

ECOTOURISM EMERGING INDUSTRY FORUM

Executive Summary

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Introduction

The Emerging Industry Forum was broken down into 7 dialogue areas: ***Developing Infrastructure for Sustainable Tourism, Private Sector/Public Sector Collaboration, Finance for SMEs, Communities and SMEs, Marketing and Market Development, Interpretive Programs, Triple Bottom Line Business Structures and Strategies*** each of which resulted in a dialogue that was characterized by excellent insights into the state of the art of developing ecotourism as a sustainable development tool. Participants discussed the projects they themselves had developed, the challenges they faced, and the possibilities for improving their results and the results of investment in ecotourism in the future. Extra care was taken to involve the private sector, which frequently does not take part in dialogues regarding ecotourism at international forums. Because this was an on-line dialogue, which was open for posts throughout a 3 week period in November 2005, there was an excellent opportunity for busy participants to share their experiences without having to attend a traditional event.

Developing Infrastructure for Sustainable Tourism

Participants found that ecotourism projects, as opposed to larger sustainable tourism projects, are frequently solving infrastructure problems in remote natural areas, at the lodge level without the benefit of opportunity to plan at the regional or destination level. It was remarked that “building green” is a regional issue and that planning at this scale is essential. However, it was noted that rural areas frequently do not get the benefit of larger scale infrastructure planning, because the taxes generated in rural areas will not provide the internal rate of return governments need to justify building the infrastructure required.

In the case of the Cree Village Ecolodge and the new Wa-show James Bay Wilderness Lodge on native lands in northern Canada, the project developers found they had to cope with solving infrastructure issues without the benefit of local municipalities or with any regional infrastructure program that was underway. In order to meet sustainability goals, the project was forced to pay a very high cost to obtain sustainable technologies without the benefit of the economy of scale that could be achieved if more projects were clustered in the area, or if the government were providing sustainable technology solutions as part of a larger program for the region.

Larger scale investments in sustainable tourism, such as the current Inter-American Development Bank Investment in Tela, Honduras have carefully linked sustainable infrastructure development, with the development of mainstream tourism, working diligently to ensure the footprint of the large-scale Tela development is not a burden on the local, fragile environment of coastal Honduras. Many environmental impact studies were done, and financing for the project includes full scale sustainable infrastructure, an Audubon certified golf course, and grants to the coastal protected area adjacent to the development. However, it was found by Megan Epler Wood as part of her USAID consultancy in the Tela region, from which she was reporting during the forum, that in fact this sustainable infrastructure planning will not reach beyond the immediate dense

development zone, and that two important protected areas and a highly vulnerable watershed were to be left unprotected, despite the fact that they were found within the zone between the regional airport La Ceiba and the Tela project. In the case of Honduras, the watershed in this corridor is highly prone to flooding and erosion, and the traditional communities have had little contact with tourism to date. A spiral of uncontrolled development could lead to communities selling land to speculators resulting in poor land-use, undermining of local community livelihoods and values, and watershed destruction. Unfortunately, the USAID project on sustainable tourism in this area was discontinued shortly after her visit due to budget cuts, and no further actions were taken based on the report – despite government approval and validation of its results.

The lessons here are that ecotourism and regional sustainable infrastructure planning must be linked, and that sustainable infrastructure planning must incorporate not only the areas where dense tourism development is planned, but where high probability “sprawl” corridors in fragile natural areas with vulnerable local communities exist. Planning for sustainable infrastructure at the regional level is still in its infancy, with few projects taking such considerations into account. It is therefore recommended to donors that ecotourism planning be linked to larger integrated development planning programs on a regional scale.

Public-Private Partnerships (PPPs)

It was concluded that experiences in the public-private development of ecotourism and sustainable tourism are still limited – except in the field of tourism marketing. Some outstanding examples of public private planning in Canada with First Nations were brought forward: The Quu’as West Coast Trail Society, the Clayoquot Sound World Biosphere Reserve, and Haidi Gwaii, Queen Charlotte Islands. It was pointed out that these successes must be attributed to the sustained outreach and investment by the Canadian government.

Experts working in transition economies noted, they must first seek to foster the strength and quality of business development practices to help ensure the business community is independent and has adequate capacity before re-introducing prospects for public involvement to ensure there is a proper balance between the public and private parties, to make the PPP concept work.

