



# NATURE-ORIENTED TOURISM IN ECUADOR: AN ASSESSMENT APPLYING THE *VALUE CHAIN AND NATURE, WEALTH AND POWER* FRAMEWORKS

microREPORT #64

**July 2006**

This publication was produced for review by the United States Agency for International Development. As part of a joint AMAP/FRAME effort, this paper was prepared by Robert Fries (ACDI/VOCA), Marcela Correa (CARANA), Douglas Pool (International Resources Group), and Arnaldo Rodriguez (Green-Consulting), with significant contributions by Stephen Edwards and Salvador Cazar (Conservation International).

# **NATURE-ORIENTED TOURISM IN ECUADOR:**

## **AN ASSESSMENT APPLYING THE *VALUE CHAIN AND NATURE, WEALTH AND POWER* FRAMEWORKS**

### **microREPORT #64**

#### **Authors:**

Robert Fries - ACDI/VOCA  
Marcela Correa - Carana Corporation  
Douglas Pool - International Resources Group  
Arnaldo Rodriguez - Green-Consulting

#### **Interviewers:**

Juan Carlos Izurieta , Glenda Lopez, Paola Stone, Mireya Villacis - Green-Consulting  
Daniela Cajiao - Conservation International

#### **Contributors:**

Banu Akin, Ruth Campbell - ACDI/VOCA  
Stephen Edwards, Salvador Cazar - Conservation International  
Lauren Sorkin, Pradeep Tharakan - International Resources Group

**July 2006**

#### **DISCLAIMER**

The authors' views expressed in this publication do not necessarily reflect the view of the United States Agency for International Development or the United States Government.

# CONTENTS

<b>LIST OF ACRONYMS</b>	<b>i</b>
<b>EXECUTIVE SUMMARY</b>	<b>1</b>
<b>1. BACKGROUND</b>	<b>3</b>
A. STUDY OBJECTIVES	3
B. INDUSTRY SELECTION	3
C. METHODOLOGY	4
<b>II. VALUE CHAIN CHARACTERISTICS</b>	<b>6</b>
A. END MARKETS	6
B. ENABLING ENVIRONMENT—CRITICAL ELEMENTS IMPACTING OPPORTUNITIES FOR SUSTAINABLE GROWTH	11
C. INTER-FIRM COOPERATION—ACTORS AND RELATIONSHIPS	16
D. SUPPORTING SERVICES	27
E. MAJOR CONSTRAINTS AND OPPORTUNITIES	29
<b>III. COMPETITIVE STRATEGY AND ACTION PLAN</b>	<b>33</b>
A. FOUR POTENTIAL ELEMENTS OF A STRATEGIC VISION	33
B. POTENTIAL ACTION ITEMS	34
<b>ANNEX 1: CONCLUSIONS CONCERNING THE LINK BETWEEN         TOURISM AND BIODIVERSITY, AND THE INTEGRATION         OF VCA AND NWP FRAMEWORKS</b>	<b>38</b>
<b>ANNEX 2: REFERENCES</b>	<b>41</b>
<b>ANNEX 3: MULTILATERAL AND BILATERAL SUPPORT OF TOURISM</b>	<b>43</b>
<b>ANNEX 4: STAKEHOLDER MEETING PARTICIPANTS</b>	<b>44</b>
<b>ANNEX 5: LAWS AND REGULATIONS</b>	<b>45</b>
<b>ANNEX 6: OPPORTUNITIES AND CONSTRAINTS TABLES (SPANISH)</b>	<b>46</b>
<b>ANNEX 7: SCOPE OF WORK</b>	<b>49</b>
<b>ANNEX 8: CONTACT MATRIX</b>	<b>55</b>

## LIST OF ACRONYMS

AMAP BDS	Accelerated Microenterprise Advancement Program – Business Development Services
ASEC	Ecuador Ecotourism Association
CAIMAN	Conservation in Managed Indigenous Areas
CORPEI	Ecuadorian Corporation for the Promotion of Exports
FRAME	Framework for Knowledge Sharing for the Natural Resource Community
GDP	Gross Domestic Product
MAE	Ministry of Environment
MINTUR	Ministry of Tourism
MSEs	Micro and Small Enterprises
NGO	Non-governmental Organization
NWP	Nature, Wealth, and Power
SNAP	National System of Protected Areas
USAID	United States Agency for International Development
VCA	Value Chain Approach
WB	World Bank
WTO	World Tourism Organization
WTTCM	World Travel and Tourism Competitiveness Monitor

# EXECUTIVE SUMMARY

In May 2006, a team of researchers conducted an assessment of nature-oriented tourism in three locations in Ecuador: Mindo, Puerto Lopez and the Napo River basin. These sites presented a range of both geographical destinations (sierra, coast and Amazon) and natural resource ownership models (public, private and community lands). In conducting the assessment, the team applied elements of two frameworks—Nature, Wealth and Power, which considers the ecological, economic and social factors and benefits involved in natural resource management and nature-based enterprise; and the Value Chain Approach, which examines opportunities and constraints facing key businesses in an industry, and the critical factors affecting their competitiveness.

Ecotourism was initially selected for analysis because of Ecuador's comparative advantages in this area, the significance of tourism to Ecuador's economy, and ecotourism's potential to provide both economic opportunities and incentives for conservation in rural areas. The analysis was expanded to include other nature-oriented tourism operations in the selected zones, as the line between ecotourism and these other businesses is not clearly drawn by the tourists who buy their products and services. Lessons concerning the relationship between conservation and tourism, as well as the integration of the two frameworks are presented in Annex 1.

End market research reinforced the amorphous nature of the ecotourism industry. It also demonstrated Ecuador's comparative advantages in nature-oriented and ecotourism, and the fact that Ecuador has been losing market share to two of its major competitors, Peru and Costa Rica. Subsequent field analysis pointed to a number of factors contributing to this gap between comparative advantage and competitive performance. The enabling environment includes the stated commitment of the Ministries of Tourism and the Environment, but extremely limited budgets, interagency collaboration, and planning, regulatory and enforcements capabilities; a model to decentralize government services that has not been evenly implemented and has resulted in confusion over the rules governing businesses in the industry; and threats to the natural resource base driven by a lack of land use planning and resource management.

Analysis of relevant actors in the three locations indicates that nature-oriented tourism in Ecuador is not a well-integrated value chain. Actors tend to lack an industry perspective and are reticent to cooperate with each other. Challenges to horizontal linkages include a high incidence of informal businesses, tensions between ecotourism and recreational activities and between local operators and those perceived as outsiders, and a frustration with the lack of cost-effectiveness of associations. The most effective horizontal linkages tend to be formed in response to local challenges. Vertical linkages are best developed between actors serving high-end markets—such as birders and visitors to Amazon eco-lodges. Through these linkages, market access, standards and feedback from the end-market are provided through agencies in Quito, North America and Europe. Finally, the analysis demonstrated a link between the flow of economic benefits from nature-oriented tourism to local communities and local community support of conservation efforts.

Two critical supporting services were continually mentioned in interviews as being inadequate: promotion and finance. Promotion efforts by Ecuador's tourism promotion agency are constrained both by budget—its total annual budget is less than its Peruvian counterpart's advertising budget for the United States—and by a lack of linkages and feedback mechanisms with the private sector and local tourism councils. In terms of finance, the common sources of funds for investment in the industry include owner equity and grants from NGOs, due to high interest rates and a limited supply of loans.

At a workshop held in Quito on June 1, industry stakeholders ranked their most significant opportunities and constraints. The most commonly cited themes were related to the enabling environment: decentralization, the lack of basic services and public-private linkages, and the weak management of and investment in national parks and public lands. Other repeatedly mentioned constraints included the need for improved business planning and management skills at the firm level, and better access to finance.

