 was strongly encouraged to develop new approaches and directions for human resource development in Hospitality and Tourism through its national Human Resources Development Strategy and action plan, which was linked and aligned with other national policies, and supported government authorities of Lao People's Democratic Republic to increase employment opportunities of the service sector. In doing so, LAO/020 was supposed to also actively contribute to poverty alleviation. The Human Resources Development Strategy was published in late 2009 and spread via Human Resources Development workshops held in all provinces of the country.

The project worked continuously with various governmental institutions and other relevant (private) stakeholders and established – as the project's primary outcome – the Lao National Institute of Tourism & Hospitality with two training facilities in Vientiane and Luang Prabang representing an independent, not-for-profit, social enterprise under Ministry of Education and Sports. The novelty status of the quasi public organisation allowed for an autonomous accounting and financing system as well as for independent governance and management structures (director and Lao National Institute of Tourism & Hospitality Management Committee) but was, nevertheless, linked with a governmental body (Ministry of Education and Sports). This innovative approach fostered consultation of different groups, responsibility sharing as well as transparency in the decision-making process and management of Lao National Institute of Tourism & Hospitality.

Lao National Institute of Tourism & Hospitality as a Centre of Excellence serves as the baseline for quality driven Hospitality and Tourism education and training across the country offering tailor-made products that match regional and international standards as well as sector needs. Lao National Institute of Tourism & Hospitality's teachers received high quality (international) education resulting into the best Hospitality and Tourism educated teaching staff in the entire country. Moreover LAO/020 was strongly engaged in building partnerships and alliances as well as fostering public-private dialogue. During the implementation of LAO/020 five Lao National Institute of Tourism & Hospitality education and training products were developed:

- **Lao National Institute of Tourism & Hospitality Diploma** serves as a high quality benchmark for a process-oriented improvement of the Hospitality and Tourism education system of the Technical and Vocational Education institutions in the entire country embedded in the national educational system. Overall 111 students are or were enrolled in the Lao National Institute of Tourism & Hospitality Diploma courses until the termination of LAO/020 ;
- **Lao National Institute of Tourism & Hospitality Certificate** has been developed in order to support the improvement of education and training at Technical and Vocational Educations and represents a one-year extension to the Technical and Vocational Education Diploma I. Overall 59 students absolved the Lao National Institute of Tourism & Hospitality Certificate and 10 Technical and Vocational Education teachers were trained until the termination of LAO/020 ;
- **Passport to Success** is an in-service training tool with the aim to improve knowledge and skills of existing staff in the hospitality and tourism sector. Overall 1968 employees (with 5681 statements of attainment) took advantage of the Passport to Success until the termination of LAO/020 ;
- **Executive Training Programme** represents a second training product of Lao National Institute of Tourism & Hospitality, which was implemented in 2015 in collaboration with *Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH* Regional Economic Integration of Laos into Association of South East Asian Nations project. Overall 33 participants were trained until the termination of LAO/020 ;
- **Pheun Than Heng A Sip (Career Foundations)** addresses SMEs in the tourism, hospitality and service sectors. It is a basic training tool (including train-the-trainer component) covering different modules (based on Passport to Success) which were developed in cooperation with Swisscontact and offered specifically in rural areas in the south of Lao People's Democratic Republic. Overall 147 students passed the training, 13 trainers were skilled until the termination of LAO/020.

Main conclusions and lessons learned

Lao National Institute of Tourism & Hospitality directly benefitted more than 3 000 people from a wide cross section of Lao society, including from poor, underprivileged, rural and remote communities. With this achievement LAO/020 contributed effectively to empowerment and ownership capabilities among different social groups of the population enabling them to improve their individual economic situation via professional skills development and thereby to increase their chances of greater participation in Lao society as well as to become better informed and more active participants in issues of governance they are faced with.

