

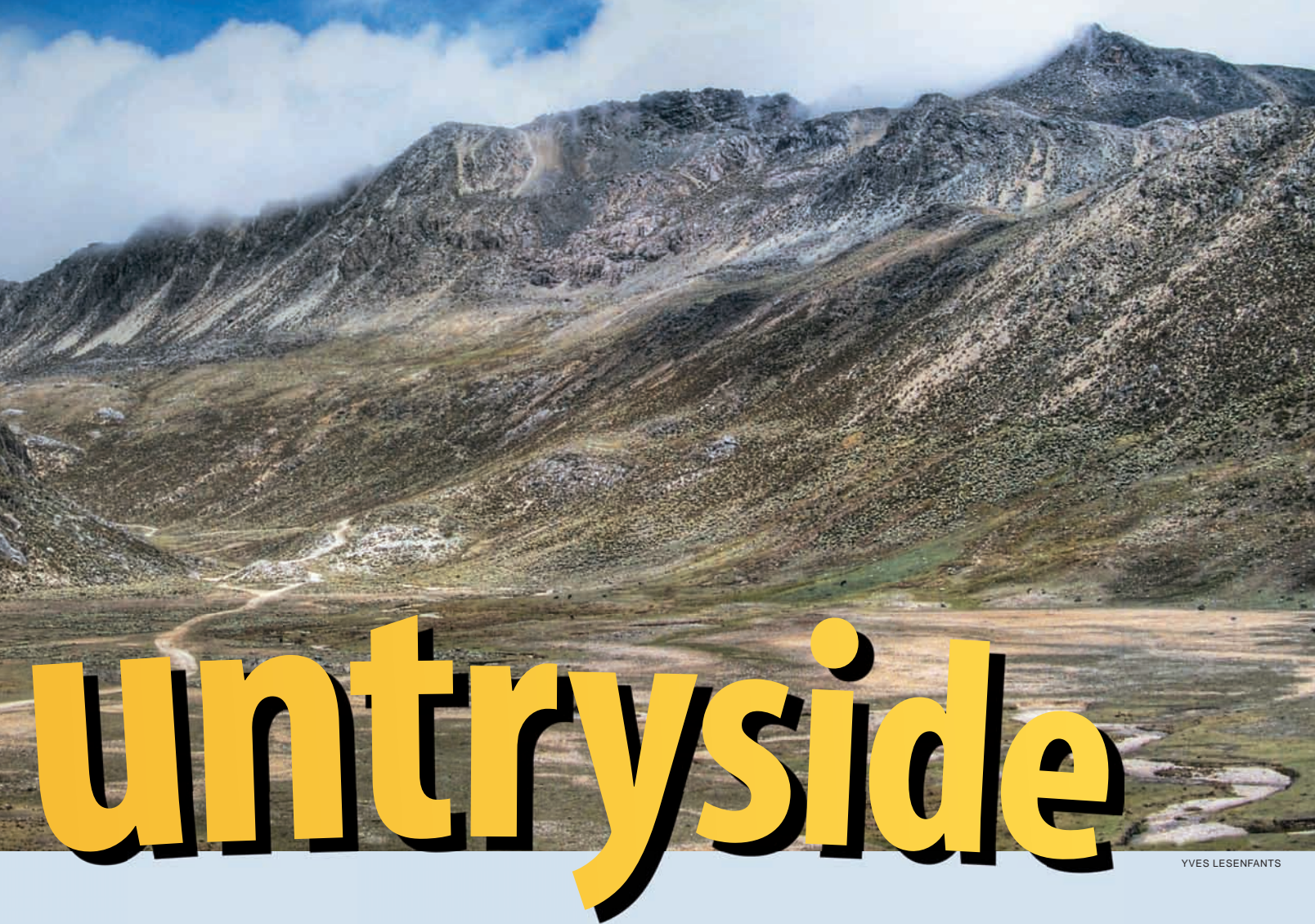


Innovations in Tourism

In the Co



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Rural community tourism is not just another option for travelers eager for a new experience. It also can help reduce poverty in communities with microenterprises. For now, it is revolutionizing tourism in rural communities throughout Latin America.