In light of these findings and industry feedback, the team proposes for stakeholder consideration four potential elements of a strategic vision that could enhance the competitiveness and sustainability of Ecuador's nature-oriented tourism industry:

1. Ecuador will develop a **brand** as the *leader in sustainable tourism*, offering authentic and unique experiences that are tied to Ecuador's *natural and cultural resources*.
2. Products and destinations under this brand will respond to **market demand**, designed to capture a range of market segments and tourists interested in a range of activities. Elements of mass tourism that do not harm the sustainable tourism brand will be promoted in order to attract a large number of tourists and to demonstrate that sustainable tourism is a mainstream brand.
3. Ecuador's growing brand of tourism will become increasingly linked with **natural resource management** that protects the environment and promotes biodiversity.
4. Building this brand will require **increased collaboration** between industry actors, with the development of an industry-level awareness replacing the current enterprise-level understanding of competitiveness. Since incentives for collaboration appear stronger at the local level, linked to concrete and immediate mutual benefits, local collaboration that is consistent with the national brand will be encouraged. In fact, the national brand will be shaped and strengthened by collaborative efforts to define and promote mini-brands or destinations.

This report concludes with illustrative actions that would allow stakeholders to address identified opportunities and constraints within the context of a competitiveness strategy. Emphasis is placed on achievable, shorter term actions that build on immediate interests shared at the local level. The illustrative actions address:

- the enabling environment—streamlined business legalization processes, interagency websites, differentiated fee strategies for protected areas, and improvements in planning and governmental oversight;
- inter-firm cooperation—through such initiatives as local stakeholder sessions, codes of conduct, systems to manage and monitor limits of acceptable change, and collaborative promotional materials and information services;
- firm-level upgrading—through business alliances, investments and training that contribute to the development of mini-brands and destinations; and
- support services—the development and promotion of loan products for small investments in firm-level upgrades, and the development of local market information systems that integrate into market analysis provided by *Fondo Mixto*—Ecuador's tourism promotion agency—and ministries at the national level.

In short, Ecuador's nature-oriented tourism industry can become more competitive and sustainable. Its future competitiveness will be achieved by building an industry orientation, expanding inter-firm cooperation, and consciously investing in and promoting itself as a leader in a brand of sustainable tourism that appeals to a broad spectrum of market segments.

# 1. BACKGROUND

## A. STUDY OBJECTIVES

The objective of this assessment is to provide key stakeholders with information that can help them develop a strategy and action plan for making Ecuadorian ecotourism a more competitive and sustainable industry, with increased benefit flows to rural poor and local communities and significant contributions to conservation. Findings identified through this assessment highlight:

- common opportunities and constraints faced by industry actors; and
- critical conditions, incentives and interventions required for effective conservation, informed by successes and failures in effective biodiversity conservation in Mindo, the area surrounding Machalilla National Park, and the lower Napo River basin.

By sharing these findings with businesses and facilitating NGOs, public sector actors and donors, the assessment should assist stakeholders in developing an **industry competitiveness strategy** and a **stakeholder-driven action plan** to increase the competitiveness and productivity of the nature-based segment of the tourism industry, as well as the sustainability of the biophysical resources that serve as its base.

## B. INDUSTRY SELECTION

In Ecuador, USAID is developing programs that will assist the country to conserve its unique biodiversity in ways that benefit indigenous, rural and other disadvantaged people. USAID believes that achieving sustainable resource management and economic growth in and around protected areas will only be possible if activities respond to the complex and dynamic nature of rural life in Ecuador. Tourism has the potential to bring these two themes together for several reasons:

1. Conservation of large areas requires clear incentives for local participation.
2. Sustainable enterprises are essential to Ecuador's development at every economic scale.
3. International tourism, based primarily on natural areas, is now the third-largest source of foreign exchange (after petroleum and remittances) and provides direct employment for 3 percent of the economically active population (Economic Intelligence Unit, 2005). As one of the world's 17 mega-biodiverse countries, Ecuador has great ecotourism potential. The sector is expected to grow in coming years, but currently faces stiff competition from Peru and Costa Rica—to which it has been losing market share over the last decade.
4. Few other economic opportunities are available for remote communities due to high transport costs, and the most attractive ones are extractive (timber, oil and fishing) and generally threaten natural systems.

To better understand the dynamics, opportunities and constraints of ecotourism, and its implications for conserving biodiversity, the USAID mission requested an assessment of this industry, an assessment that would integrate elements of both the *value chain approach* (VCA) and *Nature Wealth and Power* (NWP) framework.<sup>1</sup>

---

<sup>1</sup> General conclusions related to the links between conservation and tourism, and the integration of the VCA and NWP frameworks are presented in Annex 1.

## C. METHODOLOGY

### 1. INTEGRATED APPROACH

This assessment of selected actors in Ecuador’s ecotourism industry integrates the VCA developed under USAID’s Accelerating Microenterprise Advancement Project Business Development Services (AMAP BDS) Knowledge and Practice Task Order and the NWP framework developed under USAID/FRAME<sup>2</sup>. The NWP lens sets out key questions including: how can we integrate nature (environmental management), wealth (economic concerns) and power (good governance)? How is it possible to facilitate (a) sustainable utilization and improved management of natural resources, (b) economic growth and poverty alleviation, and (c) empowerment and enfranchisement? The value chain approach addresses the question: can small firms and the industries they dominate compete in globalized markets, and, if so, how? How do benefits create incentives or disincentives for performance? How does the relative power among firms in a value chain affect inter-firm cooperation and coordination? How do learning and innovation promoted by both private and public actors affect the competitiveness of micro and small enterprises (MSEs)?

The value chain approach examines the key businesses in the industry to analyze the relationships between these businesses and the factors affecting the performance of the industry. The analysis identifies ways to achieve higher levels of competitiveness through a combination of three strategies: producing and delivering goods and services more efficiently; differentiating products or services through quality standards and branding; and exploiting new market demand. Factors include access to and the requirements of end markets; the global, national, regional and local business enabling environments; vertical linkages between actors that permit the flow of products and services, learning and benefits; horizontal linkages between like firms to create economies of scale and bargaining power; sector-specific, cross-cutting business and financial service markets; and opportunities for firm-level upgrading.

A synergy of these analytical frameworks allows essential environmental and social issues to inform an assessment of competitiveness and long-term industry sustainability. From the VCA perspective, long-term industry competitiveness necessitates protection of the resource base on which it is founded, and social benefits to provide incentives to stakeholders (including communities) to support the industry. From the NWP perspective, this synergy provides an opportunity to achieve the ultimate goal of a “triple bottom line” that includes increased resource productivity and biodiversity conservation (ecological benefits—Nature), economic growth through the development of competitive industries (Wealth) and local empowerment and good governance (social benefits—Power). FRAME and AMAP experiences highlight key relationships between producers and consumers, public and private actors. These relationships can facilitate learning and information sharing that build greater industry competitiveness, while removing barriers to the sustainable use of natural resources and effective natural resource management.

### 2. STUDY STEPS

- i) *Conduct background research.* Secondary research was used to benchmark Ecuador’s position in the global market, analyze market trends, identify market leaders in the Ecuadorian ecotourism industry and synthesize the major findings of existing studies on the ecological impacts of ecotourism in Ecuador.
- ii) *Tailor interview guides.* Interview guides were adapted to the Ecuadorian context and conservation themes were integrated with competitiveness questions.