NGO representatives suggested they can help facilitate a more progressive relationship between governments seeking to attract more investment to generate jobs, and companies that are seeking tax breaks and concessions from government to improve profitability. It was observed that middle ground objectives must be created to make PPPs functional. Governments must increasingly seek to meet the needs of industry by providing proper land-use planning and adequate, sustainable infrastructure, while at the same time leveraging private investment. The private sector needs to manage “risks” in a new context, including not only health and safety for clients, but also environmental protection and local social welfare.

Finance for SMEs

A question was raised by FRI Ecological Services on why the firm faced so much difficulty raising finance for their proposed tourism project in Guyana despite the fact there was \$5 million available from donors. It was noted that the cost of working with donors was far too high for small scale ecotourism developers to consider.

It was mentioned that using a hybrid model of financing a private sector project through traditional means, but allying with NGOs or creating a NGO partner as part of corporate development to raise grants to pay for external costs, such as environmental conservation and social welfare, is a model that has been successful for some companies, such as Rainforest Expeditions.

It was noted that because donors have asked private sector firms to work using NGO models, many unrealistic ecotourism plans have been developed that have resulted in failed enterprises. Because donors have also financed NGOs to develop ecotourism enterprises, there are many poorly managed ecotourism enterprises now seeking to reorganize their ecotourism operations into private business models.

A specific case in Central America was brought up where a leading NGO was developing a business plan for expansion of their ecotourism program requesting “investment” without offering any rate of return. The NGO was dependent on ecotourism for its operational costs, and was mixing the concept of donation without return with investment which must have a return. The NGO’s ecotourism enterprise was being hindered from growth by poor business planning, finance, and management systems despite the fact they had a relatively successful operation. Their inability to separate ecotourism business from their NGO management model was stifling the potential of their ecotourism enterprise.

The overall approach of donors to provide NGOs with the funding to develop enterprises was discussed, and most agreed that a new more business friendly approach to ecotourism development, which fosters small businesses directly, and does not hinge on working with NGOs would be more productive

Financing community enterprises was also discussed, and Canyon Travel, a small private sector firm noted they have had good success financing community enterprises, creating a win-win between the firm and their community partners. But this firm also commented that it is still a challenge to maintain their “ecovision” while trying to justify the higher costs of operating in a remote location with community employment agreements – when other competitors do not embrace the same responsibilities or costs.

Overall it was clear that small businesses will need specially designed financing from donors to meet all the objectives of ecotourism while providing the appropriate business and marketing models for enterprise success.

Communities and SMEs

It was agreed from the beginning of the forum that most participants felt that donors need to support joint ventures between communities and the private sector as the best option for fostering viable enterprises. Nomadic Journeys and Tropic Ecological Adventures, offered their examples of partnering with local communities to develop viable, marketable on-going enterprises in their regions.

However, it was noted that when business is established in sites where poverty is high, infrastructure is poor, and ethnic differences tend to be sensitive -- donors need to help business to be very responsive to these issues.

One area of technical assistance to assist business that was recommended is the advance profiling of social, political, and livelihood strategies in communities before enterprise development efforts are launched. It was also recommended that any training programs offered should be done less in the class-room and more on-the-scene.

An Inuit community tourism development example in Pangniitung was provided which pointed out the benefits for local communities of controlling tourism development through contracts with tour operators and organized groups – while avoiding independent visitors. Other guidelines offered were to provide communities with an advance knowledge of the pros and cons of tourism, and to develop a community strategy for tourism development that invites the opportunity for private sector investment, with on-going monitoring of the project.

Wildland Adventure's involvement with the Maasai Environmental Resource Coalition led them to recommend community partners that have strong leadership, and advisory decision making board, and the involvement of tour operators from very early in the project development process.

It was pointed out that community involvement in project development takes considerable time and often consultants are not given the time required. This job is often given to NGOs who lack an understanding of ecotourism project development, thereby not giving the community's input in appropriately phased and designed project development procedures. Even in Canada, it was noted that the time to develop community-led project processes is rarely supported.

