



INTERNATIONAL FINANCE CORPORATION  
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# ECOLODGES:

EXPLORING OPPORTUNITIES  
FOR SUSTAINABLE BUSINESS



# ECOLOGES:

## EXPLORING OPPORTUNITIES FOR SUSTAINABLE BUSINESS

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Chumbe Ecolodge Aerial View Hitesh Mehta

Il Nqwesi: Local tribal ceremony Hitesh Mehta

Chumbe Ecolodge: Front view Hitesh Mehta

Finca Rosa Blanca Country Inn Glen Tampol

Amazonat Jungle Lodge Hitesh Mehta

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## FOREWORD

### 1. INTRODUCTION

### 2. BACKGROUND: THE ECOLOGE MARKETPLACE

WHO ARE ECOTOURISTS?

WHAT ARE THEY LOOKING FOR?

*Activity preferences*

*Accommodation preferences*

WHERE ARE ECOLOGES LOCATED?

WHAT INFLUENCES ECOTOURISM AND ECOLOGE DEMAND?

*Global trends*

*Ecolodge-specific demand*

### 3. ECOTOURISM POLICY

### 4. THE BUSINESS CASE: HOW CAN ECOLOGES BE FINANCIALLY VIABLE?

WHAT IS THE BASIC ECOLOGE BUSINESS AND FINANCE MODEL?

*Ownership, debt, and financing*

*Profitability*

WHAT MAKES AN ECOLOGE PROFITABLE?

*Other factors that might contribute to profitability*

WHAT ARE THE POTENTIAL BARRIERS TO FINANCING FOR ECOLOGES?

WHAT ARE THE GREATEST HURDLES TO PROFITABILITY FOR ECOLOGES?

WHAT KIND OF TECHNICAL ASSISTANCE DO ECOLOGES NEED TO BE PROFITABLE?

### 5. WHAT ARE THE POTENTIAL POSITIVE AND NEGATIVE IMPACTS OF ECOLOGES?

POTENTIAL POSITIVE IMPACTS

*Environmental benefits*

*Community benefits*

POTENTIAL NEGATIVE IMPACTS

### 6. CONCLUSION: THE FUTURE OF THE ECOLOGE MARKET

**APPENDIX A:** KEY BASELINE INDICATORS FOR BIODIVERSITY IMPACT: A MONITORING AND EVALUATION FRAMEWORK FOR ECOLOGES

**APPENDIX B:** TABLE A.1: LODGE LISTINGS BY COUNTRY

**APPENDIX C:** CASE STUDIES

**APPENDIX D:** CONTACT LIST



## FOREWORD

*ADDRESSING AND PREVENTING the impacts of climate change and preserving the global environment are key challenges facing the world today.*

There are no instant solutions to these problems; they are complex, global issues that defy resolution by any single program or institution. The International Finance Corporation (IFC), which makes private sector investments, has been working with the Global Environment Facility (GEF) and a number of other partners and stakeholders with various objectives to develop innovative financial mechanisms to integrate environmental activities into commercial business operations. Private sector participation is a vital part of meeting these challenges. Research in this field indicates that support for entrepreneurial efforts can be far more powerful and effective in creating long-term sustainable growth than can large government concessional grant programs.

IFC, industry, governments and civil society are all coming to recognize that environmental protection and the sustainable use of environmental resources depend on close collaboration between the public and private sectors. Consumers, too, are increasingly demanding products and services that make use of environmental resources in a sustainable manner.

However, the costs of producing environmentally friendly goods and services can be high, the businesses that produce them may require more time, training and a supportive enabling environment to become economically viable, and the actual production often involves new and untested technologies. These market barriers, combined with the inherent incremental costs of environmental protection and conservation, may deter the private sector — particularly small and micro-enterprises — from actively pursuing environmental business opportunities.

To spur the development of environmentally sustainable and economically viable micro, small and medium enterprises (SMEs<sup>1</sup>), IFC, with funding from GEF, launched the Environmental Business Finance Program (EBFP) in March 2004. EBFP supports SMEs by increasing their access to finance, building their capacity, and fostering an enabling environment for their activities.<sup>2</sup> An important element of EBFP's strategy is the dissemination of lessons learned, to encourage best practice by SME owners and managers, other entrepreneurs and potential investors in the area of environmental finance.

PHOTO: Chumbe Ecolodge: Hitesh Mehta

This publication summarizes the results of research on the triple bottom line, emphasizing environmental, social and economic sustainability in the ecolodge sector. Key factors are highlighted that make an ecolodge environmentally, socially and financially successful. It is the first in a series of reports resulting from EBFP's research activities on the market for environmentally friendly goods and services. Future publications will examine the financial viability of other sectors that have important environmental and social benefits and growth potential.

This study examines the market for and business characteristics of ecolodges operating in developing countries, in order to determine the key factors for business viability of ecolodges. The study also includes a review of how these facilities can have a positive impact on the environment and maximize their sustainable development benefits for their regions and local communities. After a brief introduction in Section 1, Section 2 looks at the ecolodge marketplace, including the demographics of ecotourists, their activity and accommodation preferences, and the global trends that influence the ecotourism market and demand for ecolodges. Section 3 provides a brief review of the evolving policy and enabling environment

for ecotourism around the world. Section 4 presents a discussion of how ecolodges can become financially viable, with a summary of the basic ecolodge business and finance model, an analysis of the key factors for profitability for ecolodges, and an assessment of the main technical assistance needs of ecolodge owners and managers. Section 5 examines potential positive and negative biodiversity impacts of ecolodges. Finally, Section 6 presents a brief conclusion assessing the future of the ecolodge market.

I hope this publication serves as a useful tool to the public and private sectors, donors, financiers, advisors, ecolodge operators and others who contribute to the sustainable growth of the ecolodge industry.



*RK*  
RACHEL KYTE

Director  
Environment & Social Development Department

<sup>1</sup> SMEs are defined in accordance with the definition of the World Bank Group's SME Department as follows: micro-enterprises up to 10 employees and total assets or total million; and medium enterprises up to 300 employees and total assets or total annual revenue of up to US\$15 million. For the purpose of EBFP, the definition of SME includes micro-enterprises.

<sup>2</sup> This program is environmental benefits.

# 1. INTRODUCTION

**ECOTOURISM**, which is responsible travel to natural areas that conserves the environment and improves the well-being of local people, is one of the most dynamic segments of the international travel industry. As a growing number of ecotourists plan their holidays around authentic natural and cultural experiences, they will increasingly seek accommodations, such as ecolodges, that reflect the main principles of ecotourism. The International Ecotourism Society (TIES) defines ecolodges as including three main components: conservation of neighboring lands, benefits to local communities, and interpretation to both local populations and guests.<sup>3</sup> While the term “ecolodge” is used throughout this study, some parts — particularly the mapping of lodges in 60 countries and the in-depth surveys of 106 lodges — include ecolodges, as well as nature-based lodges and small beach resorts.

Ecolodges are of particular interest to the sustainable development community, because they are small, medium and micro-enterprises that can generate a variety of positive economic development impacts in highly rural, biodiverse areas, where other types of development underway or under consideration are frequently damaging to the environment. Yet no study has determined the factors that can make an ecolodge financially viable and ensure minimal environmental impact.

This publication summarizes the findings of two studies on ecolodges that IFC commissioned in

2004. The first, *Ecolodge Footprint and Justification for Biodiversity Conservation*,<sup>4</sup> examined the environmental footprint of ecolodges. The second, *A Review of International Markets, Business, Finance and Technical Assistance Models for Ecolodges in Developing Countries*,<sup>5</sup> evaluated the current and projected market demand for ecolodges and assessed their financial viability. With these studies, IFC sought to determine whether the environmental impacts and financial performance of ecolodges are sufficiently positive to justify IFC’s investing in them as part of its sustainable development mission.

Genuine ecolodges have been in operation for less than 10 years, and many have only been profitable for several years. Until now, studies on ecolodges have been unable to look at business models or success parameters, because many lodges were too informal to provide sufficient business background or had not been in business long enough to become profitable. The businesses that were studied can be considered trend setters that have been highly innovative in developing a marketable brand for their lodges in their regions. Nevertheless, the results presented are still preliminary because of the emerging nature of this market.

PHOTO: Amazonat Jungle Lodge: Hitesh Mehta

<sup>3</sup> This definition was determined by TIES in 2002.

<sup>4</sup> This study had four components: 1) survey and analysis of demand characteristics for eco-lodges in 60 countries; 2) survey and analysis of the financial viability of ecolodges; 3) survey and analysis of the environmental impacts of ecolodges; and 4) survey and analysis of the social impacts of ecolodges. Authors are Kelly Bricker, Martha Honey, Neel Inamdar, and Maria Placht. Researchers from West Virginia University are Sarah Millington, Jason Siniscalchi, and Trace Gale.

<sup>5</sup> This study had two components: 1) an analysis of demand characteristics for eco-lodges, and 2) survey and analysis of the financial viability of ecolodges. The authors are Megan Epler Wood, Pam Wight and Associates, and Jeanine Corvetto.

## 2. THE ECOLOGE MARKETPLACE

**ALTHOUGH** *opinions about future demand and growth in the ecotourism market vary, all experts and operators agree that ecotourism markets will increase.* According to the ecolodge owners and experts interviewed for this study (see Appendices B & D for listings of surveyed ecolodges and the regional experts respectively), the ecolodge market is expected to grow by an average of about 10 percent per year over the next several decades. This estimate is in line with overall growth estimates for general travel, which are based, in large part, on the size of the baby-boom generation (individuals born between 1945 and 1964) from

Europe, North America and Japan. The baby boomers will experience unprecedented health and longevity during their retirement years, and will have more time for leisure and travel, good financial resources and increasing access to quality information on travel options through the Internet. This section looks briefly at the ecotourism market, including the characteristics of ecotourists, the attractions and amenities they seek, and the trends that affect their decisions on where and when to travel.

### A NOTE ABOUT THE DATA

*Ecotourism market data are notoriously difficult to collect, and this study faced the same issues as all other studies on ecotourism to date, notably the lack of quality data. Outbound market data from developed countries are increasingly available, but still very sparse. Quality ecotourism data from key destination countries remain largely unavailable, and it is therefore very difficult to determine how each geo-region's ecolodge market is performing and what the potential for growth is.*

*This study focuses on five main geo-regions that are the primary destinations of ecotourists: Africa, Asia, Central and South America, the Pacific, and Southeast Asia. To gather data on ecotourism trends in these areas, the authors reviewed market literature from origin markets around the world, and undertook a survey with regional market experts to discuss ecolodge development trends in destination countries. A survey was undertaken of 15 ecolodges that are known to be model facilities. In addition, a review of the legal and policy context for ecotourism development in developing countries was performed, a discussion of natural attractions that constitute business drivers was provided, and an investigation of the technical assistance needs of ecolodges was undertaken.*

## WHO ARE ECOTOURISTS?

The United States was identified in this study as the key global market for ecolodges in all geo-regions studied. However, ecotourists do come from all over the world, including Canada, Europe (especially France, Germany, the Netherlands, and the United Kingdom) and, to a lesser extent, Australia, Japan, and New Zealand. They are of all ages, with a significant component of middle-aged travelers, and tend to be more highly educated professionals with moderate to high income. Slightly more ecotourists are women than men.<sup>6</sup>

Free and independent travelers (FITs) — as opposed to those traveling with a tour operator — are an important and growing market segment for ecolodges. This study concludes that 50 percent of the market will travel independently, while 50 percent will travel on tours. These results vary by region. European ecotourists are almost all independent travelers, because Europe's tour operators rarely advertise ecotourism as an option and have only recently begun to offer more customized special interest travel options. U.S. ecotourists, on the other hand, are more likely to travel on tours, because they have had access to a wide variety of specialty niche travel operators and nonprofit travel programs for more than a decade. However, Americans are increasingly traveling independently, particularly to destinations closer to home, such as Belize, Costa Rica, and Mexico because of access to quality travel information on the Internet. The growing number of travelers booking directly with ecolodges and arriving without the help of travel agents or tour operators will have long-term benefits for ecolodges, as it will enable them to increasingly market directly to consumers.<sup>7</sup>



## WHAT ARE THEY LOOKING FOR?

In general, ecotourists choose their destinations first, based on desired activities or attractions, and then choose their accommodations, although a few very successful ecolodges have emerged as a primary reason to travel to a specific destination. For example, Tiamo, in the Bahamas, has drawn great attention to Andros Island as an ecotourism destination, while in the past the Bahamas was strictly known as a mass tourism resort, cruise and gambling destination. Lapa Rios, in Costa Rica, brought ecotourism to the Osa Peninsula, which had been known primarily as an outpost for illegal gold mining. Panama's Canopy Tower drew attention to its first-class bird watching just minutes from Panama City, this city being known previously for international banking, the U.S. invasion and a corrupt dictator. These three ecolodges surveyed, as well as other examples from other locations, have become a reason to travel to certain destinations, thus helping to transform the image of destinations previously thought of as unattractive or unsuitable for nature lovers.

The popularity of specific ecotourism destinations varies based on country of origin. Among Europeans, travelers from the United Kingdom prefer destinations in Asia, and Germans select Asia and Latin America with nearly equal frequency. Central America is the most popular destination for North Americans, while the vast majority of Japanese ecotourists prefer destinations within Asia and Oceania.

PHOTO: Campi ya Kanzi: Hitesh Mehta

<sup>6</sup> *The unabridged* consultants, 1994; Blamey and Hatch, 1998; Diamantis, 1998, 1999; The Nature Conservancy, 2000; Sanders, 2001; Blangy and SECA, 2001; Feige et al, 2001; Torres Riesco, 2001; Travel Industry Association of America, 2002; Japanese Association of Travel Agents, 1999, 2001, 2002; Pam Wight and Associates, 2002; Weaver and Lawton, 2002; Queensland Travel and Tourism Council, 2003a, b

<sup>7</sup> European Travel Commission, 2003



## Activity Preferences

The most important motivations for travel by ecotourists around the world are to enjoy the natural environment, have an “experiential” vacation, and learn while traveling. There is a particularly high interest in admiring scenery, viewing wildlife, hiking and walking, taking guided interpretive tours, and visiting parks and protected areas. According to the study’s regional experts, activity preferences vary from destination to destination. For example, diving and other marine activities are rated highly in the Pacific, while jungle/rainforest trekking and bird watching are rated highly in Latin America and Southeast Asia, and game viewing is popular in Africa.

In general, wildlife viewing is the primary attraction for ecotourists, both independent travelers and those traveling with ecotour operators.<sup>8</sup> What distinguishes a wildlife attraction and makes it “bankable” relates to the charisma of the wildlife being viewed. Charismatic animals include gorillas and all great apes, large marine creatures such as whale sharks and whales, and the African “Big Five” (lions, leopards, elephants, Cape buffalos and rhinos). When large mega-fauna are not present in an area such as rainforests, attractions include monkeys, lemurs and large flocks of colorful birds, such as macaws. Whether or not the destination has mega-fauna or congregations of wildlife, high-quality guide services with excellent and accurate interpretive information about culture and nature can distinguish an ecolodge in the marketplace and have a great deal to do with gaining consumer loyalty.

One key special interest among a dedicated segment of the market is bird watching. Bird watching has a very strong appeal to a narrow segment of the ecotourism market; about 10–15 percent of the

market seeks to bird watch for nearly 100 percent of their activity time.<sup>9</sup> Thus, evaluating the attraction and viewability of endemic birds found only in restricted areas, or unique congregations of birds, plays an important role in designing a new ecolodge destination. Bird watchers are frequently found in countries not yet known for ecotourism, and can help make a name for destinations that might otherwise remain unknown.