By Diego Fonseca

In 2004, Heloisa Barros was convinced that her only option was to sell her farm, *Engenho Velho* (“Old Mill”), a 10-acre property in São Bento do Sapucaí, 200 kilometers from São Paulo. Although the farm had been in her family for more than 100 years, it now seemed likely that Heloisa, her mother, brother, sister-in-law, and nieces and nephews would end up in the street. Then she found out about a rural tourism program called “Adding Value to Your Property,” an initiative of the National Rural Training Service (SENAR), a Brazilian para-statal training institution for rural workers.

Heloisa signed up for the program and found a way to save her farm: rural tourism. Under SENAR’s guidance, the family invested US\$1,000 to restore the property and receive visitors. They set a daily price of US\$70 for room and board. When neighboring inns began referring guests to her, Heloisa knew that she had succeeded. She then returned to SENAR for training in marketing in order to launch a store where her mother would sell coffee, homemade sweets and breads, tablecloths, and napkins.

Engenho Velho is a success story for rural community tourism (RCT)

that has been recognized by the International Labour Organization’s Inter-American Centre for Knowledge Development in Vocational Training (CINTERFOR). RCT is growing in many remote communities throughout Latin America. By 2006, at least 5,000 micro businesses were operating in Brazil alone, and in Costa Rica more than one tourist in 10 had a rural experience.

RCT includes a series of sustainable activities planned and coordinated by the local residents, who preserve their rural culture and focus the benefits on the community, promoting

conservation practices for forests, energy and water, along with the intelligent use of biodiversity. The idea is that the so-called “new millennium tourist” not only visits rural areas, but also lives with families, partaking of country life, from planting and harvesting to milking cows and preparing feasts. Simply put, the visitors get involved.

RCT is seen as a social activity that organizes flexible, varied and trained groups of self-managed communities, which is particularly fertile ground for microlending. According to Gonzalo Freiria, director of Rural Tourism at the Faculty of Agricultural Sciences of the Business University (UDE) in Uruguay, the expansion of micro and small service companies enhances rural business “since entrepreneurship development includes products identified with local areas and subsidiaries of programs tailored to consumer interest and demand.”

The World Tourism Organization views RCT as “key” for diversifying subsistence economies through providing employment to idle workers and capital to family-run micro-services. Under sustainable management, jobs are created by generating local value chains with no need for further investment or infrastructure other than water, electricity, and roads.

Sprouting From the Ground Up

RCT started in Europe in the 1950s and came to Latin America in the 1980s as a survival mechanism in response to the crisis in the countryside. At first, it depended on resources from international aid; the United States recently became affiliated in the 1990s.

The Inter-American Development Bank (IDB), through its Multilateral Investment Fund (MIF), now finances a cluster of 24 projects in the region involving more than 6,500 micro,

small, and medium-sized enterprises. It is the largest laboratory for RCT in the region and includes the creation of self-guided tours, sustainable development programs, and labor skills training in Ecuador, Peru, Bolivia, Colombia, Guatemala and Argentina. The MIF also provides resources to the Local Ethnotourist Business Network in Honduras, southern Belize, the southern macro-region of Peru, and 30 communities in Costa Rica through the National Ecotourism Consortium Cooperative (COOPRENA), the country’s leading RTC developer.

Although experiences are plentiful, not all countries have a clear policy for promoting RCT. Mexico is a case in point, although it is home to the most powerful tourism machine in Latin America. Mexico’s rural and semi-rural communities, which encompass some 40 million people, do not participate in tourism activities. In fact, 24 culturally valuable sites in the country are on UNESCO’s World Heritage list, and the preservation of some, like the Mayan cities of Chichen-Itza, Uxmal, and Calakmul, could be achieved through rural projects.

