



**EPLERWOOD**  
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### **Evaluating Ecotourism as a Community and Economic Development Strategy**

The introduction of ecotourism to the world of sustainable development is still in transition. Since the 1990s, there is increasing interest in including sustainable tourism development in projects that seek to increase market access and improve small business conditions in developing countries. And, at the same time there has been increased focus and attention in the last 5 years on how sustainable tourism can help alleviate poverty in the poorest regions of the world.

At the World Tourism Policy Forum held at The George Washington University (GWU) on October 19-20, 2004 leaders of the Inter-American Development Bank (IADB), the World Bank, and US Agency for International Development (USAID) all expressed a strong commitment to a more analytical approach and to defining a system of monitoring and evaluation expressly for sustainable tourism.

The June 2004 EplerWood Report considered why a triple-bottom line framework for donors is required. And it presented how ecotourism can be evaluated as a conservation strategy. Part 2 of the report, presented here, reviews how ecotourism can be measured as a community and economic development strategy.

#### **Ecotourism as a Community Development Strategy**

How ecotourism contributes to the social bottom line, or local "well-being," is the most complex analysis with the fewest parameters agreed upon in the literature or among donors. Ecotourism strives to be not only a conservation mechanism and an economic development tool, but also a development process that seeks to remain harmonious with local cultural and social needs. Evaluating these concerns has been difficult indeed.

Recent studies by the Organization of Labor in Bolivia, Peru, and Ecuador<sup>1</sup> and the Pro-Poor Tourism Program<sup>2</sup> are particularly outstanding examples of research that use frameworks for evaluation of case studies. They are clearly outlined and could be useful for other organizations as well.





In this literature, there is clarity that tourism must: 1) deliver net benefits to the poor as a goal in itself, that environment is just part of the picture<sup>3</sup> and 2) that economic development can not be justified for its own sake, but rather there must be a validation of social capital and a contribution to the preservation of cultural identity to genuinely contribute to the community.<sup>4</sup> To proceed, these two guiding principles will be interwoven into all aspects of the proposed framework of the evaluation for ecotourism.

**1) Has ecotourism contributed to the expansion of local business opportunities?**

Tourism is a labor-intensive sector and has the potential of reducing poverty through employment. The Pro-Poor case studies evaluate complementary tourism enterprises, such as craft initiatives, as being highly important to the goal of using tourism to leverage business opportunity. Lessons learned from the Pro-poor tourism study show that credit and training are fundamental to the success of tourism as a tool to expand local business opportunities for the poor.

An evaluation framework could therefore include questions about the number of microbusiness opportunities that have been realized during a project period in addition to the primary tourism program established, the credit availability for microbusinesses established during the program, and evaluations by participants of the training programs made available during the project period, particularly stressing business fundamentals such as accounting, marketing, and attracting new investment.

The rate of success of ecotourism businesses needs to be compared to the baseline of other enterprises in the region being targeted for sustainable development. Often, investment conditions (and therefore survival rates of going concerns) in the field are unfavorable not only to tourism businesses, but for all business, and this must be taken into account.

**2) Are ecotourism business and employment opportunities reaching new segments of the population?**

Rural segments of society are frequently limited in their ability to understand how to develop products for international or national markets. Rural development projects of all stripes are quite dependent on





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outside economic forces, largely due to the centralization of economic planning and decision making in many developing countries and the globalization of markets. Nearly all capital is held largely in the cities with the economic elite, and the marginalization and lack of attention to rural areas is frequently a significant problem. As a result, the motivated, socially responsible private sector companies, based in cities around the world, have difficulty successfully investing in rural areas because the potential for yields are reduced, often due to poor infrastructure and the lack of capital availability for rural development projects. While donors have invested frequently in community-based tourism projects, many of these have suffered serious problems reaching their market due to a supply-side approach to project development discussed in the June 2004 EplerWood Report.<sup>5</sup> Ecotourism businesses already in the tourism supply chain however report significant problems with attracting capital.<sup>6</sup> These companies have received little assistance from the international donor community, and yet are ideal targets for donor support because they have established market capacity and can help seed rural development in zones difficult to reach through other forms of commerce. But the results of this investment must be carefully tracked. Employment opportunities must be reviewed in detail, such as how it is distributed:

- **by salary (e.g., not just number of jobs, but also wages)**
- **by gender**
- **by social class, looking at previous income categories to classify class**
- **by previous employment (or lack thereof)**
- **by geography**
- **by resident, in-migrant, or non-resident**

### **3) Have collective benefits to the communities been enhanced?**

The study of collective benefits, brings the focus away from specific benefits to individual workers, and helps to look at how the ecotourism development process is a generator of change at the community and societal level. Understanding collective benefits will help the evaluator to understand if ecotourism is contributing to the overall well being of local people.