## Accommodation Preferences

There are few destination studies that have surveyed the lodging preferences of ecotourists. According to the regional experts, consumers want value for their money, and they want to stay in local, more traditional accommodations if there are no easily identifiable facilities that offer a good alternative. In many cases, these travelers would likely embrace a more ecological alternative if it offered good value and excellent guides, and was located near highly viewable wildlife resources or destinations with excellent scenic qualities.<sup>10</sup> Regional advisors indicate that ecotourists seek comfortable, conventional, mid-priced lodgings. Access to the primary attraction or activity is a key factor in choosing accommodation, as are comfort, quality of interpretive guides, friendly service, small group sizes and pricing. Visitors only tend to consider the use of environmentally sensitive practices or architecture when all other considerations are met.

The fact is that ecotourists still rely on conventional accommodations, rather than ecolodges, for a large proportion of their travel experience.<sup>11</sup> This can be explained partly by the lack of ecolodge alternatives in many areas. For example, in rural areas, ecotourists

PHOTO: Il Ngwesi: Hitesh Mehta

<sup>8</sup> Wight, 2001; Rodríguez, 2003.

<sup>9</sup> EplerWood International, 2003.

<sup>10</sup> Wight, 1997.

<sup>11</sup> Wight, 2001.



frequently will not find ecolodges, and so instead look for locally owned budget accommodation that may not be environmentally sound.

While the range of existing ecolodges runs from basic to luxury, there is a “gap” between community-run, basic facilities and high-end lodges, with a lack of mid-priced ecolodges. An analysis of 6,515 nature-based lodges in 60 developing countries found that nearly three-quarters are lower-end: 73 percent, or 4,774, of the lodges were budget accommodations (less than \$50 per night), 18 percent, or 1,180, of the lodges were mid-range (\$50–\$100 per night), and 7 percent, or 470 of the lodges were top-end (over \$100 per night). No price data were available on 91 of the lodges.<sup>12</sup> The survey, based on an analysis of popular guidebooks and written surveys, found that only

the Caribbean islands surveyed and Costa Rica have a significantly large percent-

age of mid-range lodges. Given the small size of the consumer market able to afford high-end lodges and the consumer demand for mid-range accommodations, it would appear that there is an insufficient supply of mid-priced ecolodges today. The demand for a greater supply of mid-priced ecolodges in ecotourism destinations worldwide will increase only as the professional middle class of baby boomers retire, travel more frequently and seek comfortable accommodations in the wildland areas they have always dreamed of visiting.

### BOX 1: THE “GREEN SKEW”

*A potential problem for ecolodges and ecotourism products is a “green skew” that has been increasingly evident in ecotourism and green-market survey research in the last decade. Research by EplerWood International has shown that while surveys and literature in the 1990s indicated a rapidly increasing consumer interest in environmental and social issues, this has not proven to be the case, according to large-scale studies. There is also increasing evidence that consumers do not act on their stated environmental and social concerns. The small sample of ecolodges and ecotour operators used for this study report that less than 10 percent of their consumers request information on their environmental and social practices. This can have important implications for ecolodge developers because, although numerous projects throughout the world have predicated their business plans on surveys that have shown high consumer concern for the environment or social issues, no large-scale studies exist that review how many tourists actually act on these concerns. Thus, companies entering the ecolodge market should be conservative with their use of market demand surveys at the point of origin, and it is recommended that they take the “green skew” into close consideration. One solution to this problem is to utilize professional inbound market demand surveys with statistically valid sample sizes in target gateways for FITs and guided tour travelers as a key source of market information.*

SOURCE: EPLER WOOD, MEGAN, 2004.

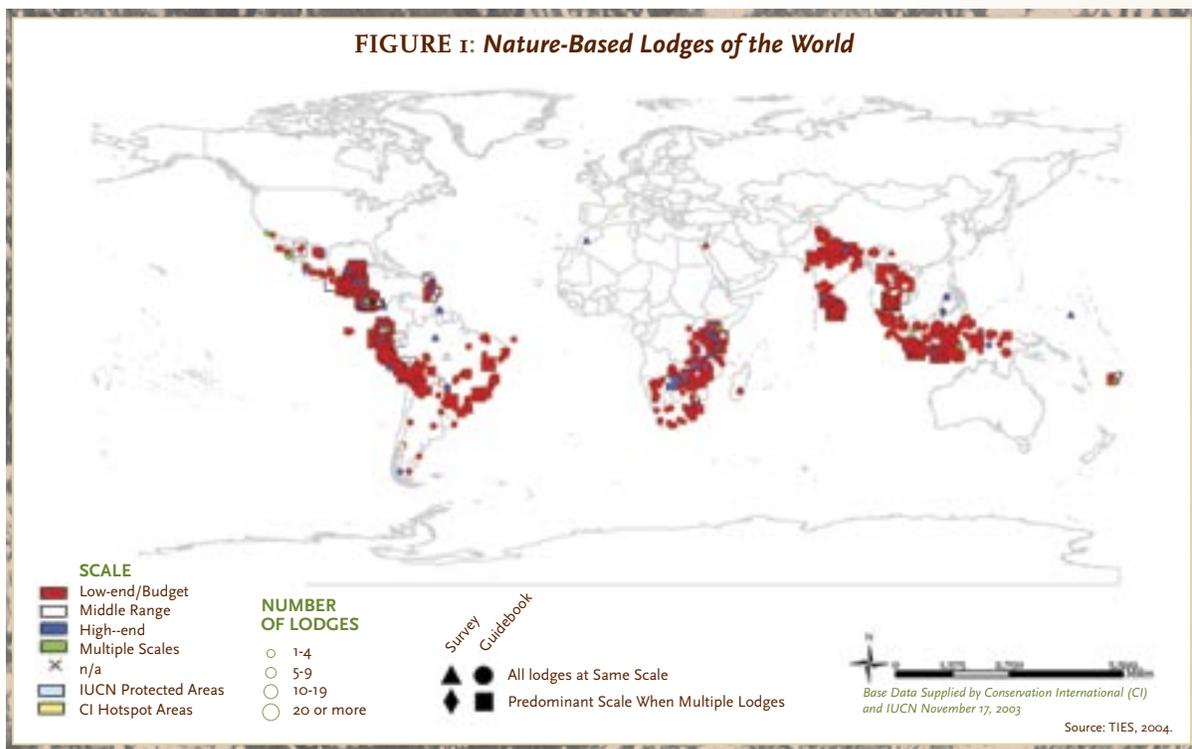
PHOTO: Finca Rosa Blanca Country Lodge: Glenn Jampol

<sup>12</sup> See Table 14 in the full *Ecolodge Footprint and Justification for Biodiversity Conservation* study, available at [www.ifc.org/ebfp](http://www.ifc.org/ebfp).

## WHERE ARE ECOLOGES LOCATED?

There is a high correlation between the location of ecolodges and nature-based lodges, and that of public and private protected areas or other areas of high biodiversity. The authors of the *Ecolodge Footprint and Justification for Biodiversity Conservation* study mapped the locations of nature-based lodges in 60 countries (based on a review of guidebooks) as well as those of 106 ecolodges that completed written surveys.<sup>13</sup> The 60 countries were chosen based on their high concentration of nature-based lodges, their developing (or mature) ecotourism industry, and their location in an area of high biodiversity and/or significant natural attractions. Of the total 5,459 lodges mapped (another 1,059 lodges could not be plotted because no location

was available), Indonesia has the largest concentration of lodges (758), followed by Costa Rica (590), Thailand (468), Peru (356), Ecuador (345), Guatemala (322), Mexico (304), Sri Lanka (277) and Tanzania (259).<sup>14</sup> Of the lodges mapped in all 60 countries, 84 percent are located in biodiversity hotspot areas, as defined by Conservation International ([www.biodiversityhotspots.org](http://www.biodiversityhotspots.org)). The highest concentration is in Mesoamerica (1,157 lodges), followed by Indo-Burma (543 lodges).<sup>15</sup> Of those ecolodges that completed the in-depth surveys, 60 percent are located within or on the periphery of an established protected area, and 39 percent are located within a private reserve.



<sup>13</sup> The term “nature-based” ecotourism’s social, environmental, and economic practices. However, the in-depth written survey was done with well-known ecolodges, and therefore the term is applicable here.

<sup>14</sup> See Table 12 in the full *Ecolodge Footprint and Justification for Biodiversity Conservation* study, available at [www.ifc.org/ebfp](http://www.ifc.org/ebfp).

<sup>15</sup> See Table 13 in the full *Ecolodge Footprint and Justification for Biodiversity Conservation* study, available at [www.ifc.org/ebfp](http://www.ifc.org/ebfp).

The high number of ecolodges and nature-based lodges located in or near protected areas, or areas of high biodiversity value, demonstrates the need for lodges to maintain sound environmental standards and practices. As both effective government regula-

tion and voluntary certification programs are fairly rare (only 26 percent of lodges completing the in-depth survey have a green certification or rating<sup>16</sup>), environmental and social standards and practices are often developed by the lodge owners and managers (see Box 2).

## Box 2: ENVIRONMENTAL AND SOCIAL PRACTICES AT ECOLOGES

*The Ecolodge Footprint and Justification for Biodiversity Conservation study surveyed lodge managers at 106 leading ecolodges around the world. Though not independently verified, the results of this survey do provide a comprehensive overview of managers' perceptions of good environmental and social practices, and therefore offer a baseline understanding of common practices, possibly including areas that are often overlooked by researchers and lending agencies in ecolodge development and operations. The full survey results can be found at [www.ifc.org/ebfp](http://www.ifc.org/ebfp), Tables 1–11. These findings are summarized below:*

- **PREDEVELOPMENT AND CONSTRUCTION IMPACT:** *Sixty-three lodges (59%) have undertaken development in accordance with an environmental impact assessment (EIA) or assessed the environmental impacts of their developments. Most (89%) also minimized erosion during construction. While the majority of respondents demonstrated concern for reducing negative impacts, only a third have an annual written environmental performance review (32%). Thus, it is questionable whether there is a clear understanding of the impact of the lodge on the natural environment. This indicates the necessity for establishing a baseline understanding of environmental and social impacts prior to lodge construction, and for conducting ongoing monitoring and evaluation as the development is established and becomes operational.*
- **LOCALLY APPROPRIATE BUILDING MATERIALS AND LOCAL STAFF DURING CONSTRUCTION:** *The majority of lodge owners source materials locally (86%) and use local contractors and staff for construction (91%). Nearly 70% use some recycled building materials, with the overall majority utilizing appropriate building technologies and materials (81%).*
- **PHYSICAL LAYOUT:** *Eighty-seven percent follow strategies to minimize dominance on the landscape. Most respondents said that they have completed a visual analysis to make building forms compatible with the landscape. Nearly all also claim that the lodge fits into the local environment through the use of vegetation (96%).*

<sup>16</sup> See Table 1 in the full Ecolodge Footprint and Justification for Biodiversity Conservation study, available at [www.ifc.org/ebfp](http://www.ifc.org/ebfp).

- **ENERGY NEEDS:** Overall, energy use seems to be one of the weakest areas for most lodges. The use of renewable energy sources is very low (approximately 31%). Further research should investigate why lodges are not taking advantage of the long-term cost savings and environmental benefits of alternative energy sources.
- **WATER ACQUISITION AND WATER CONSUMPTION:** Nearly 70% answered that they use sustainable means to reduce water consumption, and 67% encourage guests to reuse linens. However, in several specific areas, responses were low: only 29% reuse gray water, 11% use automatic turn-off taps, and 26% reuse effluent water for toilets and other purposes.
- **HANDLING AND DISPOSAL OF SOLID WASTE:** Nearly 87% reported that they carefully handle and dispose of solid waste and sewage. Overall, there seemed to be the highest incidence of cost-effective activities (e.g., using less packaging, buying in bulk quantities).
- **SUPPORTING CONSERVATION:** Eighty percent or higher said that they support conservation efforts, do not purchase rare or threatened species, and encourage guests to participate in conservation initiatives. However, very few lodges address feral animal and weed control (31%).
- **WORKING WITH LOCAL COMMUNITIES:** Virtually all (98%) of the lodges employ local residents, and 88% reported that they have a policy to purchase products and services locally. In addition, 76% said they give tangible financial, technical or in-kind support to at least one local organization, and the same percentage (76%) give free or discounted visits to local schools and educational institutions. However, only 45% say that traditional custodians or appropriate cultural groups are involved in the development of interpretive materials that present their heritage, and only 44% advise lodge guests to avoid visiting sites that have restricted access due to cultural sensitivity.
- **LODGE ACTIVITIES IN NATURAL AND CULTURAL INTERPRETATION:** The majority (70%) say they have interpretive programs, and 69% employ guides for guest interpretation and education. However, only 51% have formal guide training. Guided tours are the most predominant activity, followed by pre-tour briefings and informational pamphlets.

## WHAT INFLUENCES ECOTOURISM AND ECOLOGE DEMAND?

Demand for ecolodges and ecotourism in developing countries is largely dependent on the overall market for overseas travel. The most significant change in overseas travel trends in the last decade occurred as a result of the September 11, 2001, attacks in the United States, the subsequent U.S. war on terrorism, and a

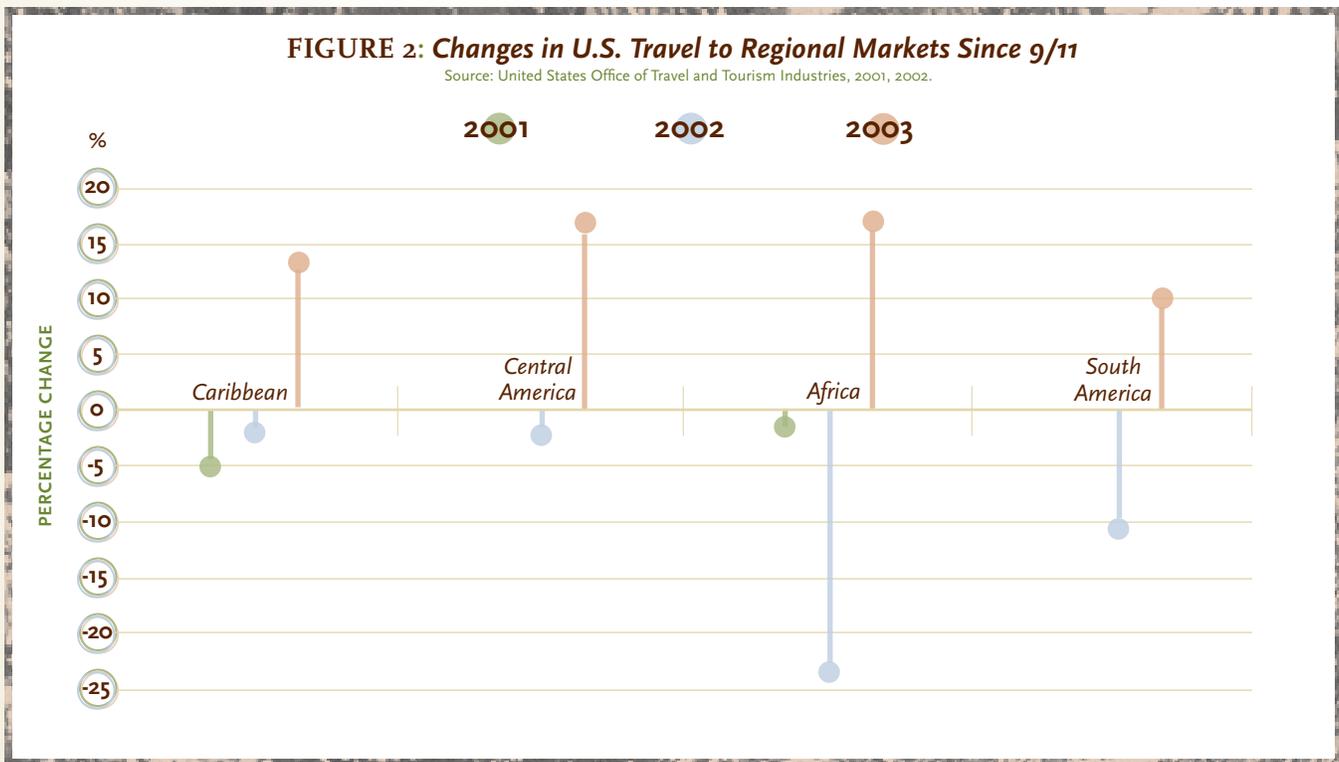
wide variety of security and health concerns that have arisen worldwide since 2001. The resulting sense of global insecurity has changed the behavior of overseas travelers from Australia, Europe, Japan, and the United States indefinitely.