---

<sup>2</sup> FRAME is shorthand for USAID’s Framework for Knowledge Sharing for the Natural Resource Community.

- iii) *Select locations.* As described below, the three areas (coast, sierra and Amazon) were selected by USAID Ecuador with guidance from AMAP and FRAME senior researchers, and advisors from Green-Consulting and Conservation International.
- iv) *Select and train a local research team in the integrated NWP/VCA.* The AMAP/FRAME team was supported by a team of local interviewers and consultants with tourism, natural resource management and business development experience, in order to cost-effectively integrate existing knowledge and research into the current effort.
- v) *Conduct field interviews and analyze findings.* The team applied the integrated framework at the three sites, and analyzed findings to identify opportunities to increase the competitiveness of the ecotourism industry in tandem with the sustainable use and improved management of affected natural resources.
- vi) *Organize and implement a stakeholder workshop.* A group of key stakeholders was convened to review the findings of the study and prioritize the constraints and opportunities facing the industry. Their feedback informed the key elements of a strategic vision and potential action items presented in the Findings section of this report.
- vii) *Disseminate study results.* Results of the study will be posted on the FRAME site, USAID/Ecuador website, MicroLINKS website and ACDI/VOCA website, and publicized in newsletters.

### 3. RATIONAL FOR SITE SELECTION

Preliminary end market analysis indicated that easy access to Ecuador’s coast, sierra and Amazon is an advantage for Ecuador in the global ecotourism market. This assessment analyzes ecotourism at the national level but will focus on three distinct areas representative of the diversity in Ecuador’s natural, cultural and economic environment in order to assess and illustrate regional variations in constraints and opportunities and consequent strategies for increased competitiveness. The criteria for site selection included (1) the presence of a natural resource that acts as a significant local source of revenue for ecotourism and related economic activities, (2) the potential for expanded commercial activity, (3) safety and (4) access that would allow fieldwork to be conducted in the given study period. Further, the three following sites were selected to reflect regional diversity, a range of activities attracting different types of national and international tourists, and differences in the ownership and management structure of relevant protected areas<sup>3</sup>:

- ***Town of Mindo and its surroundings***—premontane cloud forest in the sierra region with private nature reserves and a publicly-managed protected forest
- ***Machalilla National Park and the town of Puerto Lopez***—coastal marine and forested national park with community tourism initiatives and private tourism investments in the surrounding town
- ***Lower Napo River basin***—Amazon rainforest region with community and private ecotourism investments including private reserves within or adjacent to Yasuni National Park

---

<sup>3</sup> Table 1 on page 15 contains detailed information regarding the biophysical characteristics of the selected sites.

## II. VALUE CHAIN CHARACTERISTICS

### A. END MARKETS

#### 1. ATTRIBUTES OF ECOTOURISM AND ECUADOR'S COMPARATIVE ADVANTAGE

Research and interviews with nature-oriented tour operators in the United States and England indicated that ecotourism, as a market segment, is amorphous. While affiliated with The International Ecotourism Society, the outbound operators interviewed advertise themselves as providing nature-based tourism, adventure tourism, responsible tourism, fair trade tourism and customized international packages. Just as the outbound operators do not define their products as necessarily ecotourism, individuals with ecotourism interests do not define themselves as ecotourists, nor limit their vacation time to ecotourism experiences. A study conducted by the World Tourism Organization (WTO) on the U.S. ecotourism market, for example, found that “U.S. ecotourists participated in an average of over ten other activities in addition to environmental and ecological excursions. [If] equal time was spent on each listed activity, the average U.S. ecotourist would have spent only about nine percent of his or her time on the trip engaged in ecotourism activities” (WTO, 2002a). The study concluded, “It appears that the majority of U.S. ecotourists are probably relatively ‘casual’ in terms of their interest in ecotourism activities.”<sup>4</sup>

A series of similar studies in the United Kingdom (WTO, 2002c), Germany and Spain (WTO, 2002b) concluded that:

- “ecotourism” remains limited as a marketing term, with negative, self-righteous connotations in the UK, and limited use in Spain, where nature tourism and adventure tourism are more commonly used and considered more precise
- ecotourism, strictly defined, represents a small share of the market (an estimated 5 percent of U.S. residents traveling overseas engage in “environmental/ecological excursions”)
- nature-oriented and cultural tourism, more broadly defined, enjoys a larger market share, (35 percent of U.S. outbound travelers toured the countryside, 29 percent visited cultural heritage sites, 26 percent engaged in water sports and beach activities, 13 percent visited ethnic heritage sites, and 8 percent visited national parks)
- those who enjoy nature tourism also enjoy meeting local communities
- ecotourism enthusiasts have relatively higher incomes than the general population, although not necessarily higher than those who travel internationally
- environmental awareness, while not well developed, is growing in the tourism sector

Because ecotourism is not a clearly defined product or market, data on the market is sketchy and inconsistent. This does not mean it cannot be defined, but it is not easily measured. “The challenge in estimating the growth in demand for worldwide ecotourism is that no data exists to measure ecotourism based on any operationally rigorous definitions” (WTO, 2002a). Proxy indicators appear to demonstrate a demand for ecotourism activities that parallels, or slightly outpaces, growth in overall tourism.

- Between 1996 and 2000, participation in “environmental/ecological excursions” during overseas travel, according to the U.S. Department of Commerce’s annual in-flight survey, grew at the same rate as outbound tourism in general.

---

<sup>4</sup> This was part of a series of reports that included markets in the US, UK, Germany, Spain, and concluded that use of the term “ecotourism” remains limited in marketing

- The survey also indicated nine countries which feature ecotourism as a major component of their overall tourism. Between 1995 and 2004, the growth in international arrivals to six of these countries outpaced the global annual growth rate of 15.8 percent. These six countries (South Africa, New Zealand, Belize, Ecuador, Costa Rica and Peru) had growth rates ranging from 16.2 percent for South Africa, to 31 percent for Peru. Arrivals to the remaining three countries grew at annual rates slightly lower than the global average: Chile at 13 percent, Kenya at 14 percent and Australia at 14.6 percent (WTO, 2005).<sup>5</sup>
- 65 percent of respondents in a WTO survey of U.S. tour operators indicated that ecotourism was a constant share of their business over the past five years, 29 percent sited it as a growing share, and only 6 percent as a declining share (WTO, 2002a).

Recognizing its amorphous nature, the WTO identifies characteristics of ecotourism (WTO 2002c). It is a nature-based form of tourism that:

- is motivated by a desire to observe and appreciate nature and traditional cultures prevailing in natural areas
- contains educational and interpretation features
- minimizes negative impacts on the natural environment
- supports the protection of natural areas by benefiting host communities and increasing awareness of locals and tourists towards the conservation of natural and cultural assets

Given these attributes, Ecuador possesses a number of comparative advantages for attracting tourists with a nature or ecological orientation. These include:

- the Galapagos Islands, a world famous destination identified with biodiversity<sup>6</sup>
- biological and ecological diversity, with Ecuador ranked as being among the 17 most biodiverse countries of the world
- accessible diversity, with pristine natural settings in coastal, sierra and Amazon regions that are all in relatively close proximity to each other
- extensive cultural diversity with 25 cultural groups, including indigenous cultures living in natural settings, and 13 languages (including Spanish) spoken within its borders
- relatively consistent climate throughout the year

