

## MID-TERM EVALUATION

**LAO/020**

Strengthening of human Resources in the  
Hospitality and Tourism Industry in Laos

### PROJECT SUMMARY DATA

Country	Laos
Long project title	Strengthening of human Resources in the Hospitality and Tourism Industry in Lao PDR
Short project title	Tourism human Resources Development
LuxDev Code	LAO/020
Version of the Report	December 2012

### RATING OF THE PROJECT BY THE EVALUATION MISSION

Global rating (Effectiveness)	<b>3</b> 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: <b>2</b> Efficiency: <b>4</b> Sustainability: <b>5</b>

# EXECUTIVE SUMMARY

## Preamble

Tourism Development International of Ireland was commissioned by LuxDev to undertake a mid-term evaluation of LAO/020 for Strengthening of Human Resources in the Hospitality and Tourism Industry in Lao People's Democratic Republic.

The evaluation team are very mindful of the importance of this flagship project to all parties concerned, to LuxDev and the Government of Lao PDR, especially the new counterpart (Ministry of Education & Sports) and industry stakeholders. There is an expressed and urgent need to raise standards of service across the board if the tourism sector in Laos is to better achieve its potential as a more significant contributor to the socio-economic development of the country as enshrined in its Millennium Development Goals. Nor is it simply a matter of numbers - the volume - of trained staff, it is most importantly an issue of **quality** and one of raising standards of service to meet the growing expectations of an increasingly fickle and competitive market in a very dynamic and highly competitive region.

At the same time, the evaluators are aware of the many and varied challenges facing the project's full and effective implementation. The wider landscape in which it lives and breathes is a very testing one. It is interesting to make comparisons with what LuxDev has been doing - and continues to do with VIE/031 - for many years in Vietnam. Clearly, there are some parallels, yet there are also significant differences. In virtually aspect, LAO/020 is starting from a much lower base that is the case in Vietnam.

Nevertheless, it is felt by the evaluators that LAO/020 - generally known as Lao National Institute of Tourism & Hospitality "Lanith" - can make a decisive impact on raising standards through improving the quality and quantity of human resources in the tourism industry. It can serve as catalyst for effecting a positive change, behavioural, attitudinal and in terms of performance. What the project is aiming to achieve, through its innovative approach, has wider implications for the region if successful. Clearly, there are parallels with the development of the new campus for the Danang Tourism College - under VIE/031 - for example.

The project is recognisably at a critical stage in its evolution. Hence the evaluation, although at more than four years into its lifespan, has come at the right time in terms of assisting planners and decision makers take informed management decisions going forward. Not only has it grown in its ambition and scope since it was formulated in September 2007, but there have been other significant changes since its inception that impact on implementation. These relate to the project having a new counterpart (Ministry of Education & Sports) and producing a draft of a revised and updated project document (Version B) in the middle of 2012 reflecting the ways in which LAO/020 has since evolved.

LAO/020 is being implemented against a backdrop of extremely weak tourism institutional and organisational arrangements and capacities at a national and provincial level. This is well below best practice and compares unfavourably with Association of South East Asian Nations neighbours. Laos does not even feature in the World Economic Forum's annual travel and tourism travel competitiveness index for 2011 or 2009; this was out of 139 countries worldwide. Nor does the country get a rating on the Asia-Pacific regional rankings (out of 26 countries). This could have been because the Lao National Tourism Administration failed to submit any returns.

The focus of LAO/020 is on strengthening the country's human resource capacity in terms of quality and quantity. In doing so it is assisting the tourism sector of Laos, initially through the Lao National Tourism Administration (now principally through Ministry of Education & Sports) to develop and operationalise a long-term Human Resource Development Strategy and Action Plan to meet current and future employment needs of the sector. This aligns with national policies regarding tourism strategic planning and Human Resource Development for the sector, the seventh National Socio-Economic Development Plan (2011-2015 until 2020) and Government of Lao PDR regulations. "Strengthening" also demands expanding the pool of trained tourism and hospitality industry staff from an estimated current core staffing level of 17 000 to around 40 000 by 2020 to meet the industry's growing needs (Human Resource Development Strategy, 2009). Tourism presently contributes 7 - 9% of the country's gross domestic product (United Nations World Tourism Organisation).