Pursuing an innovative approach, LAO/020 created with the establishment of Lao National Institute of Tourism & Hospitality a Centre of Excellence that represents an outstanding achievement and milestone for improving and developing Hospitality and Tourism Technical Vocational Education and Training conditions in Lao People's Democratic Republic serving at the time as a blueprint and best practice example for other destinations. The success factors of LAO/020 were mainly based on the following decisions and actions:

- The development and dissemination of a national Human Resources Development Strategy as an overall strategic framework to overcome existing gaps and weaknesses in terms of Hospitality and Tourism education and training at national level ;
- The novelty status of Lao National Institute of Tourism & Hospitality as an independent, not-for-profit, social enterprise under Ministry of Education and Sports ;
- Substantial investments in skills development of Lao National Institute of Tourism & Hospitality's core team (= teachers and trainers) resulted in the best Hospitality and Tourism educated teaching staff in the entire country ;
- Strong alignment of vocational education and training offers with tourism private sector needs ;
- Development of high quality, demand-driven and tailor-made Hospitality and Tourism education and training products;
- Provision of scholarship schemes for teachers as well as students from disadvantaged background ;
- Provision of public-private dialogue and interaction opportunities as well establishment of a wide partner network and alliances with the private (tourism) sector, public sector, development agencies, education providers and civil society/ Non-Governmental Organisation at national and international level ;
- There is no doubt that the Lao National Institute of Tourism & Hospitality approach was reasonable, innovative and all in all successful demonstrating profound results and achievements. However, with regard to sustainability some gaps and weaknesses were identified during the final evaluation that could hamper or even undermine long-term positive impacts of LAO/020 ;
- There is a lack of leadership, governance management and marketing capabilities at the Lao National Institute of Tourism & Hospitality faculty, which can be traced back to the missed opportunity by LAO/020 to build these capabilities at an earlier stage. Lao National Institute of Tourism & Hospitality still lacks a clear definition of roles and responsibilities with regard to teaching staff and the director. Furthermore, no adequately designed committee or equivalent management structure is in place that would be able to accompany the further development of the Lao National Institute of Tourism & Hospitality school and training centre after termination of LAO/020. These weaknesses can jeopardise the mid-term institutional sustainability of Lao National Institute of Tourism & Hospitality and need, therefore, short-term remedy.

However, the greatest concern is related to the financial sustainability of Lao National Institute of Tourism & Hospitality. According to the Chief Technical Advisor financial liquidity is assured for at least 17 months after project's termination, but there is no clear evidence of how the financial sustainability of Lao National Institute of Tourism & Hospitality can be achieved in the long run. This concern becomes even weightier considering that all existing income streams of Lao National Institute of Tourism & Hospitality show substantial deficits and risks:

- Ministry of Education and Sports gave the commitment of paying the Lao National Institute of Tourism & Hospitality teachers' salaries but this has not yet been fulfilled. Due to this reason it exists a certain risk that Ministry of Education and Sports could also in the future be unable to contribute this amount to Lao National Institute of Tourism & Hospitality's budget what consequently leads to a lack of liquidity and potential loss of faculty members ;

- Ministry of Education and Sports indicated that a Public-Private Partnership Hotel (constructed by a private investor in Vientiane) will open in 20 months and from then onwards the hotel is supposed to contribute financially to Lao National Institute of Tourism & Hospitality. According to a bilateral agreement between Ministry of Education and Sports and the private investor, the hotel will make a direct contribution of 50 000 USD per year plus 200 000 USD in-kind for providing internships to all Lao National Institute of Tourism & Hospitality diploma students. However, many interviewees expressed doubts whether the hotel will be established within the envisaged timeframe. Moreover, the agreed deal between Ministry of Education and Sports and the private investor is neither favourable for the financial consolidation of Lao National Institute of Tourism & Hospitality nor for the Lao National Institute of Tourism & Hospitality approach in general. On one side the direct contribution seems quite low and doesn't present a substantial support for sustaining Lao National Institute of Tourism & Hospitality's financial situation. On the other side the huge in-kind amount can't be really justified taking into account that Lao National Institute of Tourism & Hospitality interns in other hotels normally get paid (50 USD and more per month) ;
- The Lao National Institute of Tourism & Hospitality facility in Luang Prabang was supposed to be used as training restaurant (the Balcony Restaurant) under a social business model contributing to the income of the Lao National Institute of Tourism & Hospitality facility. However, currently there is no operator in sight who might be able to run the restaurant. Therefore, it's completely unclear whether and when revenues can be expected ;
- There are neither enough capacities within Lao National Institute of Tourism & Hospitality to continue marketing and sales of Lao National Institute of Tourism & Hospitality's products the way it was handled so far (strong support by the Chief Technical Advisor) nor do these tasks fall under teachers' job profiles and core competencies. These circumstances increase the risk of generating insufficient sales revenues.