But Mexico has not gotten there yet, and could perhaps take note of the successful case into Quindio, Colombia, to plan its entry in this promising field. In 1991, Colombia took four coffee farms in crisis and transformed them to host tourism. The project generated a cluster of businesses, and 15

years later, the area is now home to 600 rural microenterprises. Quindio has become the second-largest tourist destination in Colombia.

Leaders and Emerging Leaders

The regulations, policies and experiences that help create a sustainable RCT industry are most evident in Peru, Costa Rica, and Ecuador, the rising star. In 2007, the Microenterprise Tourism project (MET)—an alliance forged by the World Tourism Organization, Ecuador’s Tourism Ministry, the Netherlands Development Organization, and the Rainforest Alliance to integrate tourism microenterprises, microcredit, and poverty reduction—identified 100 microenterprises along tour routes or circuits with tourism potential. Nearly 30 were certified as sustainable by the Rainforest Alliance, and several more are being studied by MET to determine their need for microcredit.

In Costa Rica, RCT is being consolidated. Approximately 20 of the 35 groups affiliated with the Mesa Nacional Campesina, the country’s main labor organization, have decided to merge agriculture with tourism. Currently some 1,500 families in nearly 70 rural communities and villages provide room and board in family homes, organized by the Actuar, Grupo Jazon, and Cooprena networks.



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In 2004, these networks formed an alliance to strengthen RCT, which made Costa Rica one of the most organized systems. In 2007, the government officially endorsed RCT, and next to ecotourism, sun and surf tourism, and adventure travel, it is the fourth macro-product

offered to international visitors. RCT, which is in a special category based on the visitor's experience rather than traditional hotel standards, "has begun to seek sustainability in its initiatives and consolidation of the sector," says COOPRENA manager Lelia Solano.

What Costa Rica represents in terms of institutionalization, Peru has in criti-

cal mass. At the World Tourism Organization's 2007 summit in Cartagena (Colombia), Peru reported that 60% of the 1.7 million tourists visiting the country each year have a rural experience. In Costa Rica, the proportion is 12% of 1.8 million tourists. With these statistics the Peruvian government is promoting the country as a destination for experiential tourism. The country has even designed a "cultural tourist" profile and rural tourism guide, in addition to resources that have been mobilized to make services in rural communities more competitive, adapting best practices from Costa Rica. Peru now has quality standards for services in inns and shares information on business models with establishments that are included in this system. The government has also launched a non-reimbursable investment fund to finance rural community tourism.

Proven Examples

- **Albergue Ecoturístico Tomarapi ("Tomarapi Ecotourism Inn") (Bolivia).** Created in 2003, it is the first RCT microenterprise in Sajama National Park, in Oruro. At an altitude of 4,600 meters, it can lodge some 500 middle-income tourists. Before Tomarapi, 34 families in the area subsisted on single-crop farming and cattle.

- **Programa por los Andes Tropicales ("Tropical Andes Program") (Venezuela, Bolivia and Argentina).** The program provides microloans to families to improve their homes in Salta and Jujuy (Argentina), Tarija and Potosi (Bolivia), the central Andes, and Gran Sabana (Venezuela). Since 1997, it has been sponsored by the Andean Development Corporation (CAF), Spain's Codespa Foundation, Grupo Planeta, Repsol YPF and the Madrid Community, the European Community, and the UNDP.

- **Techos de México ("Mexican Roofs") (Mexico).** In Chacala, a town with 30 inhabitants near Nayarit on the Pacific coast, the construction of six eco-sustainable time-share houses was financed. The microentrepreneurs also manage stores and dining halls.

- **Pueblos Mancomunados ("Communal Towns") (Mexico).** Eight communities in the Sierra Norte Mountains of Oaxaca, in the south of the country, manage a tourism circuit in four municipalities. They conserve rituals and customs of their ancestors. Guests lodge in adobe houses with Zapotec families. Microenterprises offer dried mushrooms and fruit, bottled water, and silver wares, certified under kosher rules and fair trade.