## Global trends

Until the September 2001 terrorist attacks on the United States, global travel had been on the rise for years, with an average of nine percent annual growth from 1988 to 1997.<sup>17</sup> Nature destinations were faring particularly well, with some important ecotourism destinations, including Belize, Botswana, Costa Rica, Ecuador, South Africa and Tanzania, experiencing double digit average annual growth. Overall, countries that were known to be stable, with well-developed wildlife parks and destinations and only modest infrastructure, were prospering and attracting significant foreign exchange through nature-based tourism in the 1990s.<sup>18</sup>

However, global travel was significantly affected (possibly more than any other industry) by the September 11 attacks and other subsequent security concerns around the world. Many U.S. overseas travel-

ers, who make up a significant portion of the ecotourism market, canceled overseas travel plans. In the two years following the attacks, there was a 13 percent total decline in U.S. travel overseas (see Figure 2). Nature tourism destinations in eastern Africa were the hardest hit, while Central and South America also saw declines. Although travel to Asian destinations did not decline immediately after the terrorist attacks (mostly because of business travel to China and Southeast Asia), the SARS outbreak, Bali bombings and Iraq War led to drastic declines in both Asia and Southeast Asia in 2003. However, U.S. overseas travel rebounded in 2003, with a 4 percent increase worldwide, spurred by the results for Africa (up 17%), the Caribbean (up 14%), Central America (up 17%), and South America (up 10%).



<sup>17</sup> World Tourism Organization (WTO).

<sup>18</sup> World Tourism Organization (WTO). *Tourism Highlights, Madrid, Spain, 1997–1999.*



Depressed economies in major ecotourism outbound markets, including Germany, Japan, and the United States, since 2001 have also slowed travel demand, causing travelers to seek more economical vacations closer to home. However, most experts report that high-quality ecotourism destinations may be quicker to recover. For example, South Africa remained very popular in 2002 and 2003 for European travelers within Africa, despite double-digit downturns for European long-haul travel overall. Given that South Africa's number one attraction is wildlife parks, this indicates that quality parks and wildlife resources helped South Africa survive both an economic downturn and one of the worst travel crises in recent history.

Changes in leisure behavior, which have been documented by the European Travel Commission<sup>19</sup> and others, will also have important implications for the future of the travel market. According to this research, there will be a greater market for customized travel featuring arts, culture and history, as well as wellness products, such as spas, ayurvedic and alternative medicine, and fitness centers with yoga, herbal and other treatments and regimes. The ability to serve these niches will depend on the size of the niche and how well special interest groups organize travel.

Busier lives and a smaller number of paid vacation days will cause tourists to increasingly prefer shorter and more frequent vacations. Public displays of status are becoming less important, and lifestyles are more informal worldwide, indicating the demand for five-star accommodation will decrease, since this typifies the World War II generation. Leisure behavior is becoming more personalized, leading to increased demand for smaller hotels and lodges.

The way in which tourists book their holidays is changing, too, with the use of the Internet for research and direct bookings of tourism products and services.

More independent travelers will increasingly seek partly packaged or customized holidays, rather than the traditional inclusive tour packages. Ecolodges will appeal to this growing segment of independent travelers and will benefit greatly by being able to use low-cost, but effective, Internet marketing tools. At the same time, ecolodges will appeal to the population that prefers to travel with a tour operator by working with specialized operators that increasingly seek comfortable, well-designed lodges in natural areas.

### *Ecolodge-specific demand*

With all experts agreeing that a growth trend is in place for ecolodges, this study reviewed the key aspects of demand for ecolodges. The following factors (in random order) are considered to be the primary determinants for whether there will be demand for a specific ecolodge among travelers:

- *visitors' budgets and preferences;*
- *likelihood of seeing a primary attraction;*
- *marketing impact;*
- *degree of political stability, safety and security;*
- *international airline access;*
- *domestic airline access after arrival at an international gateway;*
- *speed of booking time;*
- *quality of Internet information; and*
- *destination image and economic situation in source markets.*

More specific, secondary determinants include the environmental practices of the lodge and the type of architecture. However, some experts felt that having the accommodation located in a natural area was more important than design or greenness.

PHOTO: Amazonat Jungel Lodge: Hitesh Mehta

<sup>19</sup> *European Travel Commission, 2003*

Operators and experts also identified a range of barriers and constraints to the development of ecolodges and the growth of ecolodge markets, including (in random order):

- *lack of rural infrastructure, limiting efficient access and accessibility;*
- *distance from world markets;*
- *seasonality;*
- *available financing;*
- *public sector lack of understanding of ecotourism operations; and*
- *poor ecotourism policies and lack of appropriate government regulations to protect communities and the environment (see Section 3).*

In addition, the potential for ecolodge development may be adversely affected by negative development patterns. Throughout the world, there has been inadequate governmental regulation and monitoring of tourism's impacts on the environment, little attention to the need for visitor management in protected areas, and a serious lack of expertise and ability to execute land-use plans in order to protect regions from overbuilding in boom destinations. In the end, inappropriate tourism development destroys the destination for ecotourism. Ecolodges that once appeared to have few impacts, low visitor numbers and positive contributions to local economic development can become enveloped by massive tourism influxes that result in many additional lodges too close to one another, and a lack of proper protection for local environment and wildlife. Tourism booms can be followed by subsequent busts in visitor numbers, wreaking havoc on the ability of any one private ecolodge owner to meet business or environmental goals.

Despite these significant constraints, ecolodges have a broad market opportunity over the next 30 or more years to capitalize on the aging demographics of the market, increased ability to deliver quality information via the Internet, growing leisure time and resources for the large group of professional middle-class retirees from Europe, Japan, and the United States, and changes in leisure and lifestyle trends that will influence travelers to seek more customized experiences in smaller accommodations worldwide.



PHOTO: Campi ya Kanzi: Hitesh Mehta

### 3. ECOTOURISM POLICY

**THE GOVERNMENT ROLE**, *in ecotourism policy development, regulations and legal frameworks is still largely at the planning and discussion stage worldwide.* Although national ecotourism planning has taken place in numerous developing countries, such as Malaysia and Mexico, the implementation of ecotourism plans has been sporadic, with almost no national fiscal commitment. Without fiscal support for the objectives set by national plans, planning documents are quickly shelved for future administration consideration. While government decision makers are becoming increasingly aware of the need for support of the ecotourism sector, to date there has been a “frontier-style” development environment for ecolodges in most developing countries, where government services and support are, on the whole, not available.

To assess this policy environment, the authors performed an Ecotourism Policy Gap Analysis, using results from the 2002 World Ecotourism Summit on government policy, which incorporate the comments of thousands of stakeholders worldwide. The findings of this analysis are summarized in the two tables below. Table 1 presents the policy gaps and Table 2 presents policy actions.

One of the key findings of this study is that ecolodge ventures can rarely count on government infrastructure services for sewage, waste or energy, and there are no government incentives to create systems that are more environmentally friendly. Frequently, there are additional tariffs for imported technologies, such as solar panels. While the responsible ecolodge business community has found inventive ways to manage their own waste, water, energy, and sewage systems through the advancement of alternative technology designs and projects, they generally do not have government support programs for new technolo-

gies to assist them. Lodge owners themselves often assist with establishing local municipal programs, particularly recycling initiatives.

One area where some governments are playing a role is in the development and implementation of voluntary certification programs for ecolodges and other accommodations. In 1997, the Costa Rican government launched the Certificate for Sustainable Tourism, a rigorous certification program that is currently serving as the model for developing programs in a number of other countries. The governments of Brazil, Ecuador, and Mexico, among others, are currently involved in working to create national “green” certification programs for hotels. However, requirements for green technologies that are mandated without technical or financial support represent an additional cost to business, and there has been no research showing that these programs improve the marketability of certified businesses. Thus, while these certification programs have provided important incentives for the private sector to green their businesses, they are still in the experimental stage. Further testing and research are required to demonstrate the full business value of certification programs.

**TABLE 1: Ecotourism Policy Gap Analysis**

Source: WTO 2002.

<b>GOVERNMENT-LEVEL POLICIES ABSENT</b>	<b>S.E. ASIA</b>	<b>S. ASIA</b>	<b>MESO-AMERICA</b>	<b>S. AFRICA</b>	<b>ANDEAN S. AMERICA</b>
<b>NATIONAL TOURISM MINISTRY</b>					
No government specialists in ecotourism planning to set standards	●	●	<i>Costa Rica the one exception</i>		<i>Ecuador the one exception</i>
Mass tourism policies only	●	●	<i>Ecuador the one exception</i>		
<b>TOURISM BOARD</b>					
Business licensing inefficient					●
No ecotourism market intelligence	●	●	●		●
No ecotourism marketing	●	●			●
<b>ECONOMIC DEVELOPMENT</b>					
No ecolodge investment promotion or incentives	●	●			●
No specialized loans	●	●			
<b>ENVIRONMENTAL MANAGEMENT &amp; NATURAL RESOURCES</b>					
No monitoring of tourism impacts	●	●			●
Poor links between biodiversity conservation and tourism policies	●	●			
No land-use planning for tourism	●	●	●		●
<b>PROVINCIAL OR MUNICIPAL</b>					
Land rights not in place	●	●			<i>A problem in Amazonian Peru and Bolivia</i>
No participative planning	●		●		
No zoning for ecotourism	●	●	●		●
<b>INTERMINISTERIAL LEADERSHIP</b>					
No interministerial cooperation	●	●	●		<i>Ecuador and Peru the exceptions</i>
<b>LEGISLATIVE AND EXECUTIVE BRANCH</b>					
No government funds for tourism law implementation	●	●	●	<i>Limited</i>	●

**TABLE 2: International Ecotourism Policy Analysis**

Source: Wight, 2002; World Tourism Organization, 2002.

<b>POLICY TYPE &amp; POLICY MAKING BODY</b>	<b>POLICY TOOL</b>	<b>SUGGESTED POLICY ACTION</b>
<b>LEGISLATIVE BODY AND EXECUTIVE BRANCH</b>		
Legal frameworks	<i>Legal review of tourism policies</i>	<i>Integrate needs of ecotourism businesses in legal policies for tourism</i>
Legislative frameworks	<i>Review of relevant legislations</i>	<i>Integrate needs of ecotourism businesses in municipal and local legislation</i>
Fiscal commitment	<i>Budget review</i>	<i>Incorporate ecotourism legislative, legal and policy frameworks into budget for economic development</i>
<b>TOURISM BOARD</b>		
National marketing	<i>Internet and trade fairs</i>	<i>Incorporate ecotourism information in national travel market campaigns</i>
Market intelligence	<i>Market research</i>	<i>Conduct quality research of ecotourism market sector for nation</i>
Regional marketing	<i>Regional ecotourism networks</i>	<i>Provide financial and logistical support for marketing networks</i>
<b>INTERMINISTERIAL COOPERATION</b>		
Transboundary initiatives	<i>Transnational policies</i>	<i>Hold meetings between countries to establish cooperation</i>
Interministerial planning	<i>Integrated planning</i>	<i>Establish interministerial working groups</i>
<b>TOURISM MINISTRY</b>		
Policy frameworks	<i>National ecotourism plans and policies</i>	<i>Integrate policy with other national development and environmental conservation goals</i>
Health standards	<i>Inspections and monitoring</i>	<i>Ensure all new facilities are meeting health standards</i>
<b>ENVIRONMENTAL AND NATURAL RESOURCES</b>		
Development planning	<i>Zoning, land-use planning</i>	<i>Establish zones limiting scale of tourism development according to site</i>
Monitoring	<i>Enforcement</i>	<i>Obtain funds to enforce development regulations</i>
Protected areas	<i>Visitor management</i>	<i>Obtain funds to establish baseline data and manage impacts</i>
<b>PROVINCIAL OR MUNICIPAL GOVERNMENT</b>		
Participative planning	<i>Participative policy planning</i>	<i>Incorporate community and indigenous populations in planning for ecotourism development</i>
Land tenure	<i>Reform of land titling</i>	<i>Review land titling issues in ecotourism development zones</i>
Land use	<i>Zoning, land-use planning</i>	<i>Develop ecotourism development zones</i>
Infrastructural support	<i>Signage, roads, telecommunication, electricity, water, solid waste, sewage treatment</i>	<i>Review needs in ecotourism zones, target development as appropriate</i>
<b>ECONOMIC DEVELOPMENT</b>		
Public-private cooperation	<i>Private sector advisory board</i>	<i>Develop advisory board</i>
Sustainable growth	<i>National tourism accounting system reform</i>	<i>Develop economic indicators for tourism development in different zones. Review incentives for development in poor and rural areas, triple bottom line results</i>

## 4. THE BUSINESS CASE: HOW CAN ECOLOGDGES BE FINANCIALLY VIABLE?

**THIS SECTION** offers insights into the characteristics of successful ecolodge business and finance models and the key factors that promote the profitability and viability of small ecotourism and ecolodge businesses..

The conclusions are based on a study of 15 internationally recognized ecotourism enterprises in Asia, Africa, the Caribbean, Central America, the Pacific, and South

America (see Table 3). These 15 enterprises, which manage a total of 73 individual ecolodges, were chosen because they are respected, profitable businesses that meet triple bottom line standards, and have been innovative in developing a marketable brand for their lodges in their regions.