The Pro-Poor Study included the following categories to consider for collective benefits:

- **Human capital: skills, education, and health**
- **Physical capital: roads, water, and other infrastructure and tools**
- **Financial capital: credit and collective income**





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- **Social capital and community organizations**
- **Access to information**
- **Policy context**
- **Market opportunities, livelihood options**
- **Cultural values**
- **Optimism, pride and participation**
- **Exposure to risk and exploitation**

Communities confront many restrictions due to the structure of society, the market and the state, where they continue to be excluded and discriminated against in terms of their access to resources, public services, development opportunities, education, professional training, and health. All of this results in their lessened ability to genuinely take part in ecotourism or any development opportunity. Therefore, to evaluate ecotourism as a sustainable development tool, assessing its ability to contribute to community collective benefits is fundamental. There are certain legal inequities found in societies around the world that undermine or invalidate the process of organizing projects that result in collective community benefit, and these must be taken into careful account before a project is initiated – as inappropriate investment can actually aggravate existing inequities. For example, land tenure must be viewed as a basic minimum standard for ecotourism development to proceed. Without working land tenure instruments and a relatively level institutional playing ground, communities cannot be expected to leverage capital to develop their own tourism projects, or be able to protect their land from undesired tourism development promoted by players outside the community.

#### **4) What are the social and cultural impacts of ecotourism?**

This evaluation point is difficult indeed, and deserves still more background research at the field level. There are few consistent guidelines on this topic. The recently published Guidelines on Biodiversity and Tourism Development<sup>7</sup> offer some guidance. It is recommended in this document that socio-economic and cultural impacts of tourism need to be monitored. In terms of impacts that could be monitored the following list is suggested as a starting point.

- **Intergenerational conflicts**
- **Changes in relationships between genders**
- **Erosion of traditional practices and lifestyles**
- **Loss of access by indigenous and local communities to their land resources and sacred sites.**



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- **Inappropriate commercialization of local products and traditions, e.g. sacred items and rituals**
- **Loss of interest in land stewardship**
- **Fighting among those that benefit from tourism and those that do not**
- **Crime and adoption of illegal underground economies**
- **Replacement of traditional economies**

Most researchers agreed that the following are preconditions for all projects:

- **Prior informed consent from the community**
- **Participatory community pre-assessment when requested with experienced third party professionals and community discussion of results**
- **Participation of a representative group of community members including ethnic minorities and women in all phases of the tourism development process must be funded within the project design**
- **Training for all community members interested in understanding the basis of tourism development and its impacts, using participatory mapping or other tools to help the community to view how tourism functions in the local economy and in a broader geographic context.**

When monitoring social and cultural changes in society during the implementation of an ecotourism project some degree of change or evolution in societal values is inherent in the process. How much of this change is attributable to ecotourism and to what degree change is positive or negative needs to be addressed via community stakeholder analysis, which incorporates the community into the process of monitoring the affects of change on its own society.

### **5) Has ecotourism improved access to information and allowed for more participation within society?**

While the rights of communities to reject development is paramount, a great many communities seek access to information and have a desire to be less marginalized via participatory community, municipal, and civil society processes. On this note, ecotourism could be evaluated according to the kinds of “strategic alliances” that the community has gained as a result of its involvement in tourism, either with the private sector, NGOs, with other communities, or via civil society associations or





indigenous federations.

Ecotourism could also be evaluated according to the communications mechanisms brought to the community such as short wave radios or computers or Internet or other tools that give the community access to technical (not entertainment) information desired or needed for development. To appropriately evaluate these communications systems, their impact on local cultural traditions should also be weighed and reviewed, ideally in a participatory manner with the community in terms of the positives of communications vs. the negatives of introducing too many outside influences. In reality, certain indicators, such as communications systems will result in positive ratings in one place and negative in others, such as maintaining cultural traditions. The idea is not to create a system where there are all positives or all negatives, but to look at how they contribute to local societies both positively and negatively.

There might be a review of how many community members actually take part in community, municipal and state level meetings in order to determine if ecotourism has enhanced or decreased the participatory nature of the local culture and society. The ability for women or marginalized ethnic groups to participate should be analyzed not only at the state level but also at the community level. A dichotomy occurs here where the ability for women to participate more in local culture and society might be viewed negatively by community members, and this indicator must also be looked at not simply as a positive indicator, but as a potential contributor to cultural erosion as measured in section 4. Similarly, community empowerment will not come without conflict. Established players in a community may resist changes in the balance of power, yet such changes are likely to be a necessary function of the effort to more equitably distribute the benefits accruing from ecotourism ventures.

