

Financing Sustainable Tourism Conference Summary

Last Updated: Tuesday, October 22, 2002

*Editor's Note -- Following are excerpts from the **Financing Sustainable Tourism Conference** which took place online the Web in August and September, 2002. In addition to the summary below, we have prepared a longer synthesis divided in four parts.*

*Statements have been edited. Readers can locate the original documents online our public **Archive**. Participants who are quoted are asked to review the material and reply with any suggestions/corrections that clarify this text.*

SUMMARY

Given the wealth of experiences shared during the Financing Sustainable Tourism Conference, this could easily be a hot topic of the coming year. People want to know how to get funds and how to make the most effective use of financial resources.

The Financing Sustainable Tourism (FST) Conference fostered a global dialogue, organized by **Planeta.com** with assistance and co-sponsorship from **George Washington University International Institute of Tourism Studies**, **International Centre for Ecotourism Research**, **The Shores System** and **Sustainable Sources**. This conference was **Planeta.com's** 10th original online event and we would like to thank everyone who took part.

The online conference took place online in August and September, 2002. More than 190 people participated in a frank discussion that yielded a myriad of ideas, most of which did not appear to agree with each other!

Participants looked at timely issues -- the merits of business plans, the importance of local consultation and the inclusion of indigenous peoples and a review of how well the Web is being utilized by institutions.

We present a mix of voices below. Their comments and introductory statements are expanded in a 4-part dialogue as well as the **Conference Archive**. Participants presented a number of case studies from around the globe that will interest researchers, policy-makers and entrepreneurs alike.

PROPOSAL FOR A SUSTAINABLE TOURISM INVESTMENT GUIDE

Bill Hinchberger

Ron has compiled a list of resources for this conference, and I'm sure that they will find their way into the permanent **Planeta** archives. But perhaps there is room for something more systematic, perhaps even an **Ecotourism Investment Guide**. Or maybe the ecotourism financing gurus should just make more noise within the socially responsible investment universe and coordinate more closely with that movement.

Kristin Lamoureux

It might be prudent to share a **summary report** of the International Donor Agency Tourism Project Database which we are currently working on at the George Washington University. As I mentioned earlier in the conference, at present we have collected information regarding approximately 220 projects throughout the world that have been funded by donor agencies that involve a tourism component.

Ana Garcia Pando

Most of us have many stories of unsuccessful, failed initiatives which started as good ideas promoted by deeply involved people, with sound environmental principles. I think the road to sustainable ecotourism SMEs is paved with many good failed intentions. Why not create a database of failed projects? I am sure it would be a helpful document.

Ron Mader

We do need a directory, or a Sustainable Tourism Investment Guide. Again, if I can imagine something that does not exist, the Guide would be written for investors at global and local levels. We ought to get away from writing one thing for NY investors and Beltway consultants and providing glossy brochures and posters for the locals. I'd like to use the conference center home page -- http://www.planeta.com/ecotravel/tour/ecotourism_financing.html -- as a starting point for a Sustainable Tourism Investment Guide.

RURAL COMMUNITIES**Celes Davar**

My specific interests for this conference are to "listen and learn" about various ways of financing sustainable tourism - so that I can help communities, and our own province to explore new and innovative ways of financing new tourism enterprises. The agricultural economy which comprises a large part of southern Manitoba's land and economic base, is going through major transformations (lower yields, higher costs, health concerns with use of chemicals, consolidation, turbulent and unpredictable climatic conditions from year to year, and competing subsidies in the US and in Europe). The rural land base has the potential to generate unique and wonderful travel experiences - if rural operators understand how to operate tourism businesses in a business-like way.

Alan Robinson

I note a failed or at least imperfect direction we tended to take concerning community involvement in tourism in early efforts (my own experience with a community-based guide service in Rwenzori Mountains National Park in Uganda). In our zeal to meaningfully involve communities in tourism benefits we created unreasonably high expectations of those benefits, helped create businesses with externally-financed high-maintenance infrastructure, but then provided inadequate management skills and little oversight, and virtually ignored the realities of marketing. There was no contribution from professionals in the private sector at the national level. Lo and behold these

activities were not sustainable, cost donors large sums, disillusioned communities and ultimately provided poor service to visitors -- the key to sustainability.