### A NOTE ABOUT THE DATA

*In an effort to better understand the business model for ecolodges, the authors felt that it would be difficult and less useful to isolate an ecolodge enterprise from the larger ecotourism business model. An attempt was therefore made to understand the success factors for both a “stand-alone” ecolodge and a larger ecotourism business.*

*Based on their experience in this sector, the authors believe that the study group is sufficiently diverse in terms of business type, geography, size, target market and product offerings to provide a good basis for making conclusions regarding small business viability in the ecotourism sector.*

*Conclusions regarding profitability are supported by information provided in interviews from ecotourism business owners and from a limited amount of financial data collected. The owners provided invaluable information that can only be obtained through years of concrete experience (see Appendix D for the contact list). Further data collection is necessary in order to establish statistical relationships and relevant benchmarks for this sector, but it is the judgment of the authors that it would be premature to seek out more statistical data at present. Ecolodges meeting international ecolodge standards are presently just emerging into profitability after a four-to-five-year start-up period, and the lessons to be learned at present will not be found by pursuing more statistically sound data.*

*For some ecotourism businesses participating in the study, complete financial data were not available because of: 1) limitations in accounting and finance systems, or 2) unwillingness to share certain confidential financial information. Nevertheless, it is the opinion of the authors that additional financial data would not have changed the conclusions. Important business information was acquired from each company by means of extensive phone interviews.*

**TABLE 3: Ecotourism Business Study Group**

NAME OF COMPANY	ECOLOGDGES	LOCATION	OWNERSHIP	BUSINESS TYPE
Belize Lodge and Excursions	Indian Creek, Jungle Camp and Island Lodge	Belize	Private	Chain of ecolodges and tour operator
Borneo Tours	Sukau Rainforest Lodge	Malaysia	Private	Ecolodge and tour operator
Canopy Tower	Canopy Tower	Panama	Private	Ecolodge
Chalalan	Chalalan	Bolivia	Community	Ecolodge
Cooprena	9 ecolodges	Costa Rica	Community cooperative	Cooperative of ecolodges and tour operator
Nomadic Journeys	4 Yurt Camps (12 yurts each)	Mongolia	Private/Community	Chain of associated ecolodges and tour operator
Kosrae Village Ecolodge	Kosrae Village Ecolodge	Micronesia	Private	Ecolodge
Canodros	Kapawi	Ecuador	Private/Community	Ecolodge and tour operator
Lapa Rios	Lapa Rios	Costa Rica	Private	Ecolodge
Mamiraua	Mamiraua	Brazil	NGO	Ecolodge
Pico Bonito	Pico Bonito	Honduras	Private	Ecolodge
Rainforest Expeditions	Posada Amazonas Tambopata Research Center	Peru	Community/Private	Chain of ecolodges and tour operator
Tiamo Resorts	Tiamo	Bahamas	Private	Ecolodge
Turtle Island Resort, Fiji	Oarsman's Bay Lodge, Safe Landing	Fiji	Community	Ecolodge supporting community lodges
Wilderness Safaris	44 ecolodges	Botswana, Namibia, South Africa, Zimbabwe	Private	Chain of ecolodges

*Total Businesses= 15    Total Ecolodges = 73*

## WHAT IS THE BASIC ECOLOGDE BUSINESS AND FINANCE MODEL?

The ecolodge businesses studied are small in terms of revenue generation, and the number of rooms and clients. Fourteen of the 15 businesses surveyed generated more than \$100,000, but less than \$3 million, annually. The number of rooms averaged between 11 and 35, and the number of clients handled by the majority of businesses reporting was between 501 and 2,000. Average occupancy rates ranged from 30 to 67 percent annually, with peak season occupancy rates as high as 80 percent.

While the average daily rate for the ecolodge businesses studied ranges from \$40 to \$500 per night per room, most are mid-priced, with 11 falling between \$61 and \$200 per night per room.

### *Product Pricing (average daily rate)*

ECONOMICAL  
(up to \$60/day)



MID-RANGE  
(\$61– \$200/day)



LUXURY  
(greater than \$200/day)



Personnel expenses, on average, make up approximately 22 percent of total operating costs in the businesses surveyed. Most business managers said that personnel costs in the developing world are lower than in the developed world. On average, the ecolodge businesses have 1.89 staff per room. Nearly all ecolodge businesses indicated that they place a high priority on employing members of the local communities in the areas where they operate, and community employment averages 81 percent for the lodges. Although almost none of the ecolodges could identify the amount of funds invested in training, most mentioned that they had invested considerable time

and resources in training local staff. Training costs for those ecolodges working in more traditional communities are higher than for their competitors who are not involved with local communities.

Although marketing was identified as the area that requires the most management attention, marketing costs were just 6-10 percent of operating costs, because of the low cost of Internet marketing. Ten of the businesses successfully book FITs via the Internet as their primary source of business, with tour operators representing an important secondary source of reservations. Many said that advertising and trade shows were ineffective. The North American market represents the overwhelming share of the ecotourism market for the study group.

Triple bottom line strategies, which take into account environmental, social and economic sustainability, were variable, with some businesses integrating them into all aspects of their operations, and others using more traditional philanthropic approaches. Although all owners are committed to using innovative community and conservation approaches, none could quantify the impact of these strategies on the profitability of their enterprise. A discussion of the triple bottom line approaches used by the ecolodges studied can be found online in the full study at [www.ifc.org/ebfp](http://www.ifc.org/ebfp).

### *Ownership, debt, and financing*

Of the 15 businesses surveyed, private owners own 100 percent equity in four cases and communities hold 100 percent equity in four cases, with the remainder a mix of equity held between owners, the community and investors. Eight of the businesses are using some form of debt to finance their operations from a variety of sources, including standard market rate loans, no-interest loans from private sources, a debt swap concessionary loan, and market rate loans from three separate green funds. For those in the study group that

received loans for start-up, the average loan size was approximately \$220,000. Expansion and improvement loans were smaller, averaging approximately \$81,000. Interest rates varied widely from 0 to 12 percent, and maturities ranged from 5 to 15 years.

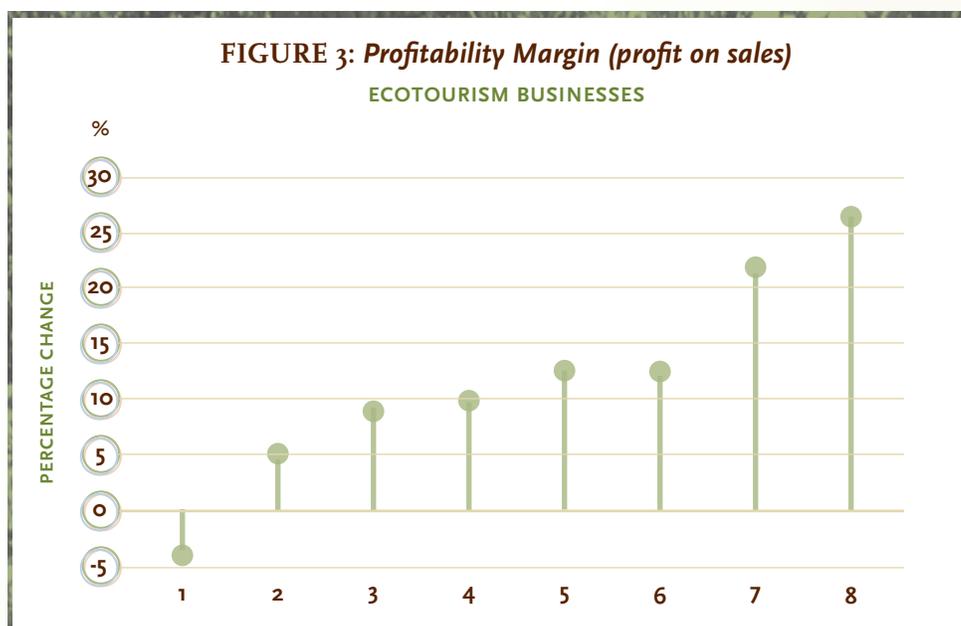
Most study participants were concerned about borrowing during the start-up phase, since it takes approximately three to five years to reach profitability, and servicing the debt would place substantial pressure on the cash flow. The managers of several ecotourism businesses that have reached profitability felt they were now bankable and had either sufficient collateral or personal resources to meet local banks' credit and lending criteria. Most mentioned that local dollar interest rates were too high (10–12%) and were unaffordable.

Those owners who expressed interest in future debt financing said their needs were for infrastructure improvements (walkways and towers), expansions to room capacity, and equipment such as boats, engines and generators. No ecolodge mentioned the need for short-term financing for working capital, because most clients pay in advance.

In terms of start-up costs, profitability and operating costs, the majority of the businesses started with less than \$500,000, while the minority started at or above \$1 million. The average cost per room was approximately \$58,000. Costs provided did not account for the amount of time and “sweat equity” invested by ecolodge owners. Community equity arrangements for construction also significantly lowered start-up costs.

### *Profitability*

In 2002, 10 of the 15 ecotourism businesses surveyed were profitable, although the degree of profitability varied among the group, and exact data are missing for 3 businesses. For the purposes of this study, the profitability margin was used to measure profitability. This indicator measures the degree of profitability as a percent of sales that goes to bottom line profits (profits/sales). The profitability margin for the 8 ecotourism businesses that provided financial information ranged from minus 3 percent to 26 percent (see Figure 3). For these 8 businesses, the average profitability margin was 12 percent. Taxes, depreciation and finance charges are the expenditures that produce the difference between operating and profit margins.



Comparing the degree of profitability among different size businesses poses several problems in terms of defining which business is more profitable and what factors have influenced this profitability. Profitability can be measured in terms of percentages or gross dollar amounts. Also, one particular year may not be a good indicator of a business' past performance, or a good predictor of future profitability. Using the profitability margin alone does present issues and potential distortions. For example, one ecotourism business could realize net profits of \$10,000 and another \$1 million, but the former could have a higher profitability margin.

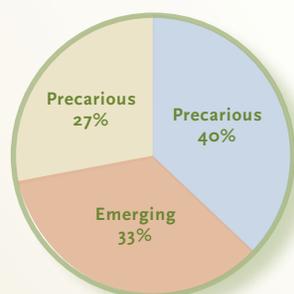
Figure 4 categorizes the ecotourism businesses studied in terms of how sustainable their profitability may be. The authors evaluated both objective and subjective elements of sustainability to classify the study group into the following broad categories:

- **DYNAMIC:** *Ecotourism businesses that have been profitable over the last two or more years and demonstrate a strong probability that profitability will continue into the future.*
- **EMERGING:** *Ecotourism businesses that have just reached profitability or are expected to reach profitability in the near future.*
- **PRECARIOUS:** *Ecotourism businesses that are struggling to reach profitability and may have issues relating to the viability of their business model.*

Several businesses in the precarious category would have been categorized as "emerging" before the events of September 11, 2001.

This snapshot of the financial sustainability of the ecolodges studied provides a good indication of the present status of the ecolodge industry and lodges that have survived after the first ten years in the marketplace.

**FIGURE 4: Ecotourism Business Sustainability**



## WHAT MAKES AN ECOLOGE PROFITABLE?

The diversity of marketing approaches, product offerings and financial structures among successful ecolodges clearly demonstrates that there is no one business model or recipe for success. There are numerous factors that influence ecolodge profitability, including the amount of time in business; externalities such as the attacks of September 11, 2001 and the subsequent "war on terror"; infectious diseases, such as SARS; natural disasters; the reputation of the destination; the cost and financing structure; management and marketing capabilities; and partnerships and synergies.

Nevertheless, there are several key factors that have a clear impact on whether or not a particular ecolodge will be profitable. (See Box 3 for a checklist of ecolodge business essentials.) Each factor identified in this box must exist to some extent to ensure profitability, and they are all dynamically interconnected and linked to one another. While ecolodges that lack these characteristics have a lower chance of becoming sustainable over the long run, it is also true that successful ecolodges may be stronger in some areas than others, and that some ecolodges might fulfill nearly all these criteria and still be unprofitable. Key factors for profitability include:

- **DESTINATION:** *The destination where the ecolodge is located must be attractive to the ecotourism market, in terms of the charisma of the natural or wildlife attraction; good government policies that foster local businesses, promote ecotourism and cover some of the costs for preserving the environment and providing local infrastructure; and the international media's interest in the area as expressed through magazine, television and newspaper coverage. New locations that are not part of these established destinations often have a long road to profitability, since they alone have little chance of developing a rapport with this highly demanding developed world market.*
- **VALUE:** *Successful ecolodges are those capable of distinguishing themselves from their competition in ways that make their product more attractive and make clients perceive that they are receiving more value for their ecotourism dollar. The key is to compete not just on price but also*

on value, in terms of design, facilities, location, wildlife resources and services compared to similar lodges or destinations worldwide.

• **INTERPRETATION AND OTHER ACTIVITIES:**

Being located in a recognized destination is not sufficient for success. Management must also be able to translate available attractions, such as unique species or cultural experiences, into distinctive experiences and activities with high-quality interpretation. Educating clients about environmental and social responsibility projects and their benefits is an important element in increasing client satisfaction and loyalty, as is creating an emotional relationship between the client and the ecolodge and its projects. Other factors that enhance visitor experience include high-quality food, knowledgeable and personable guides, and comfortable accommodations.

• **ACCESSIBILITY:** Although there are exceptions, the accessibility of an ecolodge generally impacts the cost of its product and determines the size of its client market. The additional time and money required to visit ecolodges with difficult access may be a disincentive to some travelers, particularly those from the United States, who tend to have shorter vacation time than Europeans. Ecolodge operators, who are on daily commercial flight schedules with easy connections to international flights, have a clear advantage over others with less reliable air service. An ecolodge's geographic location and accessibility relative to other attractions in the country or region also influence travelers' decisions.

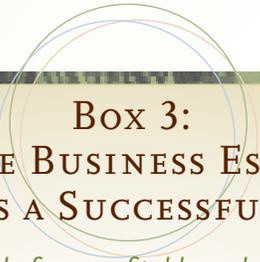
• **MANAGEMENT:** Successful ecolodge managers have a healthy balance of passion for the business, combined with the right mix of technical skills and vision. Good managers can manage marketing, finances, logistics, human resources and other systems in an integrated and efficient manner. For ecolodges, the ability to market the product and diversify the client base with a relatively small marketing budget is a key management requirement. Although ecotourism businesses, which have matured from an "entrepreneurial" start-up phase to a more professionally managed business, are better prepared to grow the business to sustainable levels, this professionalization should be balanced with the creativity, enthusiasm and innovation that characterized these businesses in the start-up phase.

• **ACCESS TO CAPITAL:** Most ecolodges surveyed used a creative combination of multiple sources of capital to finance their ecolodge start-ups, a strategy that requires a certain level of management sophistication and tenacity to put together. 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.

### *Other factors that might contribute to profitability*

In addition to the key factors listed above, a number of other characteristics found in some successful ecolodges may contribute to the overall financial viability of these lodges. These factors are summarized below:

- Business models that have the active involvement of an owner/entrepreneur at start-up have a greater chance of success.
- There is evidence that an ecolodge associated with a larger ecotourism business has a greater likelihood of being sustainable than a lodge that operates in isolation because of the advantages of synergies, economies of scale, knowledge transfer and linkages to larger markets.
- Design plays a role in profitability. Ecolodges that have aesthetic and practical accommodations and complement and enhance the natural experience and local environment are doing well.
- Ecolodges that are built faster tend to be more profitable, perhaps because efficiency in construction is an indicator of business viability.
- There seems to be no clear relationship between the size of an ecolodge, the room rate, the occupancy rate, and profitability.
- Lodges that take an integrated and focused approach to environmental and social sustainability are convinced that they benefit economically from a triple bottom line business approach; this linkage merits further study.