Recommendations

To overcome the identified weaknesses and obstacles as well as to prepare the ground for a self-sustaining development process of Lao National Institute of Tourism & Hospitality, the evaluators recommend to take seven steps within the next year (until July 2017):

Step 1: Adjustment of the Lao National Institute of Tourism & Hospitality Management Committee

The overall long-term objective of the Lao National Institute of Tourism & Hospitality Management Committee should be to give strategic advice for Lao National Institute of Tourism & Hospitality's future development. As immediate task a Lao National Institute of Tourism & Hospitality Mission Statement should be defined and articulated to ensure a joint (public and private) understanding and decision making process. Moreover, the composition of the Lao National Institute of Tourism & Hospitality Management Committee needs to be adapted to future requirements and regular meetings should be held.

Step 2: Transparent internal communication of Lao National Institute of Tourism & Hospitality's way forward

During the final evaluation mission concerns and uncertainties have been observed and expressed by internal stakeholders (namely Lao National Institute of Tourism & Hospitality director and staff) with regard to the future of Lao National Institute of Tourism & Hospitality, particularly when it comes to financing, staffing, and future governance of the institute. Therefore, it's recommended to communicate the financial and contractual situation and next steps for consolidating and development of Lao National Institute of Tourism & Hospitality to staff members' incl. a clear statement for job continuity (recommendation: extension of contracts for two more years to provide attractive career prospects and to avoid brain drain).

Step 3: Development of a five-year strategic plan for Lao National Institute of Tourism & Hospitality (2017-2022)

For running Lao National Institute of Tourism & Hospitality as a an independent, not-for-profit, social enterprise under Ministry of Education and Sports institutional sustainability can only be achieved on the basis of a strategic (business) plan that should include the following issues: mission statement; strategic objectives; institutional development and management; marketing; human resources; branding and positioning; financial plan and action plan.

Step 4: Transparent external communication of Lao National Institute of Tourism & Hospitality's way forward

During the final evaluation mission concerns and uncertainties have been observed and expressed by many interviewed stakeholders with regard to the future of Lao National Institute of Tourism & Hospitality, particularly when it comes to governance and further development of the institute. Therefore, it's recommended to communicate the current changes (ending of LAO/020) and Lao National Institute of Tourism & Hospitality's position and prospects in the future (ideally based on the above proposed Mission Statement) to the private sector and the wider Lao National Institute of Tourism & Hospitality network. Furthermore Lao National Institute of Tourism & Hospitality's achievements should be demonstrated indicating the next strategic and operational steps.

Step 5: Looking for a private business partner to run the Lao National Institute of Tourism & Hospitality facility in Luang Prabang

The Balcony Restaurant in Luang Prabang was designed under a social business model and contributed significantly to the income of the Lao National Institute of Tourism & Hospitality facility. However, currently there is no operator in sight who might be able to run the restaurant and with it to support financially Lao National Institute of Tourism & Hospitality Luang Prabang. Therefore, the short-term aim should be to find an appropriate operator with an adequate restaurant concept to achieve self-sufficiency of the training centre under a social business model.

Step 6: Ongoing and intermittent technical coaching of Lao National Institute of Tourism & Hospitality

To overcome the identified lack of leadership, management, governance and marketing capabilities at the Lao National Institute of Tourism & Hospitality faculty and to facilitate the successful implementation of the proposed steps for a self-sustaining development process of Lao National Institute of Tourism & Hospitality, further technical support on a needs basis is required (recommendation: up to two expert months per year over a time of maximum three years – outreaching the envisaged opening phase of the Public-Private Partnership hotel).

Step 7: Temporary external financial contribution of Lao National Institute of Tourism & Hospitality

The further self-sustaining development process of Lao National Institute of Tourism & Hospitality cannot be achieved without an ongoing but temporary limited financial contribution by the Luxembourg Cooperation and other donors, which should be focussed mainly on the following issues:

- Co-financing of the development of a five-year strategic plan for Lao National Institute of Tourism & Hospitality (2017-2022) ;
- Co-financing of an ongoing and intermittent technical coaching of Lao National Institute of Tourism & Hospitality ;
- Bridging of potential liquidity problems until the establishment of the Public-Private Partnership hotel or maximum two years from now.