The evaluation team wishes to express our thanks to the chief technical adviser and project personnel for their full and most cordial cooperation during the mission. The chief technical adviser and other project personnel made themselves freely available to the mission at all times. Support given to the evaluators by the project office was excellent throughout, whether in providing access to documentation, providing detailed explanations by the chief technical Adviser and the project team on the key issues, challenges and activities, giving logistical support, scheduling and organising meetings.

## Framework of the evaluation mission

The evaluation was carried out by a team of three experts (two international and one national: Peter Mac Nulty, Charles Blaire and Saysamone Srithirath) during October and November 2012. Tourism Development International of Ireland was commissioned by LuxDev to carry out the evaluation. The main elements of the mission comprised the following:

- briefing by chief technical adviser and technical advisers in the project office in Vientiane ;
- literature review of project documentation and relevant technical documents ;
- fieldwork and site visits to beneficiaries ;
- interviews with beneficiaries and stakeholder consultations ;
- consultants participation in high level meeting to discuss Public-Private Partnership Hotel and Asian Development Bank financing proposal ;
- stakeholder presentation and information sharing session ;
- extension of mission to enable presentation of findings and conclusions to senior level Luxembourg delegation ;
- debriefing at LuxDev Head Quarters took place on 6 December 2012 when the draft report was presented by the evaluation team.

## Specific objective of the project

As specified in the project document, the overall and specific objectives, allied to the expected results are defined as follows:

Development objective: to strengthen the human resource capacity in the hospitality and tourism industry in Lao PDR.

Specific objectives: to assist the tourism industry in Laos (initially though and with the Lao National Tourism Administration, which was the original counterpart, and then more latterly with the Ministry of Education & Sports) to develop and operationalise a long-term Human Resource Development Strategy and Action Plan to meet the current and future employment needs of the sector through achieving the following results, as per the terms of reference:

Result 1: The development of a Human Resource Development Strategy and Action Plan to underpin the requirements of the sector, as indicated in the Lao PDR National Tourism Strategy 2006 - 2020, leading to a fully integrated approach to the development of human resources in the tourism sector.

Result 2: Strengthening and upgrade the capacity of existing and new training providers/teachers to deliver quality training appropriate to the needs of the tourism sector.

Result 3: Update hospitality and tourism curricula and ensure that new curricula with supporting teaching materials are developed.

Result 4: Design, build, operate and transfer a National Tourism and Hospitality Training Centre.

Result 5: Outreach programme providing training and support services to key tourism training centres is implemented throughout Lao PDR, initially in key tourism provinces.

## Results achieved by the project at the moment of the evaluation mission

Major achievements and milestone of the project at the time of the evaluation:

- research, preparation, publication and national dissemination - internationally if taking into account Lanith's website - of a national Human Resource Development strategy for the hospitality and tourism sector (**Result 1:** Task 1), successfully launched in late 2009 including a DVD ;
- design, launch and updating of the Lanith website ;
- organisation of eight Quarterly Symposia on key, topical aspects of tourism in the region, including co-hosting the two most recent ones with the German Agency for International Cooperation ;

- numerous articles in the press (“Vientiane Times”) and coverage on social networking media on the activities of Lanith ;
- recruitment and selection, tourism education overseas, integration, deployment and on-going professional development of a Core Team of 20 teachers and trainers (**Result 2:** Task 2/Task 3) ;
- development and piloting of the curricula, with supporting resource material, of a 37 module, two year Lanith Diploma with four streams benchmarked to international standards ;
- design, and establish and operationalise of the Passport to Success industry training program with appropriate resource material - gaining a PATA Gold Award in 2012 - and the issuing of 600 Passports with 1 300 statements of attainment ;
- fit-out and operationalise a temporary kitchen training facility for Passport to Success at the Lao-Korea Vocational Training Centre in Vientiane ;
- the design, construction and fit-out (near completion) of the Satellite Training Centre in Luang Prabang (**Result 5:** Task 9) ;
- close collaboration with Asian Development Bank to facilitate the elaboration of a financing framework for the Lanith Institute through an innovative Public-Private Partnership initiative ;
- drafting of decrees for legalising Lanith and for proceeding with Public-Private Partnership hotel ;
- initiation of a wide range of partnerships with other donors, Non Government Organisations and industry in Laos and the wider region ;
- design inputs relating to the Institute, for the building, its kitchens and training restaurant and other facilities etc. ;
- commissioning a number of key reports and studies: Business and Operational Plan, land values, study on the hotel market in Vientiane, the technical review of the design for the Lanith Institute ;
- a revised and updated project document (Version B) drafted to reflect and accommodate the changes of counterpart and the evolution of the project.