### Box 3: ECOLOGES BUSINESS ESSENTIALS: WHAT MAKES A SUCCESSFUL ECOLOGE?

*Although there is no single magic formula for a profitable ecolodge, the most successful share a number of key characteristics. Ideally, an ecolodge should:*

- be no more than one hour from a local airport that has reasonable connections to an international gateway.*
- be launched by individual entrepreneurs with an understanding of business, local construction, customs, natural history, interpretation and guiding, and community development, and who are willing to commit significant personal sweat equity during the start-up, while developing professional management over time.*
- be constructed in no more than one year and cost just under \$60,000 per room.*
- have sufficient capital to cover start-up shortfalls during the four-to-five-year break-even period.*
- have a business plan, with expansion of new lodge facilities thought through in terms of capital and land required.*
- be staffed by community members, with just under two staff per room.*
- offer long-term community member programs to develop well-trained staff with foreign language skills, and to promote the spin-off of a variety of well-managed, small microenterprises.*
- keep marketing costs as low as 10 percent of operating costs through effective utilization of word of mouth, public relations, strategic alliances and the Internet as a primary source of information to the market.*
- understand the source markets that drive ecotourism in the region, do not depend on advertising, and devote significant owner/partner/staff time to niche marketing.*
- have, as its primary attraction, wildlife that is nearby, viewable, and is explained by qualified, skilled guides who know natural history and are fluent in the languages of the visitors.*
- be part of a multilodge development model by one ecotourism business with the advantage of distributing marketing costs among more than one product, offering additional services and products to individual clients, and diversifying risk.*

## WHAT ARE THE POTENTIAL BARRIERS TO FINANCING FOR ECOLOGDGES?

Ecolodge owners have found that traditional banks in their countries rarely understand the tourism industry as a whole and do not understand the business models of ecolodges located in remote and less accessible areas of the country. Often, banks do not have operations in those areas and are unwilling to expand. Another problem is that banks tend to be unable to think beyond a traditional banking loan structure that relies on collateral rather than cash flow and business viability. Ecolodges lack good collateral, as their assets are seen as difficult to convert to cash and, therefore, have little value in the event of foreclosure. The short-term nature of traditional loans does not work well with the long lag time (an average of five years) between start-up and profitability for many lodges. Banks are also often unable to measure or understand ecolodge business approaches, and tend to take no account of the importance of triple bottom line business approaches. Banks also tend to give little credence to crucial business survival tools, such as niche marketing that does not include costly advertising approaches.

From a traditional banking and investment perspective, there are a number of risks associated with ecolodges that might deter investment in these enterprises. These risks include vulnerability to externalities outside the control of the business, such as terrorism, political upheaval, health concerns, government policies and economic downturns, and the complexity of nontraditional ownership structures that may include local communities. The fact that most ecolodges earn in U.S. dollars also presents risks, as the devaluation of the dollar relative to local currencies can increase local costs relative to fixed room prices. Finally, for equity investors, there are no real exit strategy options, since these businesses do not have access to capital markets.

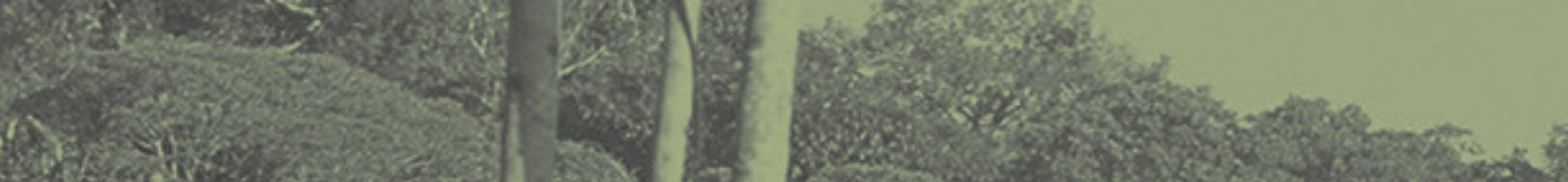
## WHAT ARE THE GREATEST HURDLES TO PROFITABILITY FOR ECOLOGDGES?

Although it could be argued that certain ecolodge businesses are unprofitable because they did not have feasible business models and are missing one or more of the factors discussed above, it is also important to examine how many failed because they lacked one critical element. Understanding these critical hurdles is very instructive for any future ecolodge development strategy.

One of the key hurdles to viability is the ability to continually finance operations during the start-up phase, in order to get through the long lag time from when the product is offered and when clients actually travel, as well as the time necessary to increase recognition and reputation in the marketplace. Because many ecolodge developers are trained on the job, they often need help in several key areas, including producing financial statements, developing financial projections and business plans, and obtaining international market data. Other key needs include dedicated resources for staff training, assistance with solar energy, composting toilets, and solid waste disposal, and other sustainability consulting services, which are rarely available locally.

## WHAT KIND OF TECHNICAL ASSISTANCE DO ECOLOGDGES NEED TO BE PROFITABLE?

Effective development of profitable ecolodges will require a comprehensive technical assistance and development strategy to meet the needs of businesses operating in remote, underdeveloped settings. Surveys of successful ecolodge companies and managers reveal that lodges most need technical assistance in market studies and business systems, as well as in



accounting, financial statements, business planning, assistance with finding investment capital, financial projections, and new technologies for energy, waste, sewage and water. While some of the basic needs, such as accounting, can be met locally, more sophisticated technical assistance needs, such as business plans for investment capital, market studies and niche marketing approaches, triple bottom line approaches, guide training, and advice on new technology systems, may need to come from outside the country. While local nongovernmental organizations (NGOs) can be useful in contributing to community training, community development planning, and environmental impact assessment and monitoring, private sector ecolodge survey participants reported limited NGO capacity to assist with business needs, with most agreeing that NGOs are not well-equipped to assist with ecolodge development.

Technical assistance efforts for ecolodges should rely on individuals with existing private sector expertise in developing financial statements, business plans and financing packages. These individuals should understand and be skilled at creating strategic alliances and developing niche market strategies; have an understanding of the unique logistical, technical, management and community relations needs of ecolodges; understand the fundamental importance of training and hiring community members and maintaining a highly qualified guide corps; and have a proven ability to develop effective and high-quality wildlife viewing and conservation programs.

A business mentorship program that relies on successful businesses and skilled consultants to help foster the development of new lodges and the expansion of existing businesses is one way to provide this assistance. Other approaches might include the development of innovative mechanisms to encourage long-term business relationships between private tour operators and ecolodges, technical and financial assistance to successful ecotourism businesses to help

them expand and replicate their business models, and incentives and technical assistance to successful local lodge owners and tour operators to expand their product offerings to include a sustainable ecolodge.

A global ecolodge development strategy would involve further study to identify the best locations for ecolodge development, based on attractive and accessible wildlife resources, relatively underdeveloped natural areas, sound political policies and frameworks, protected local land rights, a culture that values nature and wildlife, and easy access from key ecotourism markets. In addition, entrepreneurs could be identified through ecolodge investment workshops or mentorship programs. Box 4 provides a checklist of ecolodge assistance approaches for donors. Ecolodge development has been successful as a conservation and sustainable development tool, largely thanks to the efforts of private entrepreneurs — individuals in developing countries who have a genius for private business in difficult environments. Finding the next generation of such individuals and providing them with technical support will be crucial to the future success of the ecolodge sector.

## Box 4: ECOLOGGE ASSISTANCE APPROACHES

*Donors seeking to support ecolodges as a form of sustainable development will have a greater likelihood of positive outcomes using the following approaches:*

- *Targeting locations that can be reached efficiently and cost-effectively from domestic airports via daily connections from international gateways, or evaluating the feasibility of providing such service;*
- *Targeting countries that have attracted media attention and have viewable, charismatic wildlife, or evaluating the prospects of attracting such media attention with communications professionals;*
- *Targeting countries that are not yet saturated, but are close to already existing hubs for ecotourism — such as Nicaragua and Panama for Costa Rica; Bolivia for Peru and Ecuador; India and Sri Lanka for Nepal; Malaysia and Vietnam for Thailand; and Namibia and Zambia for South Africa;*
- *Undertaking professional inbound market demand surveys with statistically valid sample sizes in target gateways for FITs and group tour travelers, and researching key market supply channels in origin markets;*
- *Providing business mentorship assistance using experienced ecolodge professionals for targeted regions;*
- *Recognizing the additional challenges of running triple bottom line ecolodge enterprises, supporting established “senior” ecotourism businesses with incentives, loans and grants to expand their businesses, partner with local lodges, and develop a variety of junior enterprises, both with local entrepreneurs and communities;*
- *Undertaking business investment seminars in cooperation with tourism boards or ministries to identify promising local entrepreneurs and leverage local investment;*
- *Qualifying and training banking organizations to provide loans; and*
- *Reviewing the capacity of local NGOs and the local academic community to assist with community training and environmental monitoring*

## 5. WHAT ARE THE POTENTIAL POSITIVE AND NEGATIVE IMPACTS?

**DEPENDING** on how they are designed, constructed and operated, ecolodges can have wide-ranging positive and negative impacts on the surrounding biodiversity and local communities. While a well-designed, well-run lodge can have tremendous benefit for local areas, a poorly planned and run lodge can have serious negative costs for both the environment and local people.

### POTENTIAL POSITIVE IMPACTS

There are two basic ways in which ecolodges can contribute to conservation and community development: one passive and one active. The mere presence of accommodations in or near natural settings can provide a crucial component for the growth of nature-based tourism and increase incentives and resources for conserving biodiversity and promoting responsible development in an area. At the same time, ecolodges can also make proactive direct financial or other types of contributions, such as providing nature guides, using low-impact construction and renewable energy, creating private reserves or developing community infrastructure.

### *Environmental Benefits*

Through the use of responsible materials and practices in their day-to-day operations, ecolodges can minimize their impact on the surrounding environment. Some of these measures may also be of financial benefit to the enterprise. For example, the use of eco-efficiency business approaches and materials, including natural construction materials, environmentally friendly insecticides, composting toilets, renewable resources such as solar energy, and efficient and low-polluting

boat engines, can benefit a company's bottom line by lowering construction and operating costs. Ecolodges are also a good way to promote the use of green architectural design and low-impact construction.

What distinguishes ecolodges from other accommodations that may also follow good environmental practices, however, is that many of them have gone a step further and made proactive conservation investments in land and research projects, or developed creative partnerships with local communities to fund the conservation of endangered species. In some cases, ecolodges have leased or purchased surrounding or nearby land to establish private nature reserves or wildlife management areas, in order to generate income and preserve habitats. These reserves may be operated by commercial or nonprofit organizations. Such reserves supplement public protected areas, help to broaden the range of habitats, and serve as wildlife corridors.

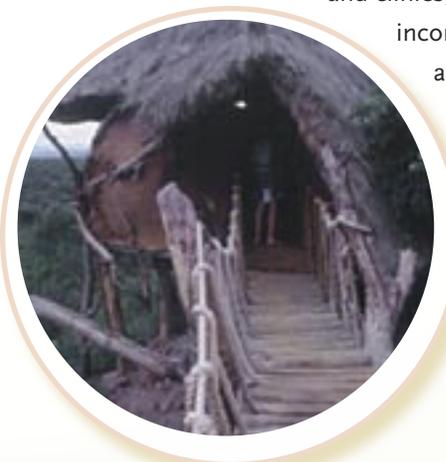
Ecolodges and other nature-based tourism can also generate financing for public parks and conservation efforts through mechanisms such as taxes that support conservation at a national scale, or entry fees that help support management of a particular park or attraction. In some cases, expanded tourism development in an area, which can result from the construction of an ecolodge, has led to the enactment of laws and policies designed to funnel support directly into natural resources and local communities around that area. The revenues generated by ecotourism can further benefit biodiversity conservation by raising awareness among local communities and government officials, changing public attitudes toward conservation, and providing a strong economic justification to preserve natural areas, rather than convert them to alternative uses such as crop or pasture land.

Ec lodges and ecotourism can also benefit biodiversity indirectly, by giving local people economic alternatives to encroachment in conservation areas. Financing for community projects, employment, and income-generating opportunities for local people can help foster sustainable sources of livelihood for people who live in geographically remote and agriculturally marginal lands.

### *Community benefits*

Local communities can earn revenue from an ecolodge business, for example, as full or partial owners of the lodge. In such cases, the community may choose to manage and operate the lodge itself or to enter into a management agreement where a private sector partner manages and operates the lodge. The community may also earn revenue by charging fees to an ecotourism operator for the use of its land or for access to certain people or sites, or by entering into a build, operate and transfer (BOT) agreement, whereby a private sector ecotourism operator pays to build and operate a lodge on community land. In a BOT agreement, which often includes employment and training benefits, the community will assume ownership of the property at some established date in the future.

Other benefits include employment of community members, increased leadership skills as a result of decision-making responsibilities, reinvestment of ecolodge profits into social projects such as schools and clinics, development of ancillary income-generating activities, such as selling consumable goods and artisan crafts to the lodge, and increased access to grants, donations and other types of financial assistance.



### **POTENTIAL NEGATIVE IMPACTS**

The construction of ecolodges in remote areas also presents a number of challenges to conservation and community development. If lodges do not follow the principles and sound practices of ecotourism, they can have negative impacts on biodiversity in the surrounding areas, for example, by taming and keeping wild animals in captivity, dumping untreated sewage, neglecting to recycle or properly dispose of waste materials, wasting energy and water resources, and generating air and noise pollution.

Community benefits may be minimal if lodges do not promote stakeholder participation, including the employment and training of local people, local ownership, purchase of food, crafts and other supplies from local vendors, or the opportunity for local people to use or learn about their facilities and natural resources. In some cases, the failure to include local people may lead to conflict or confrontation within communities. Poor employment and management practices can also damage relations between the business and communities.

The relationship between visitors and local people can become strained if there are no resources available to educate visitors about local customs and norms, or if guides are uninformed about the local area and/or are not properly trained in how to manage cultural exchanges with guests.

The logical framework (logframe) methodology presented in Appendix A of this document provides a model for how to identify, monitor and evaluate the particular positive and negative impacts of a specific ecolodge. The Appendix contains a shortened version of the logframe; for the full version, see the study, *Ec lodge Footprint and Justification for Biodiversity Conservation*, at [www.ifc.org/ebfp](http://www.ifc.org/ebfp).



## 6. CONCLUSION: THE FUTURE OF THE ECOLOGE MARKET

**ECOLOGES** are important to the sustainable development community, although the financial performance and social and environmental impact of ecolodges is as varied as the ecolodges themselves. By detailing the results of research on triple bottom line ecolodges, including an analysis of a select number of ecolodges' performance, obstacles and impacts, this publication aims to provide a tool for continuing dialogue between investors, donors, policy makers, and ecolodge operators on how to further financial, environmental, and social benefits, as well as assist investors in their sustainable development mission.

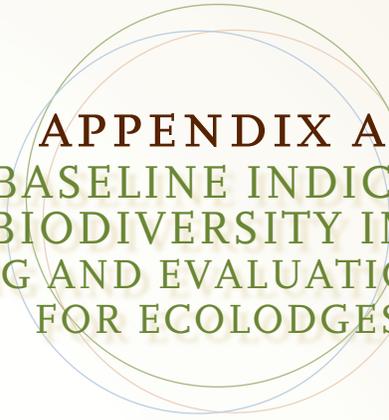
While the demand for ecolodges is expected to increase by an average of ten percent per annum over the next several decades, the sector faces a number of challenges, and is in need of a strategic approach to support the growth potential. The high number of nature-based ecolodges in or near protected areas of high biodiversity value demonstrate the need for lodges to maintain sound environmental standards and practices. The research findings also indicate that there is inadequate government capacity to protect fragile environments from tourism overdevelopment on the environment which, in turn, can undermine the value of the natural assets upon which ecolodges depend. Some governments have developed and implemented voluntary certification programs for ecolodges and other accommodations. While these certification programs have provided important incentives for the private sector to green their businesses, the consumer demand for green certification and the business value of certification programs has not been demonstrated.

Although most of the profitable ecolodges surveyed shared a number of key characteristics related to location and setting, size, funding structure, operation and management, the sector remains very volatile, and

is perceived as a high-risk market by financiers.

The findings indicate that financiers typically do not have the experience in appraising ecotourism-sector-related risks, and that access to finance for this sector is limited, typically as a result of collateral requirements and lack of viable exit strategies. The ecolodge sector will require a comprehensive financing strategy, which should encompass debt financing, grant funding for technical assistance to address the needs of businesses, as well as both sector-specific supply chain and generic business management skills training and equity financing.

In conclusion, there is a need for a strategic approach to support the sustainable growth of the ecolodge industry which can only fulfill its potential if strategic investments are made in cooperation with donors, financiers, advisors, ecolodge operators and a range of other stakeholders.