- **Finca Esperanza Verde ("Green Hope Farm") (Nicaragua).** Some 160 kilometers north of Managua, this eco-lodge has the capacity for 26 guests on the edge of the forest reserve, and includes an organic coffee plantation and a butterfly farm. Founded in 1998, it lets tourists participate in planting, harvesting, and processing coffee, as well as preparing butterfly pupae for export. Approximately 10% of the income finances community education and health projects. In 2005, the farm was presented as a successful case study at the World Tourism Organization's VI Sustainable Tourism Conference.

- **Federación Plurinacional de Turismo Comunitario ("Multi-Country Community Tourism Federation") (Ecuador).** The federation includes 60 indigenous and Afro-Ecuadorian microenterprises in 45 communities in the mountains, along the coast, and in the Amazon. As part of the World Tourism Organization's institutional strengthening and marketing project, it has its own tour operator, the Community Tourism Information and Marketing Center.

- **Vacaciones con Familias Campesinas ("Vacation with Campesino Families") (Costa Rica).** Poised to become tour operators, these 80 microentrepreneurs live in 12 communities near Nicaragua. Visitors pay up to US\$60 a day and can work as volunteers, painting schools or churches, clearing trails, participating in open-air markets, and cultivating palmito and macadamias.

Already Achieved ... and Yet to Do

The backstory of RCT now seems to promise a happy ending. The authorities have taken concrete steps to get involved. Brazil's SENAR, for example, which helped *Engenho Velho*, is the leading authority in training rural entrepreneurs. In Argentina, the agriculture faculty at the University of Buenos Aires (UBA) offers a postgraduate degree in Rural Tourism Management, and many champions of RCT have graduated from the program.

The experiences are beginning to produce results in the communities, too. A survey by the Business University of Uruguay shows that RCT has generated employment in villages and towns and repositioned rural businesses in the country. In Costa Rica, tourism organizations realize that the hourly wages of rural tourism workers are 50% higher than for other occupations in the countryside.

Of course challenges remain. "Some of the biggest problems [to resolve] are the low participation of local stakeholders in profits, the lack of tourism development planning



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at the regional, local, and product levels, and a focus on product development that lacks more precise information on markets and their trends,” explains Santiago Soler, MIF expert and coordinator of the sustainable tourism cluster. “There is also a loss of the large profits to the developed countries, mainly due to prepaid packages.”

In addition, community participation is limited. Low levels of education, training and business management, along with a lack of access to technology and financing and ignorance about marketing, are still huge challenges that need to be addressed.

Long-term commitment is also essential, since RCT does not have quick results. At this stage, public monitoring can be crucial. In Costa Rica, the Sustainable Tourism Development Plan 2002–2012 has attempted to regulate microentrepreneurs. One difficult area to reconcile is the balance between generating economic benefits and the parallel commitment of investors to local development.

It is not easy. Community activities need consensus that can be difficult to forge, while a booming business requires rapid decisions. The World Tourism Organization estimates that RCT will grow significantly in the next 15 years. Approximately 3% of tourists worldwide are drawn to the experience, which is growing about 6% annually, above the average growth of worldwide tourism.

The demand exists and infrastructure and services are needed in order for facilities to make realistic business projections. Expectations are high: CINTERFOR estimates that farmers could capture up to 8% of the aggregate spending of the tourist industry with their projects. This would be US\$114 million–\$384 million per year for peasants in Peru alone. Another US\$360 million could reach Costa Ricans if their rural community tourism captures 5% of the tourism market, and some US\$4 billion would go to Mexican community farmers if they corner 8% of the market.

The problem is to move the money to the countryside. Investment is needed, too. But above all, RCT needs programs such as “Tourism for All,” launched in Ecuador in 2007 to train some 4,500 microentrepreneurs in interdisciplinary knowledge drawn from Project MET.