## **Main conclusions**

Implementation of LAO/020 is seen against a backdrop of very weak institutional and organisational arrangements and capacities at national and provincial level. The project has expanded in its ambition and scope since formulation and inception and this evolution has led to it becoming inwardly directed on developing the Core Team and the Lanith Diploma and Institute. This has taken it in a different direction, rather than seeking to build capacity and institutional strengthening of existing tourism education and training providers. As a result the project has grown overly self-serving in the course of its implementation and has become increasingly isolated from other stakeholders in the wider community of service providers.

In four years, other than through Passport to Success, it has made little impact on addressing the more **immediate** needs of the acute skills shortages at all levels across the industry. The impact, in terms of raising the quality of the human resource is only just beginning to emerge and enjoys strong industry support. As it is a programme, for those already working in the industry it is not expanding the pool of skilled, trained labour. Indications are positive with regard to becoming self-sustaining, if the programme can be expanded on a “free for service” basis. In terms of the infrastructure elements of the project, the only clear success to date is the near completion of the Satellite Training Centre in Luang Prabang, which should become operational in the first quarter of 2013.

Plans for the most ambitious element of building and operationalising the tourism school - the Lanith Institute - on a prime piece of real estate in Vientiane on the campus of Pakpasak Technical School have fallen victim to protracted delays. Fundamental design, construction and financing issues are still to be resolved relating to its viability and sustainability going forward. The planned date for the first enrolments was September 2012. The best estimate now is April/May or September 2016, which means the first students of the two-year Lanith Diploma, would not graduate until well into 2018. The industry simply cannot afford to wait that long if it is to raise its standards and become more competitive, as expressed in each of the key tourism strategies, and policies and plans.

Whether or not the Institute goes ahead, parallel measures need to be devised and implemented to deliver more immediate and tangible benefits to the industry. This means working with all service providers and stakeholders in a spirit of continued partnership. The uncertainty over the future of the Lanith Institute has to be resolved, one way or the other and **quickly**. It rests on many assumptions.

## Project aims and objectives

**Validity:** the original aims and objectives of LAO/020, as expressed in Results 1/2/3/4/5 remain perfectly valid and appropriate in view of the tourism and hospitality industry's growing need for trained, professional staff at all levels. A major question mark remains over the appropriateness of constructing a sophisticated educational facility (the Lanith Institute) without assuring its longer-term capacity to maintain quality standards of service provision and of the infrastructure itself.

## Project organisation and administration

**Communication:** better and more effective communication between the project office and the counterpart will increase efficiency and reinforce commitment and the sense of ownership on the part of beneficiaries. Otherwise there is a risk of the project becoming further alienated from the mainstream. **"Participative management"** is a two-way process that requires the active engagement of **all** relevant parties. Although there has been no shortage of communication emanating from the Chief Technical Adviser, there is an apparent lack of engagement on part of the counterpart and other organs of government. Communication has to be a two-way process, something that has not always been evident from the Lao side.

**Alignment and procedure:** every effort has been made to align with stated Government of Lao PDR strategies and policies relating to tourism sector and human resource development and procedures and systems followed accordingly. However, the creation of the Lanith Institute risks being perceived as "a parallel system" rather than strengthening and building capacity of what systems already exist. The introduction of the Public-Private Partnership Hotel concept as a means of part-funding the Institute is an innovation for Laos and hence no previous there is no model or system as a reference point for the Government of Lao PRD.

**Monitoring:** preliminary monitoring took place after the Inception Phase to confirm needs and capacities and agreed on the modalities for implementation. This current mid term evaluation however has come at a critical time in the project's evolution. Internal reporting and monitoring mechanisms have been timely and accurate. Adjustments should now be made in a timely manner to reflect changing circumstances to avoid and reduce further delay in implementation.

## Capacity building and institutional strengthening

**Resourcing impacts on quality:** there have been major resourcing constraints to date that have impacted negatively on implementation other than the apparent shortage of an adequate calibre of future trainers and teachers for effectively delivering the training and educational programmes developed by the project. The main resource constraint for the latter has not been financial; it has been physical (the infrastructure).