# APPENDIX A: KEY BASELINE INDICATORS FOR BIODIVERSITY IMPACT: A MONITORING AND EVALUATION FRAMEWORK FOR ECOLOGES

The attached logical framework (logframe) provides a monitoring and evaluation (M&E) methodology for examining the impact of ecolodge development. The logframe presented here is a shortened version of the original; for the full version, see the study, *Ecolodge Footprint and Justification for Biodiversity Conservation*, at [www.ifc.org/ebfp](http://www.ifc.org/ebfp).

The logframe is divided into three broad categories that are typically referred to, collectively, as the triple bottom line: ecological sustainability, socio-cultural and economic sustainability.

These results are presented for three phases of ecolodge development and operations: (1) the pre-development phase, which includes an overall assessment of the project proposal and the obtaining of appropriate permission and development support from local communities and regulatory agencies; (2) the construction phase, which includes the actual development of the lodge and surrounding area; and (3) the operations phase, which includes the ongoing, daily operations of the business and programs of running an ecolodge, from tracking energy efficiency, to local community benefits and interpretation.

Because ecolodges are so varied in their local and regional geographic, socio-cultural and economic needs and realities, it is inappropriate to develop a single set of M&E indicators for all nature-based lodges. For example, while substantially reducing water consumption is vital for hotels and lodges located along Egypt's Red Sea coast or in or near East Africa's national parks and reserves, it is far less important in parts of Costa Rica's central valley or Ecuador's highlands, where water from rivers is plentiful. Thus, this logframe provides only guidelines for how to develop indicators, as well as some sample indicators that may be used to evaluate ecolodges.

## 1. PRE-DEVELOPMENT PHASE

### A. *Ecological Sustainability*

- Evaluate infrastructure to determine whether lodge location is ecologically appropriate
- Analyze characteristics: physiographic, soils, geology, hydrology, vegetation, wildlife
- Establish an Environmental Impact Assessment
- Analyze climate factors, including sunlight, temperature, precipitation/humidity, winds

### B. *Socio-cultural Sustainability*

- Analyze social and cultural factors that are influenced by construction, including:
  - *Acceptance by community*
  - *Sacred significance of site to local community*
  - *Opportunities for local labor*
- Compliance with relevant government regulations and industry standards, including:
  - *Legal permission to utilize area*
  - *Appropriate compensation for landowners*

### C. *Economic Sustainability*

- Develop comprehensive business plan
- Describe mission, vision, products and services to be offered
- Analyze market
- Present timetables for key milestones and project completion
- Present detailed financial projections based on explicit assumptions
- Discuss primary risks facing the project

## 2. CONSTRUCTION PHASE

### A. *Ecological Sustainability*

- Assess impacts of construction methods on landscape and wildlife

- Determine source and origin of construction materials
- Assess staff and contractor awareness
- Assess impacts of lodge on visual landscape
- Assess impact of use of lighting devices on site
- Assess extraction and collection of water and water conservation methods
- Assess impacts of unnatural noise at site
- Assess rate and type of use of fuels and chemicals
- Measure emissions from equipment
- Assess purchasing, production, use, recycling and disposal practices of materials and supplies
- Assess drainage techniques
- Assess impact of storm water on site
- Assess discharge of wastewater and effluent system
- Assess use of energy-saving renewable energy equipment and techniques
- Assess use of transport for various tasks
- Assess interaction between staff/clients and wildlife
- Avoid areas of dense vegetation or primary forest
- Use endemic species whenever possible
- Undertake wildlife viewing in manner that avoids ongoing repeated, regular and sustained disturbance

### *B. Socio-Cultural Sustainability*

- Assess number of local versus non-local labor
- Assess levels of satisfaction of labor regarding worker rights
- Assess wage levels
- Assess evidence of worker rights being included in labor contract
- Assess satisfaction of labor in regards to worker rights

### *C. Economic Sustainability*

- Assess contracts awarded during construction for pay and benefits
- Assess percentage of local suppliers, services and materials used in construction to minimize imported products
- Assess wage levels of local versus non-local labor
- Monitor construction costs and timetable against budget and projections
- Identify staff needs, develop and implement local training programs
- Create management team
- Create marketing strategy
- Create system for continually monitoring market and political climate
- Create systems for monitoring visitor satisfaction with lodge

## 3. OPERATIONAL PHASE

### *A. Ecological Sustainability*

- Assess impacts of lodge on visual landscape
- Assess impact of use of lighting devices on site
- Assess extraction and collection of water
- Assess implementation of water conservation measures
- Assess impacts of unnatural noise at the site
- Assess rate and type of use of fuels and chemicals
- Measure emissions from equipment
- Assess purchasing, production, use, recycling and disposal practices of materials and supplies
- Assess drainage techniques
- Assess impact of storm water on site
- Assess discharge of wastewater and effluent system
- Assess use of energy-saving renewable energy equipment and techniques

- Assess use of transport for various tasks
- Assess changes in biodiversity
- Assess interaction between staff/clients and flora/fauna
- Identify ways in which lodge supports conservation within and/or beyond site
- Assess use of natural areas around lodge
- Assess skills and knowledge of staff about conservation and the environment
- Assess skills and performance of local guides
- Assess satisfaction of visitors regarding interpretation program
- Assess accuracy of interpretation materials

#### B. *Socio-Cultural Sustainability*

- Review and assess lodge's register of current legislation and compliance records
- Assess whether community is benefiting from direct or indirect employment by the lodge
- Assess whether community is benefiting socially, directly or indirectly, from the lodge
- Assess community perceptions and concerns about impacts lodge has had on their culture
- Assess efforts of lodge's operator and staff to minimize impact on culture

#### C. *Economic Sustainability*

- Assess financial performance of lodge: revenue, expenses, profit level, return on investment, occupancy levels
- Assess visitor perceptions of quality of their experiences at the lodge
- Assess marketing plan, system, and materials, including:
  - *Promotional materials produced in ecologically responsible manner*
  - *Material reflecting natural values of region visited, interpretative and educational services, principles of ecotourism, steps to prevent damage to environment or community visited*

- *Pre-trip/tour/activity material for distribution, reflecting:*
  - natural values of the area
  - the activity
  - interpretative/educative provided
  - care codes/codes of conduct.

## APPENDIX B:

# TABLE A-1 BELOW DETAILS THE 106 NATURE-BASED LODGES SURVEYED IN TIES STUDY.<sup>1</sup>

### LODGE LISTING BY PART I AND PART II COUNTRY/LODGE NAME

#### Bahamas

Tiamo Resorts 1

#### Belize

duPloys Jungle Lodge  
El Pescador  
Rum Point Inn  
Saga Eco Camp  
The Lodge at Big Falls  
The Lodge at Chaa Creek 6

#### Bolivia

Planeta de Luz 1

#### Brazil

Amazonat Jungle Lodge  
Cristalino Jungle Lodge  
Fazenda Rio Negro  
Juma Lodge  
Perdras Negras Lodge  
Pousada Ecologica Rancho Grande  
Terra Verde Lodge 7

#### China

Wenhai Ecolodge 1

#### Costa Rica

Arenal Observatory Lodge  
Cerro Escondido Lodge  
Delfin Amor Ecolodge  
Ecolodge San Luis  
Finca Rosa Blanca Country Inn  
Hacienda Baru  
Hotel Valle Escondido  
La Laguna del Lagarto Ecolodge  
La Mariposa Hotel  
Luna Lodge  
Magsasay Lodge, Hacienda Pozo Azul  
Nacientes Palmichal  
Pacuare Lodge

Rancho Mastatal  
Selva Verde Lodge and Rainforest Reserve 15

#### Dominica

3 Rivers Ecolodge  
Papillote Wilderness Retreat & Nature Sanctuary 2

#### Ecuador

Black Sheep Inn  
Cabaña Santa Rosa, Cabaña Corazon (Fundacion Golondrinas)  
Hacienda Don Juan, Tito Santos Dry Forest Biological Reserve  
Hacienda Primavera  
Kapawi Lodge  
Luna Runtun, The Adventure Spa and Hotel  
San Jorge Ecolodge  
Tapir Lodge 8

#### Egypt

Basata 1

#### Fiji Islands

Jean-Michel Cousteau Fiji Islands Resort  
Maravu Plantation and Beach Resort  
Matava, The Astrolabe Hideaway 3

#### Guatemala

Hacienda Tijax Jungle Lodge 1

#### Guyana

Baganara Island Resort 1

#### Honduras

The Lodge at Pico Bonito 1

<sup>1</sup> This appendix summarizes the 106 lodges that completed a written survey made by TIES. As part of this survey, TIES contacted 423 ecolodges, nature-based lodges, and sm Finca Esperanza Verde in Nicaragua, Lapa Rios in Costa Rica, Karnataka Ecolodge in Western Ghats, India, and Chalalan Ecolodge in Bolivia.

*India*

- Apani Dhani
- Green Magic Nature Resort
- The Pimenta, Haritha Farms
- Mayuram Farm at Thenkasi

4

*Indonesia*

- Bajo Komodo Ecolodge
- Menjangan Jungle and Beach Resort
- Sua Bali
- Wakatobi Dive Resort

4

*Jamaica*

- Zion Country Beach Cabins
- Hotel Mocking Bird Hill

2

*Kenya*

- Campi ya Kanzi
- Cottar's 1920's Mara Safari Camp
- Diamond Beach Village
- Galdessa Camps
- Il Ngwesi Lodge
- Loisaba
- Malewa River Lodge
- Mombasa Serena Beach Hotel
- Ol Donyo Wuas, Chyulu Hills
- Richard Bonh
- Rekeru
- Saruni

11

*Laos*

- The Boat Landing Guesthouse

1

*Madagascar*

- Bush House

1

*Malaysia*

- Sepilok Lodge
- Sukau Rainforest Lodge

2

*Mexico*

- Hotel Eco Paraiso Xixim
- Villa Calmecac Ecotouristic Hostel

2

*Micronesia*

- Kosrae Village

1

*Morocco*

- Kasbah du Toubkal

1

*Mozambique*

- Mchenga Nkwichi Lodge

1

*Nepal*

- Chitwan Jungle Lodge
- Tiger Mountain Pokhara Lodge

2

*Netherlands Antilles*

- Ecolodge Rendez-Vous
- El Momo Cottages

2

*Panama*

- Club De Golf Turistico, Hotel Campestre
- Hostal Casa De Campo
- Sierra Llorona Panama Lodge

3

*Peru*

- Explorer's Inn/Peruvian Safaris
- Heliconia Amazon River Lodge
- La Posada Lodge/Jungle Expeditions
- Posada Amazonas/Tambopata
- Reserva Amazonica

5

*Philippines*

- El Nido Resorts

1

*Saint Vincent*

- Petit Byahaut

1

# APPENDIX C: CASE STUDIES

<i>South Africa</i>	Djuma Game Reserve (Vuyatela, Bush Lodge) Oudrif Farm Tshukudu Game Lodge Wilderness Safaris	4
<i>Sri Lanka</i>	Ranveli Holiday Village	1
<i>Tanzania</i>	Chumbe Island Coral Park	1
<i>Thailand</i>	Khao Yai Garden Lodge Lisu Lodge	2
<i>Trinidad &amp; Tobago</i>	Cuffie River Nature Retreat Man O War Bay Cottages	2
<i>United Arab Emirates</i>	Al Maha Desert Resort	1
<i>Venezuela</i>	Campamento Rio de Agua Hacienda Aguasana	2
<i>Zimbabwe</i>	Chizarira Lodge	1
<b>TOTAL</b>		<b>106</b>

## THE FOLLOWING CASE STUDIES

*examine in more detail four of the ecotourism businesses studied for this report.* These case studies are meant to illustrate both the business case and the environmental and social impact issues discussed in this report. The first two case studies on Rainforest Expeditions of Peru and Turtle Island Resort of Fiji focus on market information, business practices and success factors that have made these two businesses financially viable. The second two case studies on Finca Rosa Blanca of Costa Rica and Campi ya Kanzi of Kenya focus on the environmental and social practices that have proven effective and sustainable for these two businesses. The difference in the two types of case studies is only for illustrative purposes, highlighting particular aspects of each lodge. This does not mean that the first two businesses are not environmentally and socially sustainable, or that the second two are not financially viable.

## 1. RAINFOREST EXPEDITIONS, PERU

Founded in 1992 by Peruvian entrepreneurs Eduardo Nycander and Kurt Holle, Rainforest Expeditions (RFE) seeks to provide authentic educational experiences that support the conservation of the areas in which it operates. The company manages two lodges along the Tambopata River in the Peruvian Amazon: Posada Amazonas and The Tambopata Research Center (TRC). The Tambopata watershed is one of the most biodiverse regions on the planet, and there is no hunting near either lodge, which makes wildlife viewing unusually good for a rainforest destination. The area's viewable wildlife diversity is satisfying both to newcomers and to the most experienced naturalists and birders in the world. The clay licks that attract dozens of macaws and hundreds of parrots almost daily are major attractions at both lodges. It is also possible to

see harpy eagles and nests, giant river otters, capybara and an abundant array of other rainforest mammals and birds in a pristine habitat.

The 30-room Posada Amazonas lodge, which opened in 1998, is located just 1.5 hours upriver from the closest commercial airport in Puerto Maldonado. The lodge was built in partnership with the Infierno Native Community on community land in the buffer zone of the uninhabited Tambopata National Reserve (TNR), part of a 3.7-million-acre conservation corridor in southeastern Peru. The 13-room TRC, which has been under RFE management since 1989, is a five-hour journey upriver from Puerto Maldonado, within the TNR. The TRC doubles as a research station for scientists and volunteers studying an adjacent macaw clay lick.

### AT A GLANCE: *Posada Amazonas*

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**RATES:** \$95 per night for a two-night minimum, including all transfers from Puerto Maldonado, a full itinerary of guided activities and food.

**STAFFING:** 21 staff in high season, 17 in low season, not including guides. All except the manager are from the community.

**ACCOMMODATION INFRASTRUCTURE:** Combines native architecture and materials such as palm fronds, wild cane and clay with modern, low-impact, ecotechnologies. Unique open-air rooms adjacent to pristine rainforest have no screens, yet few insects. The lodge has no electricity and uses kerosene lamps for lighting. Mosquito netting is provided for beds. All rooms have private baths with unheated showers, which are of moderate temperature because of the warm climate.

**OCCUPANCY:** Average occupancy in 2001 and 2002 was 49 percent. This is based on 73 percent occupancy in the high season, 50 percent in the shoulder seasons, and 25 percent in the low season.

**INCLUDED ACTIVITIES:** Canopy tower overlook for early morning views, bird watching, half-day oxbow lake trip with giant river otter viewing, parrot clay licks viewing from blinds, guided walks with small monkey viewing. Cultural interactions with the local community include ethnobotanical walks and visits to small farms.

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## AT A GLANCE: *Tambopata Research Center*

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**RATES:** \$145 per night for two nights at Posada Amazonas (a necessary stopover point) and four nights at TRC, including all transfers from Puerto Maldonado, a full itinerary of guided activities, a park entry fee and food. Packages for one night at TRC are 18 percent more, and two to three nights are 9 percent above the base price.

**ACCOMMODATION INFRASTRUCTURE:** Designed using traditional, low-impact native architecture with an unobstructed view of rainforest ten meters from the lodge perimeter. Similar design to Posada Amazonas, but with slightly smaller rooms and no private baths.

**INCLUDED ACTIVITIES:** Visits to the largest-known macaw clay lick with research scientists and guides, visits to macaw nesting sites with guides, and guided walks on extensive trails in seven distinct habitats found in easy walking distance. Bird diversity is extremely high and excellent for casual or serious bird watching.