## 2. ECUADOR'S COMPETITIVENESS

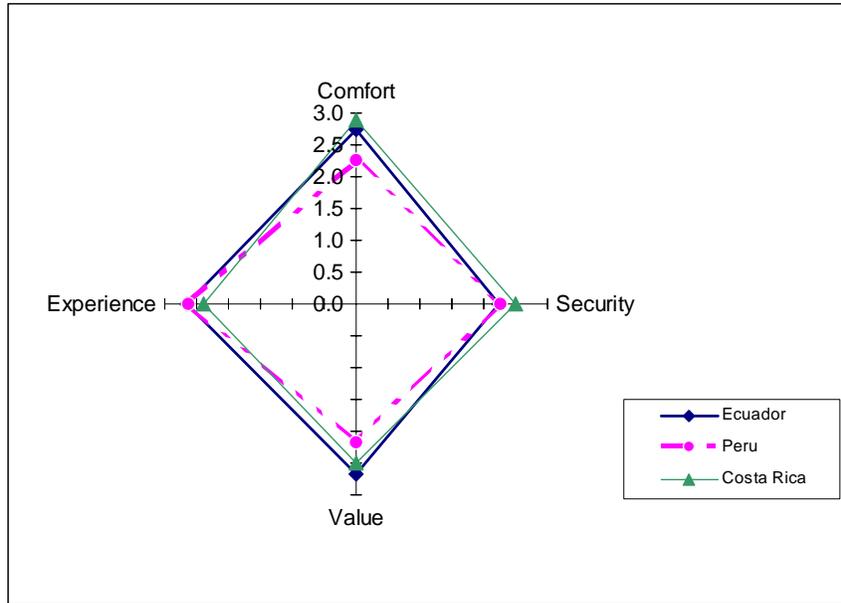
Given its comparative advantages, how competitive is Ecuador's nature-oriented tourism industry? The team's survey of 10 outbound operators in North America and the UK that promote Ecuador indicated that nature-oriented tourists consider four basic criteria in selecting their destinations: experience, security, comfort and value for money spent. With regard to experience, the outbound operators highlighted that their clients specifically value unique, authentic experiences where they have direct contact with the natural resource or the local people. Figure 1 highlights how Ecuador and its two main competitors, Peru and Costa Rica, ranked against these criteria, with three being the highest possible score. The graph illustrates that competition between the three countries is tight, with limited differences in ranking. Costa Rica has a small edge in the areas of security and comfort. Ecuador has a slight edge in terms of value. Peru has a tiny advantage in terms of experience, because of Machu Picchu's wider fame and

<sup>5</sup> Figures for Australia reflect arrivals through 2003, as 2004 data was not available.

<sup>6</sup> However, the islands are not necessarily identified with Ecuador. A recent survey conducted by Ecuador's Fondo Mixto found that only 21 percent of Germans interviewed were aware that the Galapagos is part of Ecuador.

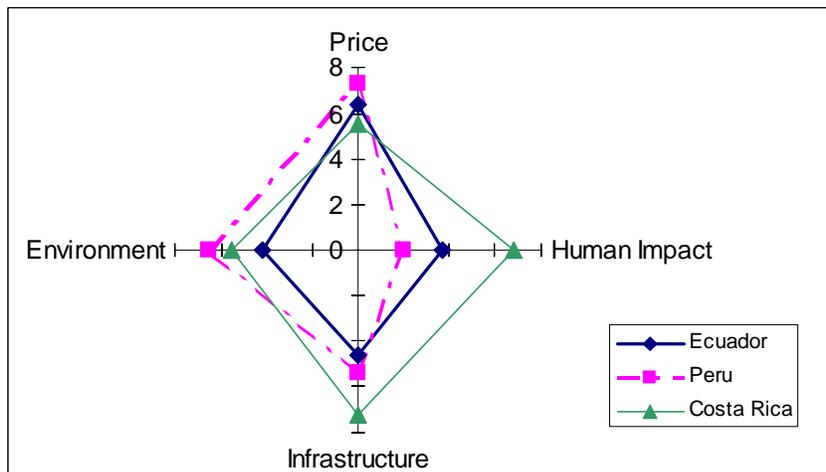
clear affiliation with Peru. However, given the operators' interest and business in Ecuador, their opinions do not necessarily reflect the broader market perspective.

**Figure 1: Outbound Operators Assessment of Competitors by Key Attributes**



To complement the operators' assessment, which revealed limited differences between the three countries, we compared Ecuador with Peru and Costa Rica on four relevant benchmarks maintained by the World Travel and Tourism Competitiveness Monitor (WTTCM), and arrayed the data in a similar graph, as shown in Figure 2.

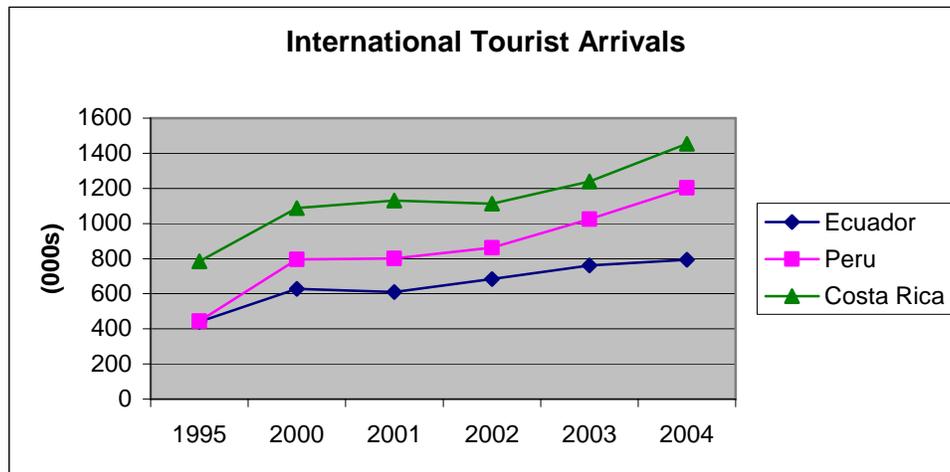
**Figure 2: Ecuador versus Competitors—WTTC Benchmarks**