## Timeframe

**Implementation in original timeframe not possible:** the project is nowhere near as far advanced as it should be at this stage; delays mean that it is still very much **"work-in-progress"** and cannot be fully implemented within the planned five year timeframe. With just over six months implementing time remaining (allowing for closure and hand-over during the second quarter of 2013), around 65% of the almost 10,5 m EUR (taking in to account Government of Lao PDR contribution) still unspent. This figure is distorted by the 5 M EUR allocated for the construction, fit-out and operationalisation of the Lanith Institute. Therefore an extension will need to be proposed by the project steering committee, agreed and taken forward accordingly.

## Main recommendations and key actions

The future scope and direction of the project will largely be shaped by the progress, or otherwise, of the Lanith Institute. At the time of the evaluation, its future was uncertain and therefore contingency plans have to be made to meet a number of possible emerging scenarios. Based on the situational analysis undertaken by the Consultants during the course of the mid term evaluation a number of inter-related, actionable recommendations for LuxDev, the project and its partners are presented in priority order, as follows:

- resolve the issue of the Public-Private Partnership hotel and finalise agreements with the Government of Lao PDR to enable the Asian Development Bank to proceed as the exclusive transaction advisers ;
- commission a detailed, updated risk analysis as the basis for developing a coasted and accurate business and management plan for taking forward the Institute ;

- resolve outstanding issues relating to the construction of the Lanith Institute and set timetable accordingly ;
- ensure the eco-friendly credentials of the building (the tourism school) through design and environmental management best practice ;
- continue professional development of the Core Team and recruit and train next cohort of teachers and trainers ;
- operationalise the Satellite Training Centre in Luang Prabang and replicate in other key tourism areas to scale-up Passport to Success ;
- trial the Lanith Diploma in Pakpasak Technical School ;
- build teaching capacities in the technical & vocational education institutions in Vientiane and Luang Prabang and university faculties, strengthen institutional capacity with upgrading of facilities through equipping ;
- develop and deliver a shortened hybrid, bridging training and education programme aimed at pre-entry level prospective staff ;
- investigate the benefits of bringing in a professional operator as a strategic partner to manage the Institute ;
- extend LAO/020 by 18-30 months on a no-cost or additional cost basis, depending on which options are pursued, and plan for Phase 2.

### **Key Actions:**

**Lanith Institute:** as a matter of urgency, the governance and financing issues relating to legally establishing Lanith and agreeing on the financing structure have to be determined with the counterpart. A deadline has to be set to finally test their commitment and engagement. Similarly, the design and structural issues have to be resolved and a new timetable set for construction, furniture, fittings and equipment and operationalisation. The green credentials of the facility need to be designed-in to the building and best practice in environmental management demonstrated in its operation by all stakeholders.

Further slippage can only serve to jeopardise implementation of the project. Continued professional development of the Core Team should progress given their inexperience as teachers and administrators and augmented by recruiting a next cohort of future teachers. This equally applies to administrative and other support staff. A director will need to be recruited, probably internationally. The delay in construction allows more time for addressing these matters and also for stimulating demand from prospective students and reassessing potential income streams against operating costs.

**Strategic Partner(s):** Other opportunities need to be investigated. LuxDev does not necessarily have to take on board the responsibility for the operation and management of the tourism school. Professional, experienced tourism educators should be encouraged into the picture.

**Lanith Diploma:** adjustments to the made to the curricula as a result of participants' feedback from the curriculum pilot programme, in terms of content, delivery style and/or translation. The modules then should be trialled at the Pakpasak Technical College to build capacity there and give the Core Team more teaching experience. Government of Lao PDR approval - by Ministry of Education & Sports - needs to be formalised to accredit the Diploma within the ASEAN framework (mutual recognition arrangement on tourism professionals).

**Contingency planning:** the various options for the project going forward need to be fully explored and planned for accordingly. A number of possible outcomes are envisaged: Institute + Public-Private Partnership Hotel; Institute with no Public-Private Partnership Hotel; Institute with own (scaled-down) training hotel "à la Villa Hue"; expansion of Passport to Success and supporting infrastructure + devise and implement parallel measures that deliver more immediate, tangible benefits to industry. Given the protracted delays in constructing the tourism school, shorter (hybrid) courses could be developed and delivered, alongside institutional strengthening and capacity building of target technical & vocational education training centres, the universities and training service providers.

**Risk management:** the project is at a critical stage. Given the high profile nature of the proposed "National Institution", as a centre of excellence, there are many imponderables surrounding the viability and sustainability of the Institute. Assumptions have to be meticulously tested. Therefore a systematic risk assessment and scenario planning exercise needs to be undertaken independently. This will comprehensively identify and analyse each of the risk factors to serve as a decision-making tool that will reduce the financial, operational and reputational risks that are clearly apparent.