Community based tourism marketing support has often led to unsatisfactory outcomes for the communities. It was agreed that it is insufficient to establish websites on behalf of the communities without determining how the community will manage visitor inquiries, bookings, and the maintenance and up-dating of the website.

Overall, it was noted that community based tourism needs to be planned like all businesses, with business planning, feasibility studies, infrastructure planning and training. In addition there needs to be additional time allowed and support from donors for community involvement procedures, and operational support once the enterprises are

up and running for a reasonable period of time. Rarely can all these development phases for community based ecotourism start-ups be supported within a 3 year project window, and this leaves many communities either improperly prepared, inadequately involved in all phases of planning, or with insufficient operations and marketing systems.

Marketing and Market Development

A question was asked at the beginning of this topic, how to increase competitiveness and profitability of tourism SMEs in high biodiversity areas? How do we effectively grow these businesses? How do we encourage outbound eco/adventure operators to partner and promote SMEs?

The consensus was that there needs to be stronger support of market-based approaches that would attract business partnering and reinforce supply chains, and bolster effective marketing through existing supply chains – not by reinventing the wheel and attempting to market outside existing market supply and demand structures.

The question was raised if certification can be an effective marketing tool. While most participants pointed out that there is no evidence that certification leverages markets, and that in fact consumers are almost entirely unaware of tourism certification, it was pointed out that in Sweden an effective branding campaign, *Nature's Best*, has both achieved market recognition and helped bring accountability to the industry through certification. This is being achieved through a public-private partnership that has strong industry buy-in and is working as a destination marketing tool. In other countries, most agreed that business alliances, not certification, are needed to achieve improved market reach for ecotourism. But many felt that ecotourism as a term, though increasingly used by travelers, is still not a term the industry embraces.

Internet marketing was found to be a challenge for some NGOs and community projects, but most participants remarked that it levels the playing field and is highly cost effective.

Overall the priority of understanding market channels, and creating marketing systems that can bring together and ally SMEs and their community partners on a regional basis to improve cost-effectiveness of ecotourism marketing for each alliance member was endorsed as the most likely tactic to create a viable system for improving marketing effectiveness for ecotourism companies.

Intepretive Programs

The pivotal nature of naturalist guides was raised immediately as the leading “asset” that gives one ecotourism company or project a market edge over another.

Other ideas such as geo-caching as a new tool for raising excitement about visiting new areas and lesser known regions was mentioned and other technology tools, such as creating a CD of local sounds or developing a personalized GPS map of places each client visits were suggested as interpretative program “value added.”

It was pointed out that indigenous guides are often trained by biologists and this can actually cause them to undervalue their own knowledge of local plants and animals, in favor of learning scientific names. It was suggested that indigenous guides should be trained to value their own knowledge and to share their own stories, legends and local names. It was pointed out in response that some groups, such as birders, require scientific names for educational purposes, but that most general ecotourists do not.

Triple Bottom Line Business Structures and Strategies

Certification became the main topic of discussion in this part of the forum. However, it was discussed not only as a tool to foster best practice, but to ensure quality control. And it was put into the context of its economic feasibility, contribution to market access, and accessibility to micro and small enterprises in developing countries.

Some parties felt more research is still required on the value of ecotourism certification, while others pointed out that millions of dollars of donor funds have been spent and that there is still a divided opinion on its value. Participants pointed out that to date certification has gained a foothold in only a few localities, such as Australia and Sweden – noticeably developed countries, with good tax bases, excellent infrastructure, and a significant amount of heterogeneity in their business tactical thinking. It was pointed out that experimenting with this approach in developing countries where ecotourism is still emerging as a business economy is risky. Participants pointed out that when nations are poor and investment is scarce, attention first needs to be devoted to competitive enterprise development, job creation, and economic outcomes at the macro and local levels. It was further noted that “best practice workshops” which have become widespread in the developing world, via donor support, are unlikely to result in outcomes of any lasting value until businesses have profits.

The value of Build, Operate and Transfer (BOT) models that attract private sector investment in community lodges with a return on investment built in, joint operation programs, and transfer of the property to the community at the end of the project are still undergoing review. No project has yet transferred its assets to the community as yet, as the model generally includes 20 or more years of joint operations before transfer takes place and no project has yet hit the 20 year turn over date. These projects have provided a good deal of security and long-term business functionality to demanding projects in remote regions, but may hit a difficult period when the time of transfer is required.