The IDB is also contributing. The MIF cluster of 24 enterprises supported by the Bank is professionalizing the process and expanding the social base. “The support ranges from rural tourism projects to operations that can take part in the flow of mass tourism on cruise ships and re-route it toward tangible benefits for local communities,” says Yves Lesenfans, the cluster’s technical advisor. “The cluster researches innovative uses

of information and communications technologies to open new markets, such as working with virtual communities or improving the technology infrastructures of destinations.”

The IDB’s goal is to discard some of the romantic and empirical notions of tourism development at the micro, small, and medium-sized business levels and generate strategies at various levels that begin with proponents and implementers. According to Lesenfans, a steady supply of rural services quickly falls into place as demand for RCT grows.

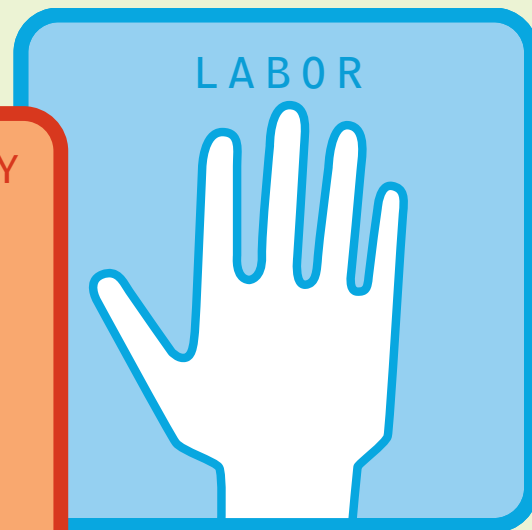
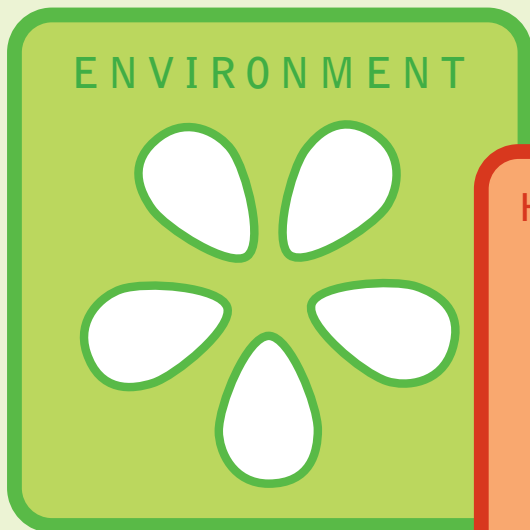
And because of its nature, the supply must be managed through a specialized marketing chain. “This market is not passive; it interacts with the product and is a participant in social development efforts,” he says. “This is the marketing hook, and in the cluster we pay attention to the marketing chain due to its obvious role in the process’s sustainability.”

The point is to open the field, and open it wide. “Promoting RCT in the region, as a strategy to reduce poverty and generate employment, is a political strategy that needs to be taken to the superstructure level, since such a wide cross-section of skills is involved,” says Ernest Barrera, director of the postgraduate agriculture program at the UBA and head of the CINTERFOR study. “Without an active rural tourism policy, spontaneous development lets producers with greater business capacity edge out the small farmers, *campesinos*, and indigenous people, and then their participation will be marginal.”



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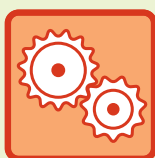


Environmental and Labor Practices: Clean, Green & Safe

By Lucy Conger

Microenterprise and the informal economy often go hand-in-hand. When people consider microenterprise, they tend not to focus on issues that concern larger businesses such as corporate governance, environmental impact, and fair treatment of labor.

Clearly, microenterprises are not subject to the pressures corporations face from shareholders and public scrutiny that demand principled treatment of employees and adjacent communities and minimal damage to the environment. But that is beginning to change. Microfinance institutions (MFIs) are pressing microentrepreneurs to run clean businesses and treat their workers fairly. The aim is to reduce the so-called social and environmental risks of microenterprises—activities that may have an adverse impact on human health, social equity, or the environment.