**Public-Private Partnership Hotel:** the preferred option of the Institute + Public-Private Partnership Hotel (with shared governance - as proposed by the Asian Development Bank) has to be expedited as a matter of great urgency; otherwise the project will either be in jeopardy and/or need to revise its deliverables. This can only be taken forward at the highest level of government from both sides (Luxembourg and Laos) in close collaboration with the Asian Development Bank and another party (a suitable investor for the hotel). It may still be possible to switch plots, giving the hotel a more attractive option. At the same time, this could increase the yield from the land lease by close to 40% and thus make a significant difference in its contribution to achieving financial autonomy and longer-term sustainability of the Institute. The lease value of the land needs to be updated and similarly the earlier market study, to allow for recent and proposed new developments. Success of the financing package assumes a suitable investor will be forthcoming; this needs to synchronise with the construction and operationalisation of the Institute.

**Passport to Success:** this, outreach, element of the project for industry training is seen by the evaluators as its most notable output to date. Despite having no permanent infrastructure, it has been developed and trialled successfully and receives great support from industry, because it addresses an immediate and expressed need to up-skill staff. Its reach will extend once the Satellite Training Centre in Luang Prabang comes on-stream in early 2013. However, in order to meet demand for industry training it needs to expand the pool of trained trainers and assessors. At the same time it should pursue official recognition and accreditation by the Ministry of Labour & Social Welfare through the project's collaboration with International Labour Organisation.

**Core Team:** given the very significant investment made already in the tourism education and continued professional development of the Core Team, it is essential that their commitment and motivation is maintained. Some defections are already evident from the originally selected group of 24, they must not be allowed to further deplete; otherwise implementation - both of the Lanith Institute (and the Diploma) and the continued expansion of Passport to Success will be severely diminished. Given their inexperience of working in an academic institution of the quality that the Lanith Institute purports to be, their capacity as professional teachers, trainers and administrators need to be considerably strengthened. It would also be expected that faculty members of "a National Institution" at this level would have formal teaching qualifications, which is not presently the case. The next cohorts of teachers, instructors and trainers for both the education and training elements of the project need to be recruited, educated, trained and inducted.

**Institutional set-up:** while the management structure of LAO/020 appears to work well, what is missing is the direct link into the government apparatus. This has resulted in an evident dis-connect, leaving the project somewhat isolated. Having a well-connected government officer, provided by the counterpart (seconded, as part of from their contribution) embedded with the project could facilitate more effective implementation. This is seen to be the case with other current projects, such as LAO/017 (health).

**Sector-wide approach:** given the weaknesses institutional and organisational weaknesses at all levels of the tourism sector, not just with regard to its human resource, but in terms of policy and strategic planning and implementation of those plans, product planning and development, marketing and promotion etc. a more comprehensive programme could be adopted as a sector-wide approach. This would build capacity at all levels, nationally and provincially: government, industry (enterprises and associations), vocational education and training. Clearly, a very high level of donor coordination would need to ensue, whereby LuxDev could continue to focus on the key result areas of LAO/020 and where other development partners (such as the *Deutsche Gesellschaft für Internationale Zusammenarbeit* - GIZ) could concentrate on others. Perhaps the European Union could take the lead on this, in a similar way to their current program in Vietnam (Environmentally & Socially Responsible Tourism, an European Union-funded programme), in which LuxDev is a partner.

**Extension:** clearly LAO/020 cannot be implemented with the original timeframe (to mid-2013) and an extension has to be proposed and agreed by all parties by the official procedure. The future direction and scope of the project will depend on securing agreement to proceed with the Asian Development Bank financing and shared governance proposal for the Lanith Institute, which in turn has a symbiosis with the Public - Private Partnership Hotel. Other options are possible. Nevertheless, an extension of 18 - 30 months to the end of 2014 or 2015 is required on a no-cost basis in the case of the former unless any, as yet unforeseen, major additions to implementation arise. Given the need to develop and introduce parallel means that impact more quickly, some additional funding may be required to enable LAO/020 to extend to the end of 2015. Should the Institute not proceed, a more significant reallocation of the budget will be necessary. All this, before a Phase 2 can be devised and agreed, which would in all probability require budgetary support as well as further technical assistance from LuxDev and possibly other donors and Non Government Organisations.