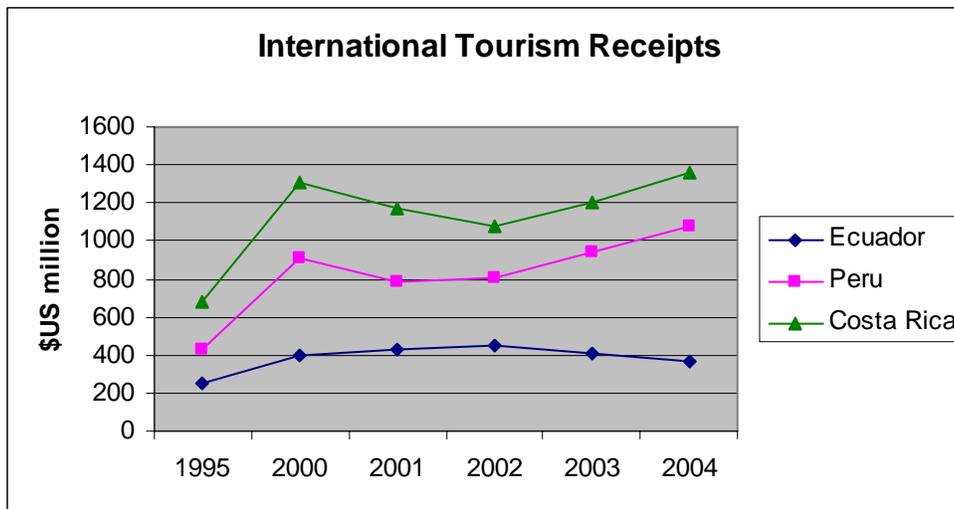
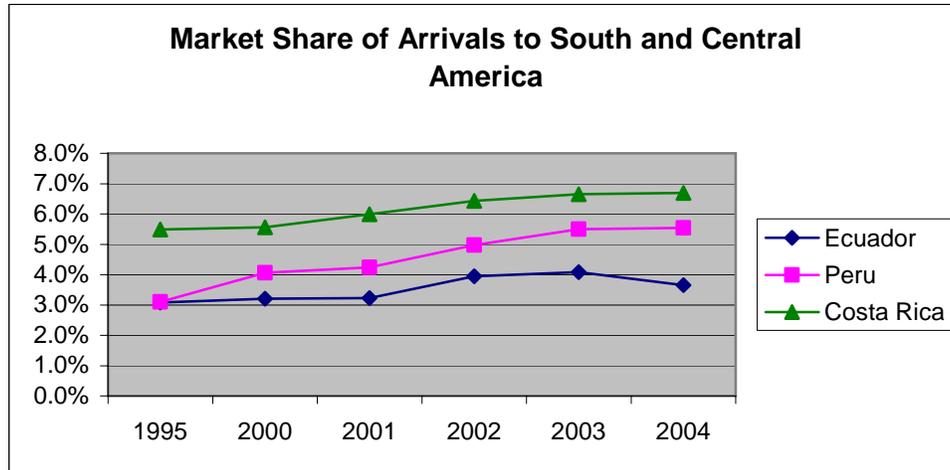
These benchmarks include: price, environment, infrastructure and human impact of tourism.<sup>7</sup> The Price and Infrastructure indices are most indicative of the competitiveness of a country's tourism industry, reflecting similar criteria as the Value and Comfort indicators cited by operators. Using these benchmarks, Ecuador appears to be less competitive, coming a close second to Peru in terms of price, while Costa Rica demonstrates a commanding advantage with its infrastructure. While no WTTCM benchmark captures the Experience notion, the environment and human impact benchmarks track a country's orientation to environmental protection and the degree to which the local population participates in and benefits from tourism. While less directly reflective of competitiveness for the tourism industry, Ecuador scores last and a distant second on these indicators, respectively.

Given these assessments in which Costa Rica appears to enjoy a similar competitive advantage over both Peru and Ecuador, it is striking to note how much Peru has gained on Ecuador in terms of market share and earnings from tourism. The graphs in Figure 3 illustrate how, in the face of a more stable, safe and effectively promoted Peru, Ecuador has become less competitive over the last decade. Over this 10 year period, Peru has outperformed both Costa Rica and Ecuador in gaining market share and increasing income from international tourism. Ecuador has lagged in the growth of tourism, losing both market share and income over the last three years, despite absolute increases in the number of tourists. The fall in receipts is partially attributable to visits by Ecuadorians living abroad, which increased as a result of a wave of emigration in recent years.

**Figure 3: Ecuador versus Competitors—International Arrivals, Market Share and Receipts**



<sup>7</sup> Price is a composite of three World Bank (WB) indexes: hotel price, purchasing power parity and taxes on goods and services. Infrastructure is a composite of WB indices on roads, trains and access to water and sanitary facilities. Environment is a composite of WB indices on population density and carbon dioxide emissions, as well as a country's ratification of environmental treaties. Human Impact is a composite of two indices on population participation in tourism and tourism's impact on GDP.



Source: World Travel Organization, 2005

### 3. TOURISTS IN ECUADOR

Ecuador's tourism arrivals derive from three main locations: the neighboring countries of Colombia and Peru, the U.S. and Europe. In 2002-2003, Colombia and Peru accounted for 29.5 percent and 14.5 percent of tourist arrivals respectively, while the U.S. and Europe accounted for 24 percent and 17.6 percent. The composition of these arrivals has been changing as a result of the dollarization of Ecuador's currency in 2000. Although more recent figures are not available, the participants in this study reported drops in international tourist arrivals and, in particular, regional tourists, as a result of the valuation of the Ecuadorian currency. Domestic travel is also a significant contributor to tourism earnings. In 2003, national tourists contributed approximately US \$217 million toward tourism receipts (compared to \$406 million in receipts from international tourists).

Ecotourism represents a significant motivation for current tourist arrivals as well as a noteworthy potential market for further expansion. While 46 percent of Ecuador's visitors arrive for recreational purposes (versus business), a recent survey of foreign tourists in Ecuador reveals that their three principal motivations for travel are directly linked to ecotourism—appreciation of local cultures, enjoyment of nature, and participation in low risk adventure activities

(Green Consulting, 2006). Both nature-oriented tourists and mass tourists from overseas are increasingly using the internet to gain information about destinations, but not yet for booking accommodations and packages (WTO, 2002a). Outbound tour operators remain an important source of market access, and information and feedback about standards of service.

The socio-economic characteristics of ecotourists vary by country of origin. Some commonalities include a slightly higher percentage of women than men, high household income and high levels of education. U.S. and European nature-oriented travelers tend to be older than their non-nature oriented counterparts, although there are significant percentages of younger travelers from both areas. Travel party size varies according to area of origin, with European travelers tending to travel alone (60 percent) while approximately 50 percent of North American ecotourists travel as couples. Also, 30 percent of the North American nature-oriented tourists travel as part of organized groups. Although the average daily expenditure of ecotourists in Ecuador has not been thoroughly studied, one ongoing study of nature-oriented travelers (domestic and international) sets the mean at \$41 (Green Consulting, 2006).

## **B. ENABLING ENVIRONMENT—CRITICAL ELEMENTS IMPACTING OPPORTUNITIES FOR SUSTAINABLE GROWTH**

Actors in the industry are influenced by a number of aspects of the enabling environment. These include global influences, from standards to international donors; the public sector and its efforts in the areas of decentralization and infrastructure; and the natural environment—the resource base of ecotourism, threats to these resources, and the systems under which they are owned and managed.

### **1. GLOBAL INFLUENCES—STANDARDS AND INTERNATIONAL DONORS**

Given the challenges in defining ecotourism as a subsector, international standards along with disaggregated data, benchmarking and certification systems for ecotourism on a global level are not well developed. Certifications and labels abound in Europe, but are not integrated and only serve to confuse the consumer and diminish the value of the brand. Within Ecuador, the Ministry of Tourism, with input from the Ecotourism Association (ASEC), developed a technical norm in 2003, spelling out general conditions required for ecotourism certification. However the cost in time and money to meet this norm have been a strong disincentive for accommodations and operators to obtain the label, especially given the lack of concrete benefits for being certified. As a result, after two years, the effort is at a standstill.<sup>8</sup>

While international and local standards do not have significant impact on the growth of ecotourism in Ecuador, international donors do. As the table in Annex 3 illustrates, the current programs of numerous bilateral and multilateral programs include initiatives supporting sustainable tourism through small grants, infrastructure investment, planning and policy development, technical assistance targeting community and sustainable tourism and small business capacity building. For example, programs include USAID's support of community development under the CAIMAN project, which promotes biodiversity conservation through support to indigenous groups to obtain territorial integrity, satisfy capacity building needs and ensure financial sustainability; the Inter-American

---

<sup>8</sup> An NGO-inspired certification program has proved slightly more successful. Rainforest Alliance developed SmartVoyager in collaboration with its Ecuador-based partner *Conservación y Desarrollo*. The program awards its green seal of approval to tour boat operators and accommodations in Ecuador that meet conservation standards for protecting the environment, wildlife and the well-being of workers and local communities. Launched in 1998, so far Smart Voyager has certified nine boats in the Galapagos and two accommodations in mainland Ecuador.

Development Bank's feasibility studies in preparation for a sustainable tourism program in southern Ecuador;<sup>9</sup> and the Global Environmental Facility's investment in upgrades in protected areas. International donor projects tend to work more closely with NGOs, community groups and the public sector agencies than with private enterprises.