The Inter-American Development Bank (IDB) through its Multilateral Investment Fund (MIF) is supporting initiatives to promote awareness of harmful practices and provide training for practical problem-solving for thousands of informal businesses in Latin America and the Caribbean. “Many funders like the IDB and the Netherlands Development Bank (FMO) require that their contracts take these issues into account and that organizations develop a strategy to address them,” says Tomas Miller, senior investment officer in MIF.

Problems that are being addressed include use of forced labor and child labor and production on lands owned by indigenous peoples without their consent. Activities such as trade in protected wildlife, commercial log-

ging, charcoal-making, farming with pesticides, and unregulated forestry.

These problems typically occur on a small scale with microenterprises, but need to be resolved even when only one family is affected. “For an individual farmer the incorrect use of chemicals is dangerous for himself and his farm,” says Anton van Elteren, senior environmental specialist with FMO, the Netherlands Development Bank.

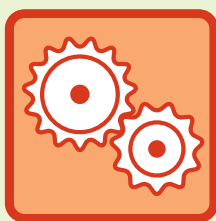
In urban areas, hazardous practices occur on a larger scale. Microenterprises in cities are often located close together, and the environmental impact of each business is compounded because they are so concentrated.

Donors have targeted managers for training in risks because “there must be a commitment by the senior manage-

ment, and tackle other social and environmental risks in their enterprises.

FMO has developed an innovative toolkit specifically for MFIs that provides practical guidance for environmental and social risk management. FMO is also providing training in developing countries to the senior management of MFIs who are expected to train loan officers in how to persuade and teach microentrepreneurs to combat social and environmental risks. “We hope the loan officer can help the individual businessperson become aware of environmental and social risks, and learn how to tackle the problems,” says van Elteren.

FMO training courses began in 2007, but it is still too early to assess whether microenterprises are turning around their practices, says van



ging in virgin forests or areas rich in biodiversity, and production and trade in weapons and ammunitions are also considered off-limits. Other risks slated to be eliminated include production or trade in illegal products and in hazardous or banned products such as unsafe pesticides and herbicides.

In the microenterprise world, the most widespread social risks are child labor and faulty labor conditions such as noisy, dirty or dangerous working environments. Many small-scale enterprises such as brick-making, metalworking, auto repair and painting tend to involve handling dangerous machines, chemicals, solvents and pesticides. A number of handicrafts trades such as glass-blowing, textile dying and leather tanning cause water pollution. According to studies by the IDB, businesses with the highest environmental risks include dry cleaning, chemical industries, jewelry-making,

ment of the microfinance institution and sufficient incentives for it to permeate the organization,” says the IDB’s Miller.

Persuading small businesses—often operating on a shoestring—to hire only adult workers, upgrade their machinery and workshops, and halt the use of toxic chemicals is a challenge. “Short-term goals often are of paramount importance, but practical suggestions can be made, explaining, for example, that if machinery is dangerous for the hands and you lose your fingers, the business will be hurt,” says van Elteren.

Loan officers at MFIs are the key to success in the effort to improve the business practices of microenterprises. A typical loan officer is in direct contact with some 300 microentrepreneur clients and makes frequent on-site visits to their businesses. These professionals can advise businesses on how to treat employees, conserve water, handle

Elteren. Nonetheless, FMO’s approach has been received as a valuable tool by many MFIs.

MFIs have strong incentives to develop strategies that incorporate the education of microentrepreneurs in environmental and social risks. “In the contracts we sign with MFIs, there is a list of exclusions of activities that pose a high social or environmental risk and that should not be financed,” says Miller.

Investment funds that work with MFIs are also under pressure to support policies and strategies for coping with environmental and social risks in microenterprise, notes FMO’s van Elteren. “If we finance an investment fund that finances MFIs, we expect the fund to drive this policy.”



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