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## MARKET INFORMATION

**Target market:** RFE's clientele is 50 percent free and independent, 30 percent from international tour operators, and 20 percent from local operators.

**Current visitor composition:** Guests come from all over the world, with the largest number, 40 percent, from the United States. Other major markets include Europe (30 percent), Canada (10 percent), Australia (5 percent) and Peru (5 percent).

**Selling propositions:** One hundred percent of clients who come to Posada Amazonas and TRC are interested in wildlife and general scenery. Of these, 10 percent are also interested in indigenous culture and 5 percent in birding.

**Market potential:** RFE has achieved an annual average growth rate of 10 percent, even in 2001/2002, when global travel markets suffered after the September 11, 2001, attacks on the United States. Prospects for future growth are as high as 20 percent per year. Although the company has focused on the American market in the past, in 2004 they are targeting the

European market and adding more guides with German language ability. The large majority (more than 65 percent) of clientele are middle class, with incomes ranging from \$50,000 to \$100,000 per year. The company is also pursuing expansion strategies.

## POLICIES AND ENABLING ENVIRONMENT

According to RFE, Peruvian policies and legal systems for protected areas are the most advanced in Latin America, and there has been increased attention to appropriate licensing and concessions for tourism operations within Peruvian reserves. The RFE owners predict that the protected area system of Peru will have tourism plans and concession systems completed within the next decade, and some tourism concessions are already available. RFE considers this to be an excellent business opportunity for the company, which is highly experienced working within protected areas. Outside of the protected area system, there is no zoning or land planning, leaving ecolodge

developers vulnerable to development such as ranching, logging or mining operations that can destroy or seriously damage natural assets upon which ecolodges depend. Ecolodge investors and business owners depend on the protection of natural assets as part of their business plans. The lack of land planning in Peru is a serious impediment to ecolodge development outside of the natural reserves in Peru.

## BUSINESS MODEL

RFE is a specialty tour operator based in Lima, Peru, that handles both custom and standardized departures to Peru's leading ecotourism attractions. The company is 100-percent-owned by Holle and Nycander, who are also the managers. They have an informal horizontal management structure in Lima, and there is a high degree of collaboration with staff. The company heavily stresses the development of talented quality guides and devotes one month of training time per year to upgrade existing guide skills and train new guides. There is a transparent system of promoting guides from the ranks based on merit, and extra training is given to guides who receive the best ratings from guests.

Posada Amazonas was built in partnership with the local community of Infierno, which owns 100 percent of the land and infrastructure. Financing for the lodge infrastructure came primarily from a Peru-Canada Fund loan, complemented by sweat equity from RFE and the community. The MacArthur Foundation also provided a grant to finance community training. In 1998, a revenue-sharing agreement was negotiated, with full community participation, that gives the community of Infierno 60 percent of net revenues from the lodge until 2018. At that time, the community can renegotiate a new management agreement with RFE, undertake all lodge operations themselves, or contract with another management company. In 2003, RFE received more than 5,000 visitors, and community profits have been invested in projects such as schools, in health services and community training projects.

## Triple Bottom Line Methodologies

RFE incorporates a number of environmental and social programs in its operations, including:

- Support for the research station at TRC, with five researchers, at a cost of approximately \$10,000 per year.
- A profit sharing and management agreement with the local community of Infierno for Posada Amazonas. A fundamental concept of the project is shared participation in the decision-making process. Work procedures, infrastructure, project policies, marketing strategies, and itinerary development are all designed and approved by both Rainforest Expeditions and the community, as represented by its ten-member Ecotourism Committee. Outcomes of this approach, as documented by outside researchers, are as follows:
  - *Community members are increasingly aware of their status as partners; everyday discourse reveals a sense of ownership.*
  - *The Ecotourism Committee is taking an increasingly active approach to decision-making, and deals with hiring, solving staff problems and implementing certain itinerary improvements.*
  - *Catalyzed by the tangible success of Posada Amazonas, the community is forming committees to lead education, handicraft, cultural rescue, agriculture and urbanization programs in the community. Handicrafts, cultural rescue and education projects have already produced economic and social benefits.*
  - *Community members have been trained to occupy all lodge positions, community products of market quality and price are purchased by the lodge, and cultural resources have gradually been incorporated into the tour programs.*
- A full-time community outreach manager employed by the lodge to assist with community development initiatives.
- Help in obtaining grants and outside support and technical guidance on the development of crafts by the community as a micro enterprise,

- and purchasing these crafts for lodge gift shops.
- Fostering of a variety of microenterprise ventures by the community.
- Hiring and training of community guides.
- Support of an ethnobotanical center with fees from daily guest visits.

## SUCCESS FACTORS

Even before RFE was established, Tambopata was an excellent rainforest destination with a high reputation among naturalists. For a pristine rainforest destination, the ease of access is unparalleled. Travelers coming to see Machu Picchu near Cuzco are just one hour away by a reliable, inexpensive commercial flight to Puerto Maldonado. RFE offers high-quality guiding and interpretation, making it easy for guests to enjoy the complex rainforest ecosystem. From an operational standpoint, RFE offers highly efficient, well-run systems to move their clients through their guided programs, and they use customer feedback extensively to improve operations. The company has used public relations very effectively to win a market, and has a very refined understanding of who its market is and how to market their experiences.

The owners of RFE have overcome considerable obstacles to success in the development of Posada Amazonas, using an innovative finance structure that was not dependent on the owners' own assets, and a full partnership with an indigenous local community that had title to prime land with access to Puerto Maldonado and undisturbed rain forest. The company's location and quality service has led to almost instant success, and therefore the barriers to success relate to expansion to meet the growing demand for RFE's product. Despite the success of their business model, the owners comment that investment capital presents the greatest barrier to growth. Attracting investment capital to finance expansion to other parts of Peru is especially difficult, because ecolodges, which by definition are small-scale operations, have higher operating costs, and the return on investment for such facilities tends to be less attractive to investors.

## Replicability of model

- *Local owners/manager entrepreneurs:* The owners'/managers' dedication and entrepreneurial business approach are a key determinant of success for RFE. These skills, complemented by a commitment to sustainable community development and the cultivation of native leadership, distinguish these entrepreneurs.
- *Staff management:* Staff contribute to all aspects of decision-making, and are involved in ensuring that the company achieves positive outcomes to challenges. The use of transparent merit promotions for guides has built a corporate ladder that leads to management positions. The company management approach resembles good company management worldwide, and is highly replicable.
- *Location:* The Tambopata region is highly accessible to travelers, and the selection of this location is one of the most prominent success factors for the business. However, other businesses have failed to succeed in this destination due to poor management or less effective guiding. Selecting accessible destinations with highly viewable wildlife within protected areas is a replicable strategy, but will depend on a good enabling environment.
- *Quality guiding:* The company cash investment in guide training has not been large, due to many individuals providing in-kind training time, which may be difficult to replicate. The amount of corporate time invested in planning and managing the training is significant. The result is bankable, as quality guiding appears to be a highly competitive asset for an ecolodge that will distinguish it for consumers in the marketplace. This strategy is replicable, but may cost more for other companies.
- *Community partnership:* The 60 percent share of profits given to the community in return for land equity and labor in building the lodge has paid significant dividends to RFE by ensuring that they have one of the most well-protected and accessible sites on the Tambopata River, a sought-after destination. The amount of up-front sweat equity invested by the owners into establishing a quality relationship with the

community is incalculable and has led them to comment that, as the business matures, such a strategy would be difficult for them to undertake again due to the time commitment involved. This strategy is replicable, but with many provisos.

- *Financing Structure:* The RFE entrepreneurs found creative and innovative ways to combine loans, sweat

equity, community assets and limited personal capital to finance the construction of Posada Amazonas. This financing structure, combined with their business skills and community development approach, makes the partnership a very important model to study. Expansions and improvements have been financed, for the most part, from business cash flow.

## 2. TURTLE ISLAND RESORT, FIJI

Turtle Island Resort, Fiji, was founded in 1980 by American business entrepreneur Richard Evanson. Evanson purchased the uninhabited island of Nanuya Levu and relocated there in 1972, renaming it Turtle Island Resort. In the late 1970s, Evanson began to convert his island retreat into a five-star resort. Today, Turtle Island Resort offers luxury accommodation to up to 14 couples; all activities, meals and beverages are included.

Turtle Island Resort is located on an island in the Yasawas Island group. The island group is home to seven villages with 3,500 inhabitants, all of whom own

their land through native title. In 2000, Turtle Island Resort launched an innovative program to support job creation for local people living on neighboring islands. Three local villages were invited to become “social entrepreneurs” and work with Turtle Island Resort to establish lodges specifically for budget travelers. No-interest loans totaling \$820,000 were provided to three villages to launch the Safe Landing, Oarsman Bay and Sunset Resort lodges. Although Sunset Resort closed after only eight months (see below), Safe Landing and Oarsman Bay have been successful ventures.

### AT A GLANCE: *Turtle Island Resort*

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**RATES:** \$1,975 per night all inclusive for bures (traditional two-room thatched cottages) (\$660 is the estimated food cost within this price).

**STAFFING:** 200 local Fijians. An equal opportunity employer.

**ACCOMMODATION INFRASTRUCTURE:** Each bure has 21-foot vaulted ceilings, louvered windows, separate sleeping, dressing, lounging and bathing areas, an outdoor verandah with day bed, hairdryer, CD player, tea and coffee making equipment, toiletries, iron and ironing board, wet bar, and indoor jetted spa.

**INCLUDED ACTIVITIES:** Diving, deep-sea fishing, sailing, swimming, wind surfing, sunset cruises, kayaking, snorkeling, scuba diving, scenic boat tours.

**ADDITIONAL INCLUDED SERVICES:** Personal concierge, two-way radios, room service anywhere on island, private beach picnics at sunset, lunch buffets for two, Fijian feasts, evening dinner parties, mountaintop dinners.

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FOOD: *Crab, lobster, beef, organic vegetables, full wine selection, French champagnes. French chef.*

NATURAL ATTRACTIONS: *14 white sand beaches, hiking trails, tropical rainforest, mangrove boardwalks, coral reefs, sea turtle release program.*

HEALTH SPA ATTRACTIONS: *Lomi-Lomi massage — traditional Hawaiian massage.*

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### AT A GLANCE: *Safe Landing*

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RATES: *\$70 per night inclusive, plus \$10 for liquor and activities. Meal plan includes breakfast, lunch and dinner.*

STAFFING: *20 staff, including two guides.*

ACCOMMODATION INFRASTRUCTURE: *Two private bures and Fijian-style dormitory accommodation for six people. Owners Joe Poasa and his family welcome visitors in traditional Fijian style.*

OCCUPANCY: *30 percent in 2002, 60 percent in 2003.*

AVERAGE STAY: *Four days.*

CONSTRUCTION TIME: *Founded in 2002, the lodge was built in six months.*

FINANCING: *The lodge received a \$280,000 interest-free loan from Turtle Island Resort. The loan is expected to be paid off in three years.*

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### AT A GLANCE: *Oarsman Bay*

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RATES: *\$80 per night, plus \$20 for three meals. A mix of Fijian and international cuisine is served, with bar service.*

STAFFING: *34 staff, including two guides.*

ACCOMMODATION INFRASTRUCTURE: *Built on the shores of one of Fiji's most renowned island beaches, the lodge consists of six individual bures with private facilities and hot showers, and a 20-bed dormitory, with excellent views of the ocean, above a dining and bar area.*

OCCUPANCY: *50 percent in 2002, 75 percent in 2003.*

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**AVERAGE STAY:** *Four days.*

**ACTIVITIES OFFERED:** *Paddle boats, snorkeling, hiking, village trips and volleyball.*

**CONSTRUCTION TIME:** *Founded in 2001, the lodge was built in nine months.*

**FINANCING:** *The lodge received a \$400,000 interest-free loan from Turtle Island Resort. \$200,000 of this was repaid in 2002, and the remaining loan principal is expected to be paid in several years.*

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## MARKET INFORMATION

**Target market:** The resort leadership has defined its market for Safe Landing and Oarsman Bay as “Richpackers,” whom they describe as high-income professionals willing to exchange luxury accommodations for unique experiences. According to Turtle Island Resort, these individuals spend more money on activities, such as scuba diving, than on nightly accommodation. For Turtle Island Resort, these travelers are in their thirties and are stopping over in Fiji on flights to and from Australia and New Zealand.

**Current visitor composition:** The vast majority of visitors to Turtle Island Resort (75 percent) come from Europe and the United Kingdom. Other main markets include Australia and New Zealand (10 percent), and Canada and the United States (10 percent).

**Marketing approach:** Turtle Island Resort has wholly owned marketing offices in both Australia and North America. The company targets the high-income honeymoon market in the 25–40 age group via public relations and print advertising, and is targeting the ecolodge market by working with The International Ecotourism Society. Turtle Island Resort provides all-expense-paid five-night stays for journalists and their spouses. The company also provides the Tikina Tourism Association with access to its customer data base and a grant to create brochures, to support the Safe Landing and Oarsman Bay properties.

**Selling propositions:** The main features that attract visitors to Turtle Island Resort include accessible beaches, pristine reefs, indigenous cultures, undeveloped scenic landscapes, and quality food and beverages.

**Market potential:** Turtle Island Resort is seeking to grow by about 10 percent per year. As its current thirty-something market matures, the resort plans to invest in more comfortable amenities that will attract older travelers. The company will add new village-based lodges as needed and is targeting Australia and the United Kingdom as the best markets for these lodges.

## POLICIES AND ENABLING ENVIRONMENT

Fiji receives approximately 500,000 visitors annually, and government policies are attracting more operators, more resort developers and international hotel chains. An Environmental Management bill has recently been introduced in Parliament that will involve the government taking more responsibility for environmental protection. However, there is no plan for a sustainable tourism policy. The present tourism board approach is to sell Fiji as a “truly relaxing destination,” without highlighting its unique culture, heritage and environment. Local entrepreneurs, such as the owners of Turtle Island Resort, continue to push for a more sustainable tourism development approach.

## BUSINESS MODEL

Turtle Island Resort seeks to be regarded as one of the leading ecotourism resorts in the world by providing a positive and unique guest experience. A high-end resort on an exclusive island with world-class beaches and underwater natural environment, it is staffed by a team of people who share the resort's commitment to high standards, while demonstrating a caring attitude toward the guests and each other. The leadership of Turtle Island Resort comments that the strength and success of a lodge's product, reputation and brand are, to a large extent, dependent on acceptance by the community in which it operates. The resort leadership has a well-articulated business philosophy and mission that revolves around the concept of corporate and social responsibility. Their interest in meeting community needs has evolved into an expansive set of health and education programs, partly supported by their guests. Turtle Island Resort has become a leading proponent of "Traveller's Philanthropy," which they believe is a response to their guests' desire to engage with and be committed to and empowered by community needs, and to play a role in meeting some of those needs.

### *Triple Bottom Line Strategies*

Turtle Island Resort's many environmental and social programs include:

- employment of local people;
- purchase of local goods, such as fish;
- support for the Yasawas Community Foundation, which provides extensive health care and education programs for local islanders;
- permission for auditing of the social and environmental impacts of the resort by independent experts, and launch of Green Globe 21 certification;
- support for a job creation program that helped establish the three separate locally owned budget resorts with \$820,000 in no-interest loans; and
- creation of the Tikina Tourism Association, which offers support for local destination planning, marketing and guidelines.