## **2. ECUADOR'S BUSINESS ENABLING ENVIRONMENT—PUBLIC SECTOR, DECENTRALIZATION AND INFRASTRUCTURE**

Ecuador is divided into 22 provinces composed of 215 cantons. Each province has two governing regimes: a branch headed by a governor who is appointed by the President of the Republic; and an autonomous branch, headed by a prefect who is elected by popular vote. Municipalities, headed by a popularly elected mayor, are the seats of government for each canton. Ecuador's central government consists of 15 national-level ministries that regulate all economic and social activities. Two ministries deal most directly with the ecotourism sector:

- The **Ministry of Tourism (MINTUR)** is charged with developing the competitiveness of the tourism sector as well as promoting the sector's role as a key component to Ecuador's economic, social and environmental development. MINTUR aims to pursue a public-administration model that is decentralized, effective and efficient.
- The **Ministry of Environment (MAE)** is the national agency in charge of designing environmental policy and coordinating strategies and programs for the care of ecosystems and the sustainable use of natural resources. It proposes and defines the policies to attain appropriate levels of environmental quality, basing development on conservation and the maintenance of biodiversity and natural resources.

The funding designated for these ministries is not commensurate with tourism's place in the national economy and its role as a foreign exchange earner. While Ecuador earns US \$373 million from international tourism, MINTUR receives only 0.07 percent of the national budget and MAE only 0.16 percent (Ministry of Economy and Finance, 2005). Understandably, with insufficient financial resources, the institutional capacity of these ministries is also greatly limited. MINTUR and MAE both lack effective planning, regulatory and enforcement capabilities. Processes related to licensing, registration and land tenure are widely criticized for their complexity and inefficiency.

Nonetheless, since the start of the 1990s, MINTUR has strived to advance the development of ecotourism projects, with emphasis on land within the National System of Protected Areas (SNAP). To support this policy, a set of regulations on *Ecotourism and Sustainability* was promulgated in 2002 and a *National Ecotourism Strategy* was created in 2004 to encourage national consensus on the importance of nature-based tourism. Because of limited funding, institutional capacity, and implementation, these laws and policies, however, have had limited impact on the development of the tourism sector.

In addition, in 2000 MINTUR developed a decentralized tourism model based on the Ecuadorian Constitution, which states that the central government will gradually transfer jurisdiction and resources to regional authorities. By 2002 there were a total of 60 transfer agreements, covering every province of the country. Of the 60 decentralized municipalities, 52 have developed tourism plans with the assistance of consultants hired by MINTUR. A MINTUR official working with the decentralized municipalities considered more than 80 percent of these plans to be significantly inadequate. Similarly, Ministry training programs to build local capacity in such areas as planning, zoning and investment promotion have been discontinued because of unsatisfactory results. While presenting opportunities for greater local participation and effective sustainable tourism efforts, decentralization has contributed

---

<sup>9</sup> The Inter-American Development Bank is currently financing feasibility studies in preparation for an investment program to develop sustainable tourism opportunities in the Southern Region of Ecuador. This program grew out of a request by the Ministry of Economy and Finance for a tourism investment program of up to US \$15 million.

to an environment in which responsibilities for planning and enforcement are unclear between the Ministries, provincial governments and local authorities.

For its part, MAE has published an environmental strategy that emphasizes “the dynamic development of activities that are linked to ecotourism and the maximum use of SNAP” and emphasizes “stimulating tourism investment in protected areas” (MAE, 2000). In addition, its biodiversity strategy favors opportunities for “community-based ecotourism” as a preferred model for tourism operations inside of protected areas (MAE, 2001).

Yet, at the national level, inconsistencies—even contradictions—exist, hindering the application of policies and strategies. For example, the *General Policy for Applying the Tourism Law* (January 2004), and the *Special Policy for Tourism in Natural Protected Areas* (August 2002)<sup>10</sup> are not consistent. This has resulted in contradictions between MINTUR’s and MAE’s approaches to tourism management in protected areas, unclear norms and requirements for guides and tourism development, and a frustrated private sector with strong disincentives to operate legally.

The challenges caused by limited funding, the lack of institutional capacity and decentralization result in an ambiguous regulatory environment. In protected areas, jurisdictions overlap and regulations relating to concessions are ill-defined, thereby limiting development. Land tenure outside of protected areas and land rights for ancestral lands within protected areas are also convoluted, leading to conflicts over land ownership and management (as discussed further below). Additionally, ordinances concerning licensing and operating standards are not enforced effectively, which results in limited incentives for formalization.

**Infrastructure.** Ecuador depends on air and road transport for connections to and within the country. The country has two international airports, in Quito and Guayaquil, which are serviced by several major carriers. Ecuador has also begun construction of a new international airport near Quito. Slated to open in 2009, it will cover 13 times the area available at the current airport, at an elevation 500 meters lower. This will allow for an increase in direct flights with Europe and North America. The three Ecuadorian airlines—Tame, Aerogal and Icaro—provide domestic connectivity. However, it is Ecuador’s extensive road system that accounts for most of the movement across the country. Cargo trucks move the majority of in-country freight along these roads while public buses provide transportation within and across urban and rural centers.

Telecommunications infrastructure, managed by both public and private companies, has improved significantly in recent years. State-owned Andinatel and Pacifitel provide basic telephone service while three private companies (Movistar, Porta and Alegro) provide cellular phone service. The private sector also provides satellite services, including internet and data transmission.

Provision of other basic services such as water and electric power is comprehensive in urban areas but more limited in rural areas. The country generates three quarters of the electric power needed through hydroelectric power plants. The remaining balance is partially met through thermoelectric power plants. Potable water is provided directly or indirectly by municipalities in urban and rural areas. Access to running water remains limited and municipalities have begun to offer concessions to private companies that can expand water and sewage systems.

### 3. NATURAL RESOURCE BASE AND THREATS TO CONSERVATION

Current natural resources are attractive for sustainable tourism, but are threatened by extractive industries, lack of tenure security, and ineffective land management systems. With 0.2 percent of the earth’s surface, Ecuador hosts 18 percent of all bird species on the planet, 18 percent of the orchids, almost 19 percent of the amphibians and 8

---

<sup>10</sup> A table of relevant legislation and regulations is presented in Annex 5.

percent of the mammals. Ecuador is home to 1,616 bird species (Canaday, 2000), but five bird species are extinct and 161 threatened. Ecuador is also ranked ninth in terms of number of mammal species (behind large countries like Brazil, China and Mexico) with 369 species (Tirira, 1999), but six are already extinct (the highest extinction rate in South America) and 43 threatened (Tirira, 2001) as a result of habitat loss and fragmentation. Ecuador has one of the world's most diverse flora, with over 16,000 species of vascular plants. Eight thousand plant species are found in 10 percent of the country that lies between 900 and 3000 meters above sea level. At the same time, Ecuador has the highest deforestation rate in South America (FOA, 2005).

A large part of the natural patrimony is located in 34 protected areas which cover an estimated 19 percent of the land area, or nearly 5 million hectares. Besides holding unique biodiversity, these protected areas represent sources of key environmental services, particularly the source of water that is consumed in the large cities, in hydroelectric generating plants, and for agricultural water use and irrigation. Furthermore, to realize the potential of protected areas and their accompanying unique biodiversity as potential ecotourism sites, background analysis and management plans for each site are required. Unfortunately only 11 protected areas have updated management plans; 12 protected areas have out-of-date management plans; and 10 protected areas have no management plans (Kernan and Stern, 2006).