Ariane Janer

Communities are not the same all over the world and it is very dangerous to generalise (and romanticise). Some have the capacity to take charge, some don't. Some are able to be patient, some have very short "expectation spans." Some are in it for the money (any way they can and preferably in the form of hand-outs) and some are really interested in developing the business and reaping its spin-offs.

Mike Robbins

I would like to suggest that there are significant differences between community-based tourism and entrepreneurial tourism, and there are different approaches to financing each type. In 1981 I started working on a pilot project for community-based tourism in a small Inuit community in Canada's Arctic - the community of Pangnirtung. At that time community residents did not even understand what tourism was. We embarked on an extensive community consultation program over the following year with a major education/awareness component.

Andrew Hurd

Doing eco-tourism right takes time. Often, in an effort to show the communities immediate, tangible results, the investor will make a good faith donation and buy building supplies or schoolbooks for the community. This raises expectations that most likely will never be met -- local communities get used to the idea that money will just keep coming in, regardless of how successful the tourism enterprise is. Linking tangible benefits to the success of the enterprise is extremely important, as is avoiding un-tied donations.

INDIGENOUS PEOPLES

Deborah McLaren

I'm director of the Rethinking Tourism Project and participating on behalf of approximately 200 Indigenous Peoples throughout the Americas and other places who helped organize the first International Forum on Indigenous Tourism. Of particular interest is financing to support community-controlled, autonomous projects and developing partnerships that are equitable. We are also in the process of developing Indigenous technical assistance teams to work with ecotourism developers, consultants and NGOs.

Financial assistance that helps protect community resources (biodiversity and cultural diversity), and helps communities continue to have access and management of those resources is also very important. As has been pointed out earlier, some of the basic skills (such as financial planning and business plans) are important and often community representatives do not have the needed skills.

Rick MacLeod Farley

I attended the World Ecotourism Summit in Quebec City, and had the opportunity to view first-hand the efforts by Indigenous leaders present to bring forward the concerns and perspectives of Indigenous communities for the benefit of Indigenous peoples and for the benefit of ecotourism and the planet. I came away from the WES gathering excited by the positive energy and the passion and commitment of countless people. However, I also came away with the realization that there is a tremendous 'divide' between the international agencies and the Indigenous leadership. The buzzword in the research and at the conferences is that 'local people' need 'capacity building.' With all due sincere respect, I would like to suggest that there is also a need for 'capacity building' within the international agencies themselves.

BUSINESS PLANS**Oliver Hillel**

For a financing partner to jump on board, two things have to be in place: - a good, conservative and realistic business plan (or Master Plan) - a proven, reliable ability on the ground to make the plan happen - and, even more importantly, to manage, tweak, and re-create the plan as circumstances change. If I were a donor, I would want proof that the actual ground implementers not only understand the plan, but can also change it into other, also feasible, plans, as things unfold.

Many an ecotourism venture was backed by wonderful business plans, prepared by very good in-and-out specialists, and then given to less able local business/project managers to implement, with the consequence that, under the slightest changes (or upon finding mistakes in the original assumptions, a very normal occurrence in business plans), everything goes wrong. On the other hand, I've seen lousy plans be approved because the investor trusts the executing partner so much that anything would be approved, and the venture turns out just fine because the ground manager is good at adjusting strategies, making deals, managing people, suppliers and customers, and just has the makings of an entrepreneur.

Carol Patterson

I wanted to add my support to the comments that the preparation of business or master plans does not guarantee the success of an ecotourism business. Although I believe planning is very important, making sure you have the right people involved is even more important. Many financiers will tell you that they look as closely at the management team of any ecotourism endeavor as the spreadsheets before making their decisions. I too have seen cases where the personality and passion of key individuals can carry the day.

Maurice Adshead

Financiers will not come forward unless we show them a complete master plan - the risk is too great. It is no good presenting a product without a means of implementing it.

