



The hotel sector and poverty reduction

Using the value chain within a public-private partnership

PILOT DESTINATION: Cusco, Peru

PARTNERS: International Tourism Partnership (ITP), Agro Rural Peru

Context

Poverty among those living in rural Peru is twice the national average: 32% of all Peruvians currently live in poverty, but in rural areas, this figure rises to 59%. The official poverty line is around EUR 60 a month.

Over the past 18 years, tourism has accounted for between 3.5% and 4.1% of Peru's GDP, and over the past 10 years in particular, the tourism sector has expanded rapidly, with international tourist arrivals more than doubling over the period.

Both state and private agencies have been involved in rural development projects in Peru for many years, but they have made very little progress in exploiting the potential of tourism. This is particularly true of ways to give local agricultural producers access to hotel and restaurant supply chains.

A public-private partnership (PPP) between the International Tourism Partnership (ITP) and GIZ explored how the Peruvian hotel sector could help reduce rural poverty.

In 2009, leading hotels and Agro Rural (Programa de Desarrollo Productivo Agrario Rural, which is the implementing arm of the Peruvian Ministry of Agriculture) were recruited as national partners in a pilot scheme. Agro Rural's aim is to reduce rural poverty, and a key plank in its strategy is giving rural producers long-term access to a stable market for their goods and improving the incomes of those earning less than US\$ 2 a day.

The project

The city of Cusco, with a population of 320,000, was chosen as the pilot region for two reasons. First, its 335 rural municipalities are the most deprived in the country: between 54.6% and 57.4% of the population live in poverty, and 57.4% of the city's residents also live in poverty. The majority of the population make a living from small-scale subsistence farming. Second, however, Cusco is one of Peru's most highly-developed tourist destinations, making tourism the region's major source of income.

One of the major assets of the project is the sheer number of non-governmental organisations and public bodies operating locally that are promoting rural development. They offer huge potential for synergies that will give agricultural producers access to value chains in tourism. The aim of the project is to equip rural producers in the region to generate additional income by accessing hotel sector markets, thereby improving the conditions under which rural populations live.





Mentoring, information and training are enabling both agricultural and handicraft producers to develop independent, long-term cooperation arrangements with the tourism sector. Rural producers have traditionally been unable to meet the quality criteria for increasing value without support, and overcoming this means close cooperation and coordination between aspiring producers and end-clients in the hotel and restaurant sectors. This is also the only way in which producers are able to bypass the intermediaries who purchase goods produced by local people and then sell them to hotels at triple the price.

Results achieved so far

The pilot phase partners are five 4-star and 5-star hotels with around 650 rooms and a chain of restaurants with six branches, catering for some 600 people each day. A number of public and private sector bodies have also signed up as project partners.

The pilot phase saw a lively exchange of information between the hotel sector and rural producers, enabling both sides to articulate their needs and demands in detail and breaking the ice between the various groups. 35 producer associations representing different product types took part in an exhibition geared specifically to the hotel sector, resulting in a scheme for developing product ranges tailored to this market. These product ranges have been chosen because they offer value for money, have a local identity, and are natural and produced organically. The development stage of the project involves informing the selected producers about all the processes relevant to the market, ranging from formalisation to key agricultural information and costing.

15 of the participating producer associations are already working with various project partners, and there are further cooperation arrangements with hotels and restaurants outside the project framework. For example, a municipality in the Andes is aiming to be the exclusive supplier of trout to a hotel and has geared its operations specifically to its partner's requirements.

It is striking that on many counts, such as health and safety, project work and cooperation with handicraft producers is easier than with agricultural producers. The major success of the pilot project is that 14 producer associations from the region will in future be able to sell their goods direct to tourists from permanent sales stands in a new luxury spa resort without having to pay rent on the stands.

The Hotel Libertador in Urubamba has 135 rooms and an average annual occupancy of 60%. Every day, large numbers of tourists en route to the hotel's own railway station on the line to Machu Picchu visit the houses where goods are sold direct to individual customers.

Another hotel also offers regional handicrafts for sale and organises fashion shows and product displays at which the producers demonstrate the processes involved in making their goods.

The project is being developed by Agro Rural and local partners and formalised as part of GIZ's Peru Biodiverso (PBD) project.

This experience, and cooperation with the Swiss State Secretariat for Economic Affairs (SECO), has enabled an alternative to export-oriented strategies to be formulated. The aim is to use the PBD framework to sell agricultural produce to national hotels and restaurants, which would give producers access to both domestic and export markets and so make long-term improvements to the livelihoods of the rural population

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