Focusing on the specific areas included in this assessment, Table 1 summarizes the natural resource characteristics, trends, and threats for the study's three selected sites.

#### 4. LAND MANAGEMENT AND OWNERSHIP SYSTEMS

Systems and management of land ownership impact land stewardship and conservation benefits and, consequently, are a determining factor in successful ecotourism ventures. For example, decisions about the use of publicly-owned land, such as protected areas, are made differently than decisions about the use of communal indigenous lands or private lands. Conservation of biological diversity thus occurs within the context of land ownership which includes public, private and traditional lands.

**Public.** Nearly 19 percent of Ecuador is public land including national parks and ecological reserves. SNAP includes 34 natural areas in total covering 4.7 million hectares. Tourism in protected areas has had a sustained growth resulting in an important source of revenue for SNAP. During 2003, Ecuador received 403,000 visitors, 65 percent of whom visited continental protected areas providing entrance fee revenues of US \$810,000, which represents 95 percent of all income generated on the mainland by SNAP in 2003.<sup>11</sup>

There exists a great deal of overlap between the areas in the SNAP and private and indigenous lands. When the protected areas were established in the 1980s, many were superimposed on private lands and on traditional indigenous territories. SNAP also continues the process of developing regulations that support public-private partnerships for the management of protected areas. At this time, only communities and public sector bodies can apply for co-management responsibilities with MAE. The ambiguous land rights and the limited co-management opportunities limit the options available for development of ecotourism ventures within protected lands.

---

<sup>11</sup> Fees from the Galapagos are used exclusively for the Galapagos.

**Table 1: Biophysical Characteristics and Trends in Ecuador’s Nature Oriented-Tourism Sites**

Ecotourism Attributes	Ecuador	Mindo Cloud Forest	Machalilla National Park	Napo
<b>Resources with ecotourism appeal</b>	<ul style="list-style-type: none"> <li>• 34 protected areas</li> <li>• Galapagos</li> <li>• Volcanoes</li> <li>• Indigenous cultures</li> <li>• Amazon rainforest</li> </ul>	<ul style="list-style-type: none"> <li>• Bird watching</li> <li>• Recreational tourism</li> </ul>	<ul style="list-style-type: none"> <li>• Whale watching</li> <li>• Scuba diving</li> <li>• Sun and sand</li> <li>• Pre-Inca archeological sites</li> <li>• Tropical dry forest</li> <li>• Biodiversity on <i>Isla de la Plata</i></li> </ul>	<ul style="list-style-type: none"> <li>• Indigenous cultures</li> <li>• Scientific tourism</li> <li>• Amazon rainforest</li> </ul>
<b>Predominant land management systems</b>	<ul style="list-style-type: none"> <li>• National parks</li> <li>• Protected areas</li> <li>• Limited community ecotourism enterprises</li> </ul>	<ul style="list-style-type: none"> <li>• Predominantly private preserves surround public, protected area, forming corridor for wildlife movement and bird habitat</li> </ul>	<ul style="list-style-type: none"> <li>• Protected area, national park lands</li> <li>• Limited community or private sector involvement</li> </ul>	<ul style="list-style-type: none"> <li>• Community-based enterprises</li> <li>• Private reserves</li> <li>• National Park</li> </ul>
<b>Abundance and diversity of resources</b>	<ul style="list-style-type: none"> <li>• Endemic species and habitats conserved</li> </ul>	<ul style="list-style-type: none"> <li>• Estimated 450 bird species</li> </ul>	<ul style="list-style-type: none"> <li>• Humpback whale watching June – September</li> <li>• Biodiversity on small island near coast</li> </ul>	<ul style="list-style-type: none"> <li>• Estimated 600 species of birds</li> <li>• Mammal species</li> <li>• Megadiverse tropical rain forest</li> </ul>
<b>Impacts/ threats to resource conservation</b>	<ul style="list-style-type: none"> <li>• Weak regulation of tourism</li> <li>• Lack of investment in infrastructure</li> <li>• Lack of management, planning and zoning</li> <li>• Lack of government capacity to facilitate tenure security and promote public-private co-management schemes limits options for long-term development and conservation goals</li> </ul>	<ul style="list-style-type: none"> <li>• Trash, congestion, pollution and erosion from recreational/mass tourism</li> <li>• Notable fragmentation of forest remnants constrains wildlife movements and feeding</li> <li>• Habitat fragmentation due to small-scale farming operations makes it difficult to maintain bird habitats</li> <li>• Livestock grazing and pastures in the lower valleys</li> <li>• Timber extraction for local and commercial use</li> <li>• Crude oil pipeline operation is a serious threat to water bodies and community water use where unstable soils and landslides could easily provoke oil spills</li> <li>• Land speculation and development</li> </ul>	<ul style="list-style-type: none"> <li>• Fishermen and service providers see little connection between ecotourism activities and conservation</li> <li>• Lack of waste disposal facilities distracts from natural features</li> <li>• Illegal operators lack required safety precautions and do not maintain proper distances for whale watching</li> <li>• Overcrowding and related threats—erosion, garbage, disturbances to whales</li> <li>• Deforestation</li> </ul>	<ul style="list-style-type: none"> <li>• Continued extractive activities—illegal logging, mining and oil production</li> <li>• Unregulated wildlife trafficking and expansion of subsistence agriculture and cattle ranching</li> <li>• Indigenous land tenure issues</li> <li>• Road construction</li> </ul>

**Private.** Significant deforestation occurs on private land, as documented by a recent analysis of satellite imagery (CLIRSEN, 2003). However, private properties in the coastal, sierra and Amazon regions do still have patches of natural habitat that protect biodiversity and that serve as a potential nature-based tourism attraction. A number of

private owners<sup>12</sup> have been inspired to preserve their lands, seeing conservation as a significant economic activity. Although these holdings are usually relatively small, private reserves can offer an excellent means to conserve some representative samples of biodiversity and tropical forests, since they can obtain donations from private foundations, be managed efficiently and effectively, and frequently have clear land titles. (Kernan and Stern, 2006) Such holdings can also generate income through ecotourism activities.

**Traditional.** It is estimated that indigenous and Afro-Ecuadorian groups represent approximately 15 to 25 percent of the total Ecuadorian population (MAE et al, 2005). Current law grants this significant minority ancestral rights to the lands their communities have lived on. However, complex land titling procedures and historical experience complicate the ownership system for traditional lands. In 1964, Ecuador classified indigenous territory as unoccupied land and granted indigenous and colonist families 50 hectares each. This system encouraged a boom in farming and intensified environmental exploitation. Then, with the discovery of petroleum in 1967, the government encouraged colonists, miners and commercial loggers to occupy indigenous lands. The proceeding protests on behalf of indigenous peoples and their lands led to the development of alternative economic proposals and a push toward environmental conservation. Today, communities within protected areas can press for legalization of their lands which entitles them to management of the land. For Amazonian indigenous groups consolidating land tenure is a high priority with co-management models still undefined and untested (Stocks, 2005).<sup>13</sup>

Community co-management authority in national parks is only an option if MAE evolves regulations to support public-private partnerships. Furthermore, regulations within protected areas prevent these communities from pursuing hunting or logging beyond subsistence levels. For these reasons, communities within protected areas view ecotourism as an appealing economic alternative that can provide employment and income, and decrease migration.

### C. INTER-FIRM COOPERATION—ACTORS AND RELATIONSHIPS

The team gathered qualitative information on the functions, relationships, opportunities and constraints of critical actors related to nature-based tourism in Mindo, Machalilla National Park and the surrounding town, and the lower Napo River basin. The dynamics of the industry in these three areas are distinct, reflecting differences in the natural resources that attract tourists to each of these destinations, the market segments they draw, and the ownership and management structure of the natural resources. Conceptual value chain maps<sup>14</sup> and a written overview of each destination are presented here.