Ana Garcia Pando

I have dealt with business plans in which cash flow was measured in "cows". But I do

call that a business plan, for the person sat down, foresaw when he/she would have the need for money and when he would be able to sell that cow to cope with that specific need of financial resource for his/her project. I have also convinced bank managers to grant loans based on availability of cows to be sold. But I have never ever seen a person trying to start the most humble business without taking into account how much money he/she would have to invest, where that money would come from, and how much money he/she would need to get as return to cope with debt and to feel the effort worthwhile.

GOVERNMENT FINANCING

John Shores

I see at least four areas where government can play a role to promote sustainable tourism:

- (1) evening the playing field
- (2) spreading the word
- (3) education and training
- (4) financing

Governments can reduce cost of capital by reducing uncertainty about the future. A national ecotourism strategy and regional tourism development plans can help to direct ecotourism to appropriate areas and especially help to avoid investments in places where subsequent development plans may make ecotourism impossible.

Antonio Suarez

The fact is -- at least in third world countries -- initial government investment plays a vital role, since private sector won't build the park infrastructure. While the government can do this, it needs to focus efforts on local ownership. Unfortunately, we have seen the reverse. Government usually promotes expensive eco lodges and resorts. At this top end we find "eco ghettos" due the poor social and community involvement.

Ana Garcia

In Chile, public funding for tourism is scarce. My question is how to convince authorities that public investment in small and medium tourist enterprises pays off? It does, because it allows the growth of a sort of economic tissue for disfavored areas. Owning a small enterprise also gives self-confidence and self-assurance to people, and tie them deeply to their roots, their communities and their businesses, improving thus the social tissue and the networking process. So what we are talking about is how and why should public funding finance the sustainability of small businesses in a world of mergers and acquisitions, and why an entrepreneur would be satisfied with an investment that would allow him or her to lead an easy, downsized life, repay his or her investment, send his or her children to college and have a decent fund for his or her retirement.

YARDSTICKS

Rengyu Mru

I'm afraid that I must admit to object to western-influenced people in the 'business' of tourism, or even people hiding behind a facade of a non-profit NGOs (while drawing fat

salaries), exploiting the concept of ecotourism. It is to me on the same or perhaps a lower level as five star hotels saving on laundry costs and claiming to be green. It is the eco, community, sustainable, that comes first and not the 'tourism'. There are other yardsticks by which to measure the success or sustainability of an ecotourism program other than financial.

John Shores

Rengyu Mru raises some very good questions about how we view "sustainable" and "profit" in a nature-based tourism setting. And I agree with Rengyu that it is possible to have a successful operation without "a well-defined master plan, trained managers, financing" -- but these examples often depend on one or two very enlightened individuals. Counting on them as a model is not very useful. But I think we need to keep in mind a few key things about financial profitability. There is no free lunch. If an operation is not profitable, it can only exist (once the initial capital is exhausted) if it is being subsidized. We need to be very careful where the subsidies are coming from (or being extracted) because these are not always obvious.

Mary Finn

I question whether 'luxury ecotourism' - which by definition caters more to visitors' high standards of comforts than to the local community's norms - isn't an oxymoron. If a fundamental tenet of ecotourism is to really learn about and interact with local community members, shouldn't 'eco-visitors' be ready to adapt to the community, or at least meet them half-way in terms of standards? In conventional tourism, the more a client spends, the more luxuries they want -- but should that be the same in ecotourism? How can an experience be authentic if visitors are paying over a hundred dollars a day to enjoy gourmet meals served up in the midst of a poor community where incomes may be only a few dollars a day?

Having said all of this, and getting back to the small, community-run ecotourism model, I think that this can be sustainable, and also 'profitable' in the sense that Rengyu and others have pointed out. Not necessarily by the measurements used by conventional financing sources, but in terms of providing alternative incomes for poor communities, which allows them to conserve rather than use up their natural resources. I feel this has been the case for the community of Santa Lucia in rural Ecuador.

ALTERNATIVE FINANCING

Bill Hinchberger

By chance, I came across the website of a nonprofit called the Social Investment Forum: <http://www.socialinvest.org>. The site contains a wealth of information, including something called a Community Investment Guide. I haven't had time to download and scour the PDF files, but the concept of a guide for this sort of thing seems very interesting. Ron compiled a list of resources for this conference, and I'm sure that they will find their way into the permanent Planeta archives. But perhaps there is room for something more systematic, perhaps even an Ecotourism Investment Guide. Or maybe the ecotourism

financing gurus should just make more noise within the socially responsible investment universe and coordinate more closely with that movement.