There is no question that establishing benchmarks and monitoring for social sustainability is full of contradictions, and that these contradictions must be fully respected and acknowledged and allowed to appear in the final system. The most important thing at present is to establish some systems and test them, using local cultural experts who have a deep understanding of local cultural mores and how they are evolving over time, as no culture is in a static state.

### **Ecotourism as an Economic Development Strategy**

Efforts to develop ecotourism as an economic development strategy, have until very recently, largely been couched by donors within larger projects targeted at natural resource conservation.<sup>8</sup> According





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to reports from around the world, many of these projects did not undertake business or market analysis to ensure that projects supported would achieve business viability. A study the author undertook in 1998 in Ecuador, for example, found that new funding guidelines were urgently needed to prevent the financial collapse of ecotourism projects after donor funding was no longer available.<sup>9</sup>

On the other hand, there have been many efforts to understand how ecotourism contributes to local economies. The results on these studies have been extremely mixed, and it is difficult to determine how much ecotourism actually contributes to local economies as a result.

Research from Belize indicates that more than 40% of local community members see economic benefits from nearby Hol Chan Marine Reserve<sup>10</sup>, while a Costa Rica study estimates that less than 10% of local households benefit from visitors to Tortuguero National Park.<sup>11</sup> The first location is the village of San Pedro in Belize, which is well-known for a wide variety of small, local businesses; while Tortuguero is characterized by all-inclusive lodges, in an area where there are few small businesses. In areas not characterized by small business, leakage will be increased and economic development will not be as great. Therefore it is highly important from the donor perspective to review the baseline economic development situation of the region in advance of funding, understand the small and microbusiness baseline for the region, and use study the impact of ecotourism on the local business community to better understand how funds are flowing.

Efforts to improve community entrepreneurship and provide value added market outlets might also be an important standard for review. Many ecolodges offer the opportunity for local vendors to improve the market value of their goods. For example, in Peru's Puerto Maldonado, backpackers pay a low price for local community goods, while in the nearby lodge in Infierno a mid-priced market for similar goods has evolved with the community sharing 60% of the profits.<sup>12</sup> Donors can therefore look at how ecotourism destinations affect the actual value of goods sold by local communities.<sup>13</sup> Efforts to create business plans for an IADB investment in an indigenous enterprise in Ecuador looked beyond the enterprise and its salary structure to show how the ecotourism business can generate value added to the community from the sale of locally grown food to the enterprise, local craft sales, a fee to the indigenous federation of \$10 per person, and an entrance fee to a locally owned museum.<sup>14</sup>

A new publication by the World Bank/IFC/GEF<sup>15</sup> presents the most comprehensive data to date that fostering profitable businesses in partnership with local communities should be the primary goal of donors supporting ecotourism, because these businesses are the most to provide long-lasting





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conservation results and social benefits. The 15 private businesses studied fostered 73 smaller partner community businesses — all with triple bottom line success including highly innovative forms of long-term community equity in project outcomes. It is therefore suggested that donors track how many community-based partner businesses are fostered as a result of the project initiative.

Other areas that should be monitored according to the IFC research, if funds are being channeled through private companies are as follows:

- **Management** – Good management is a very broad category and encompasses areas such as marketing, financial management, logistics, human resource management and systems implementations. The ability to market the product and diversify the client base stands out as one of the core competencies required for success.
- **Access to Capital** — Financing structures that allow for longer term return on investment perspectives and have a low amount of leverage (debt) appear to be a common characteristic of profitable ecolodges. Patient investor capital with realistic expectations for their return horizon and relatively small debt service payments to total cash flow both contribute to a more sustainable financial structure when equity or debt financing is involved.

Applying such business model criteria to donor projects that seek to enhance both conservation and local benefits in future might greatly increase the sustainability of projects. Facilitating market access for developing country projects is a known objective for donor projects, and yet there appears to be an effort to put sustainability criteria ahead of business success, a cart before the horse approach that does not acknowledge market and business realities, and results in many projects that are not succeeding in the marketplace.

Evaluating economic impacts of a project is also a highly important triple bottom line procedure, which does not have genuine significance unless the project is specifically designed to survive beyond the life of the donor initiative. While economic impacts of a project are frequently measured when donor funds are in play, this author would suggest that this is a false measurement of success, and that in fact economic evaluation should take place both during, but more importantly after the donor investment is over, and the project is operating on its own. It is only then that it would be possible to determine if the project will have the desired positive economic impacts on local communities and regional economies, without the false flush of donor cash included in the measurements.