## SUCCESS FACTORS

Turtle Island Resort has benefited from a visionary entrepreneurial owner who understands that the local community is fundamental to the resort's success. The high-end, exclusive nature of Turtle Island Resort has afforded it the profit margins to invest in philanthropic education and health initiatives, which have won it many friends and respect internationally. The philosophy of "Travellers Philanthropy," which evolved at Turtle Island Resort, has inspired the resort to match community needs with client interest in contributing to local health and educational challenges. The development of Oarsman and Safe Landing ecolodges expands Turtle Island Resort into a new arena: sustainable economic development. The senior resort has provided the vision for the smaller enterprises, worked through thorny issues with communities, provided marketing expertise, dollars and contacts, and helped launch a destination marketing and stewardship initiative with the Tikina Tourism Association.

Turtle Island Resort has overcome a number of barriers to its success, including its entrepreneurs' lack of patience for consultation with local communities and failure to finalize agreements in writing with local communities. In addition, there have been problems with local misinterpretation of the philanthropic approach, where something is given without any expectation of anything in return. Finally, political instability in Fiji, resulting in a coup d'etat in 2000, presented challenges to the business.

There were also a number of problems with Sunset Resort, the third of the village-owned lodges, and the only one to close. The lodge was opened with a \$140,000 interest-free loan from Turtle Island Resort. However, disputes within subclans about income-sharing relationships within the community and job entitlements led to the closing of the resort. Concerns were mainly about who would get jobs, who would be in charge, and the amount of money to be "instantly" available for distribution to villagers before the loans were repaid. These disputes put long-term family relationships at risk in the village where Sunset Resort was built. Negotiations between the village and Turtle Island Resort management for future activities have resumed.



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**ACCOMMODATION INFRASTRUCTURE:** *Seven rooms and two villas, with a capacity of 33 people. The Rosa Blanca Suite (honeymoon suite) is located in a tower 40 feet above the ground, which guests reach by climbing circular stairs built around a Cristóbal tree trunk. Odd-shaped windows throughout enhance the sun-filled inn. The cathedral ceiling above the lounge area sets the tone for the whitewashed stucco structure, with an atrium dominated by a soaring, floral-motif beehive fireplace, masses of tropical plants and vivid jungle murals painted by local artists. A spring-fed infinity pool, featuring a 12-foot cascading waterfall, is surrounded by gardens and adjacent to an open-air game room/lounge and large hot-tub/Jacuzzi.*

**FOOD:** *“Nouvelle Costa Rican Cuisine,” using organic fruits, vegetables and coffee, all grown on the premises.*

**OFFERED ACTIVITIES:** *Rosa Blanca has its own stables, where horses can be rented for rides in the countryside, including the slopes of Barva Volcano. The inn also offers personalized guided tours to many of the area’s national parks, cloud forests, biological rainforest reserves, botanical gardens and butterfly farms. Bungie jumping, white-water rafting, bird-watching excursions to Costa Rica’s best coffee producers, hikes into the Braulio Carillo National Park Cloud Forest and visits to Poás and Irazú volcanoes are also offered.*

**NATURAL ATTRACTIONS:** *Located on 2.9 hectares (7.25 acres) in reforested gardens, Rosa Blanca overlooks Costa Rica’s Central Valley and nearby volcanoes, as well as the capital, San José. The inn’s gardens, wooded walkways, meditation areas and hiking paths attract a wide variety of native birds and butterflies. One of the most popular destinations for day trips is Barva Volcano, only 30 minutes from the inn and located within Braulio Carillo, Costa Rica’s largest national park. Rosa Blanca has contributed to Parque Volcán Barva in a variety of ways, and staff can arrange extraordinary tours and hikes of all categories within the park and to the various lagoons of the crater. Along the trails, hikers can observe white-faced monkeys, red spider monkeys, tapirs, larger wild cats, hummingbirds, the bonking bellbird, seven species of warblers, and Costa Rica’s most treasured bird, the quetzal.*

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## SUSTAINABILITY POLICIES AND PRACTICES

Rosa Blanca's owners have always had a clearly articulated sustainability mission. As Glenn Jampol explains on the inn's website, "Since 1985, when we began our project at Finca Rosa Blanca, we have always had one important goal in mind: to leave the minimum possible trace of our existence. Since the beginning of our adventure on this property, we have concentrated on an ambitious plan of recycling and regeneration, social consciousness and education." To ensure effective implementation of this plan, the inn has designed a manual that describes its sustainability mission and policies, educates its employees on sustainability goals, and keeps a record of efforts to achieve these goals.

### *Environmental policies and practices*

Rosa Blanca was built in accordance with an environmental impact assessment, and systems are in place to monitor environmental impacts on an ongoing basis. Glenn Jampol has become one of Costa Rica's leading experts on sustainable hotel construction. The inn continuously participates in environmental improvement programs in the surrounding area and in other parts of the country.

The inn has a policy of limiting the number of non-native plants, instead emphasizing the planting of local species, and avoids use of non-organic fertilizers, pesticides, and herbicides. The owners have reforested and replanted their original 7.25 acres, which was originally heavily denuded cattle-grazing land, with native species, including tropical flora and fruit trees, as well as organic coffee and vegetable gardens. Today the property is covered with thousands of native and tropical plants, including more than 300 fruit trees. Rosa Blanca received the first certification under a new Costa Rican program for sustainable coffee.

The Jampols recently purchased an adjacent, 18-acre coffee plantation and are in the process of converting it to certified organic coffee. With the help of the local electric company, Costa Rica's leading newspaper and the Environment Ministry, they have also planted 1,500 native trees in the outer perimeter and around the springs of this property.

Water consumption at Rosa Blanca is controlled in a number of ways, including the use of low-flow showerheads and tap aerators, and rainwater collection. Guests are encouraged to reuse linens and advised to minimize water use. The swimming pool's water is cleaned with an environmentally benign copper-silver ionization system, rather than chemicals. The inn provides for careful handling and disposal of solid waste and sewage and operates a controlled, inspected and biologically maintained septic system to avoid discharging directly into the environment. Gray water is regularly tested for quality, biodegradable cleaning chemicals are used, and refrigeration systems do not use chlorofluorocarbons. The inn has a solar hot water system.

Though there is no solar electricity on site, the architectural design maximizes natural lighting. In addition, all lighting is energy efficient and well-maintained, and staff is trained to minimize energy use.

Recycling activities include total recycling of food waste to fertilizers with two systems: (1) feeding and fertilizing coffee plants and vegetable gardens directly, and (2) a custom-made composting area and vermiculture system that processes raw organic waste. They also recycle non-organic waste, including glass and bottles, plastics, cardboard, metal and newspapers. Each room has recycling bins, and there is a complete recycling zone on the grounds, located below the horse stables.

### *Social policies and practices*

The inn's owners and staff work closely with both the local community and the nearby Braulio Carillo and Barva Volcano National Parks. During the early years, several people from the park assisted the Jampols with determining which species to plant to rejuvenate the land and attract a wide variety of bird species. In return, Rosa Blanca has assisted the park in a variety of ways, including paying for telephone lines and publishing bilingual maps and brochures for visitors to the park. In addition, the inn offers educational tours of the property and discounts for local people to stay there. It contributes to school education programs,

and the owners and staff are involved with local conservation organizations, including the running of a children's food bank, two community-based recycling centers, and special exercise programs at the Center for the Golden Age in Santa Bárbara.

Glenn Jampol has been an active proponent of Costa Rica's "green" certification program, is active in Costa Rica's ecotourism society, and serves on the Board of Directors of both CANAECO (the National Chamber of Ecotourism) and The International Ecotourism Society. In addition, he has actively promoted techniques for "greening" ecolodges among other lodge owners in Costa Rica.

The Jampols are also working with community members to build the country's first "sustainable public school" by purchasing land, building the school and designing it to include recycling programs, energy conservation, organic semi-self-sufficient food processing, solar heating, and other sustainable features.

### *Economic policies and practices*

Rosa Blanca donates 5 percent of its restaurant's gross income to local community projects. Nearly the entire staff, including management, comes from the surrounding community. In addition, the inn proactively strives to buy goods and services locally, and to buy in bulk whenever possible, in order to cut down on packaging.

### *Guest education*

Guests at Rosa Blanca are invited to visit the greenhouses, where organic vegetables are grown, and the elaborate recycling, composting and vermiculture facilities, and to learn about the swimming pool's natural filtration system. Trees on the property are identified according to their local and scientific names, and written information is available for guests about the plant species located on the grounds.

The inn also promotes visits to nearby national parks and protected areas, as well as local cultural and historic sites. Guests are encouraged to participate in and/or contribute to conservation, educational and social welfare projects in the surrounding community. The inn provides interpretive programs and material

to educate guests about the cultural and natural surroundings, and provides well-trained and experienced guides to accompany guests.

### **FUTURE VENTURES**

The Jampols are currently building a new sustainable hotel, Arenas del Mar ("Sea Sands"), on 11 acres of beachfront property adjacent to Manuel Antonio, Costa Rica's best-known national park. They have completed a government-approved Environmental Impact Assessment (EIA) and a study that mapped the location of every tree on the property. The hotel will use solar heating panels, energy saving "on-demand only" water heaters, copper-silver ionization systems to clean pool water, energy-efficient light bulbs, and a recycling and wastewater treatment program. The facility will be built with new and low-impact building materials, including recycled plastic roof tiles and rocks found on site. A portion of the land will be dedicated to a museum and a nursery of indigenous tropical trees and plants. More than 2,000 native species of trees and thousands of native plants will be planted in the next decade. Arenas del Mar is scheduled to be open for guests in December 2005.

## **4. CAMPI YA KANZI, KENYA**

Campi ya Kanzi is a luxury safari camp located next to Kenya's Amboseli National Park and bordering Tsavo West and Chyulu National Parks. The camp, which is a joint venture between a private company (Luca Safari) and a Maasai group ranch, strives to provide tangible economic benefits to the local Maasai community to enhance their cultural welfare and pride, and to protect wildlife by demonstrating that game-viewing tourism is more lucrative than hunting or poaching. The camp is located within the 400-square-mile Kuku group ranch, owned by Maasai herdsman. Via Land Rovers and on foot, guests view rare wildlife including black rhinos, cheetahs and wild dogs, and learn firsthand about Maasai culture by meeting people in the local village.





*Campi ya Kanzi also strives to help guests learn about Maasai cultural heritage. Guests can visit the home of one of the trackers in the nearby Maasai village, view women doing their famous beadwork, and attend traditional dance performances. Tourists can also visit projects supported by the Maasai Wilderness Conservation Trust, including a Maasai school and dispensary.*

**NATURAL ATTRACTIONS:** *More than 50 different mammals and 400 bird species are found on the ranch. Besides the “Big Five” (elephant, rhino, leopard, lion and Cape buffalo), rare animals such as lesser kudu, gerenuk, cheetah and wild dog also inhabit the ranch. Plains game is also very rich; antelopes such as the klipspringer and the mountain reedbuck are found on the hills, and the fringed ear oryx and Maasai giraffe are very common.*

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## SUSTAINABILITY POLICIES AND PRACTICES

Campi Ya Kanzi seeks to demonstrate how community, tourism and conservation can work together for a mutual benefit. The camp managers state that their main goal is to make wildlife profitable through tourism. Since 75 percent of Kenyan wildlife lives outside of national parks and game reserves, the only way to preserve it is to make it valuable for the landowners. Maasai landlords have been deeply involved in the planning, building and running of the camp.

### *Environmental policies and practices*

Campi ya Kanzi was built using local techniques and materials wherever possible. No trees were cut, and a thorough study was undertaken to ensure that the camp’s construction was physically and culturally appropriate and provided “a sense of place” to staff and guests.

Everything from electricity to hot water is generated with solar power at Campi ya Kanzi. The state-of-the-art solar system provides 220-volt electricity for each guesthouse. There is no air conditioning or external lighting; guests are provided with rechargeable flashlights.

Rainwater is collected and water consumption is minimized by using, for instance, low-flow showerheads, low-flush toilets and small sinks. Each guest-

house has its own water meter, and guests are briefed on how to conserve water. All water is recycled through lava filters, supplying the organic vegetable garden, as well as two water ponds where lion and gazelle come to drink.

No firewood is used in the kitchen; only charcoal made by a United Nations-funded project using coffee bean husks is used. Organic waste is composted, and only biodegradable cleaning products and natural soap are used.

Campi ya Kanzi also actively works to protect the surrounding land and wildlife. They have a major project in fire management, and employ a network of game scouts to patrol against poachers, monitor grazing, and undertake feral animal control. The camp has strict policies to ensure that no products are sold or purchased from threatened species, runs programs for reforestation and grazing management, and works in partnership with local and international conservation organizations.

### *Social policies and practices*

Campi ya Kanzi is a living example of the new policies of the Kenya Wildlife Service, which encourages local people to become involved in the conservation of wildlife. This approach to conservation is based on the voluntary, self-interested involvement of the Maasai, rather than on the imposition of government laws and bans.

The camp runs educational programs in the community and local schools on minimizing impacts on the land and wildlife, provides a secondary education scholarship, and supports local community projects that are helping to revitalize local crafts, traditions, and customs, thus promoting ethnic pride, particularly among younger Maasai. The Maasai Wilderness Conservation Trust employs Maasai elders to teach traditional culture and customs in the schools. The camp's managers also work extensively with their staff to provide job-training programs and improve their skills.

These efforts have led to changes in local attitudes toward wildlife. As the Campi ya Kanzi website explains, "For example, when lions kill Maasai cattle, the Maasai naturally wish to eliminate the lions to protect their livelihood. However, if the same lions produce profit through tourism, the Maasai realize that it is best to co-exist with them. The Maasai now see the benefit of having wildlife on their land, so they protect the animals and view them as an extension of their ranching activities."

### *Economic policies and practices*

While the two top managers are Italian, the rest of the staff of Campi ya Kanzi are local Maasai. Employees are specifically trained for their positions at the camp and benefit directly from the camp's revenues. In this way, the success of the camp contributes to the local community and to the group ranch's policy of conservation.

In addition to providing employment for more than 70 local Maasai from the group ranch, Campi ya Kanzi collects a conservation fee of \$30 per guest per day. This fee is used to support a variety of local programs, including reimbursing Maasai who have lost

their livestock to wild animals, providing scholarships to the poorest and best students to continue their education, paying for school supplies, helping pay teachers' salaries, and providing the community with basic medical care. The funds have also been used to build school classrooms and a dispensary. The camp is currently supporting eight schools.

Besides the conservation fee, Campi ya Kanzi pays an annual management fee to the Kuku Group Ranch for use of their land and for game viewing. This fee is helping to maintain the ranch lands in a natural state, since, under the terms of the agreement, it cannot be used for cattle, hunting or farming.

The Maasai Wilderness Conservation Trust helps finance community projects and adoption schemes for wild animals on the ranch. Guests and others can make donations to support the Camp's wildlife conservation efforts and the perpetuation of the Maasai heritage.

The Camp also strives to purchase products locally and monitors the impact of these purchases.

### *Guest education*

Upon arrival, guests are given presentations on the Maasai and wildlife and are advised on how to minimize the negative impacts of tourism. The lodge provides interpretive programs to educate guests (and employees) about the surrounding natural and cultural environments. A guest's stay at Campi ya Kanzi is focused on increasing understanding and appreciation of the heritage, culture and people of the area. The Maasai trackers introduce guests to local medicinal plants, identify animal tracks and behavior, and share local culture and traditions. While Campi ya Kanzi helps the Maasai women preserve traditional craft-making skills, guests can also buy their work knowing that the money benefits them directly, instead of going into the pockets of a middleman.

Via a newsletter, the camp provides ongoing information to both former guests and travel agents and tour operators. Its website also contains background information about the Maasai.

# APPENDIX D: CONTACT LIST

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