The value of Corporate Social Responsibility reporting was discussed and it was revealed that tourism as an industrial sector has been slow to embrace the ideal of CSR reporting. While UNEP invested considerable funds in reporting guidelines for the tourism industry through the Global Reporting Initiative (GRI), it was found subsequent to the forum via inquiry that few if any tourism businesses have used the reporting guidelines according to staff working at GRI.

While ecotourism certification should not be abandoned as a tool to achieve sustainability, and quite a few participants underwrote their thinking that it deserves considerable attention and effort -- it is unlikely to produce results for years according to excellent research on the matter quoted in the forum. It therefore represents a highly risky investment in developing country economies that should only be considered by donors after a competitive, ecotourism economy has been established.

Final Recommendations

Sustainability requires the involvement of governments, business, and NGOs. At present, donors have largely focused on funding best practice of businesses, NGO technical support of local enterprises and protected areas, and community enterprise development. This supply side approach has not been fully connected to the marketplace and as a result has not resulted in viable enterprise development and has not adequately used the existing power of private sector supply chains to create more vibrant ecotourism economies around the world that could do much more to sustain local communities and conserve local environments.

To create a strategy that will both facilitate investment in sustainable tourism and foster greater sustainability on a larger scale, donors will need to work directly with governments on the provision of adequate sustainable infrastructure in order to develop sustainable tourism and ecotourism on a regional scale. At present ecotourism developers are largely working without governmental or donor support to help them create an economy of scale for their efforts.

While public private planning of tourism is still new and untested, except in marketing, it appears that the careful involvement of both the public and private sector in regional planning of sustainable tourism could be a highly desirable means of developing ecotourism in conjunction with more mass tourism simultaneously, with investment returns for government, protection built in for communities, and the potential of funding the conservation of natural resources on a destination scale. The experience of participants showed that regional planning is required to make sustainable tourism a genuine output of donor programs and that public private planning is likely to be the best tool to achieve this.

It was agreed that financing for ecotourism programs needs to be moved from NGOs to SMEs, and that SMEs should be given the tools to finance and help develop community based tourism. It was universally agreed that joint ventures between private sector businesses and communities is the best model for achieving viable community based tourism projects.

It was noted that businesses seeking to meet sustainable tourism development models will need assistance covering the additional costs of working with communities and developing the most environmentally sensitive business operations. One type of technical assistance recommended to assist business was the advance profiling of social, political and livelihood strategies in communities before enterprise development efforts

are launched. It was also recommended that training programs offer on-the-scene, practical workshops, not classroom exercises.

Overall it was agreed that community based ecotourism development requires all the same approaches as other businesses, but that community involvement procedures make this process longer than standard business development. Frequently there is not enough time in a 3-year donor project to complete all the necessary phases of community-based enterprise development. It is for this reason that private sector partners are required, but they must receive support to cover the costs of sharing all of their business planning, management, operations, and marketing tools. Stronger market based approaches that will attract business partners and reinforce supply chains, and bolster effective marketing through existing supply chains was recommended.

It was recommended that business alliances are considered as a cost effective means at the local level to achieve more effective marketing systems for ecotourism. It was recommended that donors help SMEs ally with their community partners in local, regional and international Internet marketing programs. These alliances will need support to build the capacity to handle bookings, customer service, web-site maintenance, and to ensure local quality control mechanisms of all their partners are working and in place.

Interpretive program development is a highly important component of ecotourism that must be taken into account as part of ecotourism enterprise development.

Ecotourism's triple bottom lines are well understood to be social, environmental and economic. To date donor's have largely sought to ensure these bottom lines are met by funding certification and best practice workshops. While there was no agreement on the value of certification in the marketplace, it was pointed out that millions of donor dollars have been spent on the question and that results indicate it takes over 10 years for investment in certification to result in more marketable programs. It was pointed out that given the shortage of funds for sustainable tourism development to date that other priorities, such as enterprise development strategies that are market-based, need to be given a higher priority in order to meet immediate local needs. Other triple bottom line development practices discussed, such as Corporate Social Responsibility reporting and Build, Operate and Transfer programs are in their infancies, but both appear to be promising tools which are at the experimental stage.

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