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### Conclusion

Experts in the field of sustainable tourism development and ecotourism think that bilateral and multilateral aid agencies will be the leading source of funds for ecotourism development projects in the future. But these agencies lack expertise. Of the 29 donor agency respondents for the Hawkins study, 20 indicated that their organization would benefit from an education program focused on sustainable tourism with specific focus areas on project design, linking sustainable tourism to resource management, financial aspects of sustainable tourism, economic rationale, strategic approaches and maximization of community involvement, among others.<sup>16</sup> Donors will need to gain the expertise to establish monitoring and evaluation programs specific to ecotourism and support its application in the field. There is increasing evidence that small and medium ecotourism enterprises generally cannot support the burden of extra costs represented by certification especially in rural areas where technical services are few and far between.<sup>17</sup> Therefore donors should seek to find monitoring solutions targeted to the scale of enterprises represented in the field of ecotourism business, which are largely small businesses operating in highly remote areas.

The cost of monitoring and evaluation ecotourism projects should be less than 10% of the cost of the donor project particularly if systems of analysis are set up via cooperative technical agreements with locally based research institutions already working in the same rural zones where ecotourism businesses are generally located. This strategy will build the competitiveness of local business and help cover substantial time and labor for businesses that have consistently expressed a need for this kind of technical support. Local research institutions will be able to add to their existing range of expertise, partner with business, build capacity of students and professionals, create new service departments targeted at tourism, and deliver services to ecotourism that are cost-effective.

Future donor development projects would greatly benefit from a macro strategy of donor investment opportunities based on the potential for financially sustainable long-term results in developing countries. Support for triple bottom line approaches should be integrated into all donor projects. Donor assistance for ecotourism development in future will have to be progressive, market savvy and highly proactive in order to generate more profitable businesses, while at the same time apply the strict project development and monitoring criteria for community and environmental conservation objectives.





**Draft Evaluation Framework for Community and Economic Development**

- 1) Has ecotourism contributed to the expansion of local business and earning opportunity?**
  - What form of credit is available for micro businesses and small business at the community level?
  - What training is available for small business at the community level?
  - How do community enterprise benefits and wages compare with other businesses in area?
  - What are the earnings of the local population presently and how has ecotourism impacted this?
- 2) Are ecotourism businesses and employment opportunities reaching new segments of the population?**
  - What are pre-existing opportunities for marginalized/rural people in terms of business and employment?
  - Are indigenous/ rural poor/women seeing more business or earning opportunity?
  - How are employment opportunities distributed?
    - by salary
    - by gender
    - by social class, looking at previous income categories to classify class
    - by previous employment (or lack thereof)
    - by geography
    - by resident, in-migrant, or non-resident
- 3) Have collective benefits to local communities been enhanced?**
  - Skills, education & health?
  - Roads, water, and other infrastructure that is sustainable?
  - Credit and collective income?
  - Social capital and community organizational strength?
  - Information on local, regional and national policies available?
  - Information on livelihood options?
  - Exposure to risk and exploitation?
- 4) How is ecotourism impacting the community's values and social structure?**
  - Intergenerational conflicts
  - Changes in relationships between genders





- Erosion of traditional practices and lifestyles
- Loss of access to land resources or sacred sites
- Commercialization of local products or traditions
- Loss of interest in land stewardship
- Fighting among those that benefit from tourism and those that do not
- Crime and adoption of illegal underground economy

**5) Has ecotourism improved access to information, technical knowledge and allowed for more participation in society?**

- Number of strategic alliances with private sector, NGOs, or other communities?
- Communications mechanisms obtained for technical information?
- Participation level in community municipal and state level meetings?

**6) Have ecotourism enterprise development models been carefully reviewed to ensure there are good prospects for business viability?**

- What is the baseline status of small and microbusinesses in the region and how are these businesses economically affected by the introduction of ecotourism to the area
- What type of community entrepreneurship pre-exists and what new types of community entrepreneurship projects emerge with what success?
- What types of products were sold previously in the marketplace, at what value, and how have these values been affected by the introduction of ecotourism
- Business viability measures for the introduction of ecotourism businesses and lodges to the region
  - What type of management is in place and how effectively can it manage the new enterprise in terms of marketing, financial management, logistics, and human resource management.
  - What types of markets has the enterprise attracted, what were the baseline markets in the region, and has the project brought more value-added enterprise with higher profit margins to the region.
  - What types of access to capital exists for ecotourism development in the region? Has the project successfully accessed long-term capital, outside of the donor contribution?
  - What type of debt service exists for the project and are there adequately small payments to total cash flow to indicate a sustainable financial structure.





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