Ron Mader

On the conference center home page, you may have noticed a book titled **Money: Understanding and Creating Alternatives to Legal Tender** published by Chelsea Green. It explores how communities can create sophisticated bartering/exchange systems -- particularly useful where access to loans and money is limited. I have corresponded with author Thomas Greco who wrote the following: "Private currencies have the potential to empower, not only local communities, but also "communities" that are not geographically defined. I can envision an association of operators of ecotourism facilities and services (booking, lodging, transportation, schools, parks, attractions) issuing a common currency as a way of financing their development, improvement, and expansion costs, as well as their working capital."

Ed Sanders

I have not seen any explicit discussion of the advantages and disadvantages of community versus privately sponsored ecotourism ventures in terms of financing (or other aspects). As a general proposition (reinforced by experiences with a few Native American tourism projects) community run ecotourism projects seems to face some additional hurdles, especially in terms of financing, when compared with private ventures. Part of the challenge is that project management is often complicated by community/tribal politics that can adversely affect decisions on where to place facilities, how many people are involved in executive decisions, who and how many people get hired, and the like. These considerations not only affect potential project survivability but also the willingness of traditional lenders and investors to get involved.

An important question that this conference has not really been able to answer is how quickly alternative sources of financing for community/tribal ecotourism projects have been developing and how quantitatively significant they are.

A WORD ABOUT THE WEB

Ron Mader

Trying to find detailed information about specific tourism projects, upcoming contracts or evaluations is next to impossible on most finance institution, development agency and conservation group websites. A few weeks ago I attended a review of a World-Bank funded survey of ecotourism in Oaxaca. I asked whether or not I would be able to find details about the contract online their website -- <http://www.worldbank.org>. The WB anthropologist said probably not. My opinion -- when such work is conducted in secrecy, the chances for synergies, coordination and success diminish.

A good example is the Organization of American States. A couple of years ago I was contracted by the contractor to develop a website for Central American tourism. It was to be part of a regional "Destination Management Service." -- http://www.oas.org/tourism/TC_DMSCA/Bolet2.htm -- It failed. Though nowhere on

the OAS website will you find a review of what happened, or -- looking forward -- what type of tourism work will be funded in the future.

It is easy to play the "what if" game, of course. But if the Central America DMS has been developed from the ground-up, with open communication among stake-holders, I have no doubt that the website project would have been a great success. Instead, it was developed (and funded) in a top-down manner that could not feed the base support of the companies and visitors.

The Interamerican Development Bank -- <http://www.iadb.org> -- has a fairly confusing website. IDB work in this field is notable, but articles about its ecotourism projects do not link to any background documents, nor is there a section about tourism. For those who can pay, the bank provides detailed information about upcoming projects <http://condc05.iadb.org/idbprojects> -- shouldn't this information be freely available?

Looking at foundations -- <http://www.planeta.com/ecotravel/links/foundations.html> - - we often see lists of projects that have been funded. Information is usually kept to the basics. Rarely do we see evaluations or even links to the grantees. And since foundations seem to change their mind quite frequently, we don't see any long-term commitment to sustainable tourism financing.

Suggestions: Institutional websites need to learn to speak the language of their visitors -- stakeholders who are not only consultants but also those affected by policy. These websites ought to provide more timely information and be more interactive. I would love to see public forums based on topic or region. And I have no doubt that big changes are under way. Frankly, I could not be more optimistic. This year I have had more positive contacts with executives and other top-level decision-makers who are using the Web for the first time. We might also consider forming a working group to provide a sounding board to evaluate the websites and provide practical suggestions.

Oliver Hillel

One response to Ron's evaluation of the inability of development agency websites to share the experiences they fund is that, most often, the agencies themselves do not coordinate (even among their own program officers) in specific areas such as sustainable tourism. Little wonder that the websites do not share information and experience on sustainable tourism. The organizations themselves do not do it, and websites can at their very best only be as good as the institutions producing them.