Project Brief

Project At A Glance

Country/Region: Peru / Latin America and the Caribbean
Product: Industry-Specific Investment Climate / Agribusiness

Tourism is a major revenue source for Peru, but the sector struggles to keep up with rising demand. This project aims to improve the investment climate for tourism in Cusco, Peru by implementing information technology systems, reengineering processes, training officials, and improving coordination between relevant entities. This will help streamline procedures related to opening and operating tourism businesses.

Context

Tourism represents the second-largest source of foreign exchange in Peru. In 2013, the number of international visitors grew 12 percent over the previous year, attracting 3 million visitors who spent nearly $4 billion. Peru, with Cusco as a key attraction, has become one of the most popular destinations in South America.

Expected Results and Impacts

- Reduction in the time, requirements, and steps needed to obtain licenses and permits for tourism businesses.
- Compliance cost savings of $1.9 million for entrepreneurs.

In Partnership With: Switzerland
However, as the volume of tourists continues to grow, the private sector is struggling to provide the infrastructure needed to meet increasing demand. Both the private sector and the Peruvian government are seeking to improve tourism infrastructure (including hotels, restaurants, entertainment facilities, and so on) and expand the sector’s impact on the local economy.

Excessive or inadequate bureaucratic procedures have been stifling the operation of businesses. The lack of coordination between different entities, numerous steps in permit approvals, inadequately trained staff, and insufficient information technology tools all generate high transaction costs for entrepreneurs operating in the formal tourism sector. This promotes the informal development and operation of businesses, which ultimately hinders the government’s efforts to protect cultural heritage sites as tourism assets.

**OUR ROLE**

Investment climate teams of the World Bank Group are implementing a two-year pilot project to improve procedures for opening and operating tourism-related businesses, particularly smaller enterprises such as lodging establishments, restaurants, and travel agencies.

The objectives of the project include:

- Identifying key licenses, permits, and inspections in the tourism sector that could be simplified or eliminated. Currently, duplicative processes exist across different government agencies because of overlapping jurisdictions.
- Standardizing the steps and processes that entrepreneurs need to take when opening and operating their businesses.
- Proposing and implementing a reform plan.
- Improving communication among participating public sector institutions.
- Helping involved agencies effectively communicate with the private sector about regulatory issues and requirements that will increase transparency and predictability in the business environment.
- Providing advisory services to the municipalities of Cusco and Urubamba, the regional government of Cusco, the ministries of foreign exchange, tourism, culture, and environment.

TRAM IFACIL, a network that is made up of more than 25 public and private institutions to promote a better business climate and reduce bureaucratic barriers, has made great strides in improving the investment climate in Peru. This pilot project is expected to be replicated in other regions of Peru as well as Latin American and Caribbean countries. To ensure sustainability, the project will continue to engage public sector actors to scale up or replicate best practices.

The International Finance Corporation (IFC) of the World Bank Group was recognized for its efforts to enhance the tourism sector with an award from the Peruvian Chamber of Tourism as the leading institution in support of tourism in 2013.

“The Regional Chamber of Tourism of Cusco is committed to support all efforts for the successful implementation of this project and to watch over its sustainability so that we don’t go back to old procedures but promote continuous improvement in benefit of our region.”

BORIS GÓMEZ
Previous President, the Regional Chamber of Tourism of Cusco

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