The maps show transactions and relationships between actors in the ecotourism industry. Rows running across the map distinguish the functions carried out by these actors. Arrows between actors illustrate the flow of payment for services, along with other benefits embedded in these transactions, such as the flow of information (quality standards, feedback on performance) and market access. Wide arrows map predominant trends between actors, while narrower arrows map significant although less frequent relationships. Those familiar with value chain maps for product markets will note two changes we have made in order to demonstrate the transactions and relationships that exist in a service market dependent on a scarce natural resource:

---

<sup>12</sup> For example, NGOs such as the Jatun Sacha, Maquipucuna, and the San Francisco Foundations own a number of private reserves. Private companies own others, such as the Rio Palenque Science Center and the Cerro Blanco Reserve.

<sup>13</sup> Stocks recommends that land consolidation is the most significant objective for indigenous communities, a precondition for effective economic development work that relies on creating markets or organizing communities.

<sup>14</sup> The term “value chain map” is being used in a broad sense, here. As will be discussed later in this report, the ecotourism industry in Ecuador has not developed clearly defined value chains.

- Ownership or management responsibility of natural resource attractions has been added as a critical function within the chain.
- Actors are divided between those who are physically present in ecologically sensitive zones, such as protected areas or indigenous communities, and those players located in buffer zones outside of these areas. As the maps illustrate, the value chain dynamics tend to be different between these two locations.

## 1. MINDO: LINKAGES ALONG TWO MARKET CHANNELS

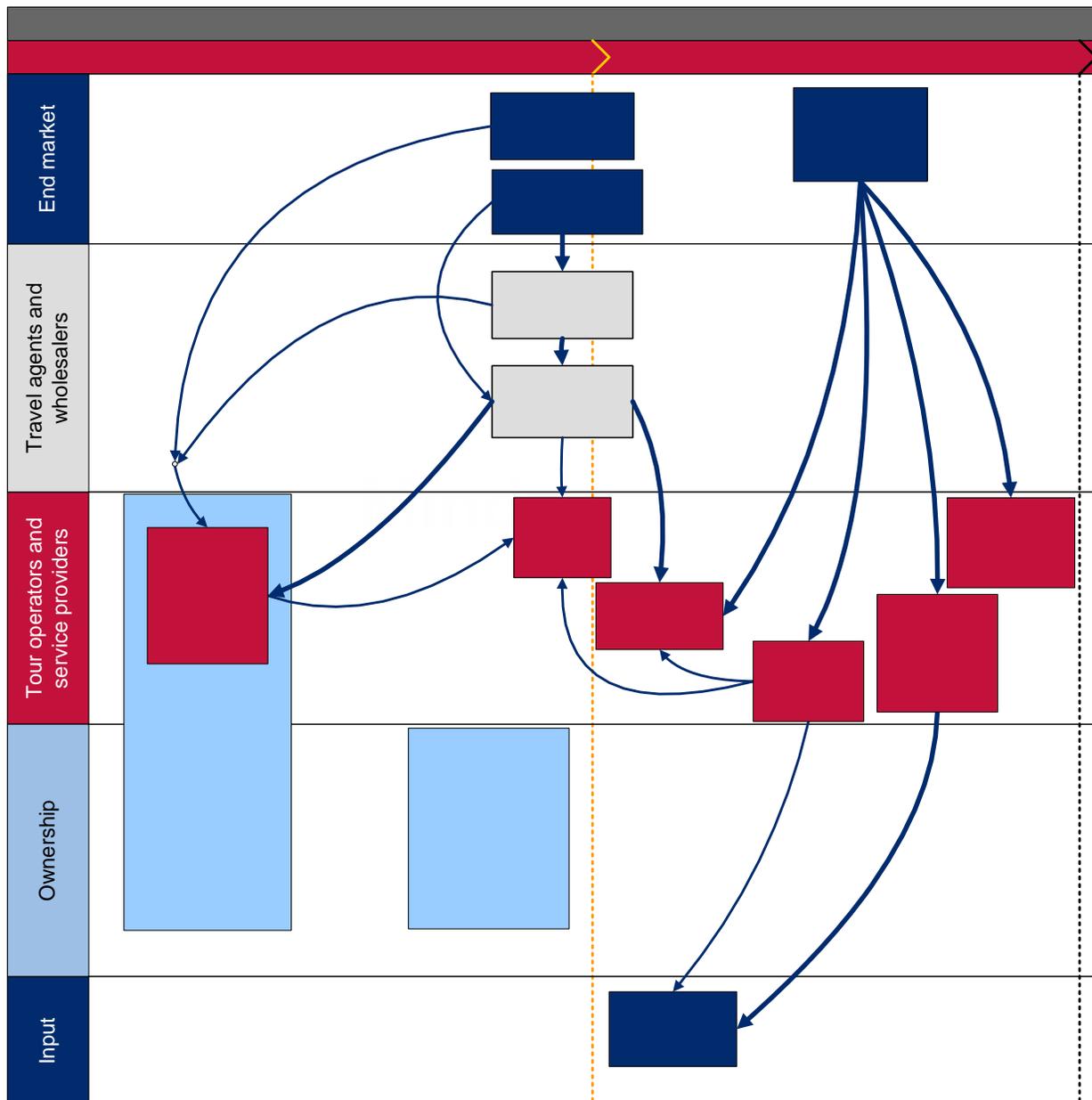
Located 85 kilometers from Quito, the Mindo area forms the upper watershed of the Mindo, Nambillo, Alambi and Nono Rivers. Mindo is home to 87 endemic bird species, the largest concentration of restricted-range species in the world (Youth, 2006). Mindo represents the primary Neotropical region, which includes a range of ecosystems ranging from the páramo of Pichincha to the premontane forests. The Mindo region includes small towns (Nono, Tandayapa, Mindo, and Nanegalito), various private reserves (Bellavista, Puyucunapi, Tandayapa, Yanacocha, Verdecocha, Las Tangaras, Sachatamia, Rio Silnache, and Sacha Urcu) and 19,200 hectares of protected forest (Bosque Protector Mindo-Nambillo). Estimates of annual tourists range from 20,000 to 25,000.

A generation ago, the Mindo area was dominated by cattle ranches. Motivated by the diversity that existed among bird species, a number of nonprofit entities purchased land with the objective of reforestation. A public reserve was established, and businesses purchased additional land in order to establish private reserves. Today, four private landowners with adjoining property (about 300 hectares) have established a mini-biological corridor facilitating bird and mammal movements. In selected private reserves, ecotourism projects, environmental education activities, and organic agriculture and research have been established. In the village of Mindo, various conservation groups implement environmental education, training for guides and nature-based tourism.

As the value chain map in Figure 4 illustrates, the private reserves are more integrated into the value chain, as sites for lodges, guided hikes and butterfly and bird-watching experiences. Nevertheless, the presence of 19,000 hectares of public lands—the Bosque Protector Mindo-Nambillo—serves as an anchor for the cloud forest destination. Without this anchor that integrates the private reserves and allows for a wildlife corridor, Mindo's image as a bird-watching and recreational destination would likely not be possible.

Mindo reflects a destination with two very different, yet interdependent markets. On the left hand side of the map is an integrated, niche market, where mid- to high-end international tourists work through tour operators in their countries of origin and in Quito to purchase packages at comfortable lodges located on private reserves that adjoin the 19,000 hectare protected area. Interviews with outbound operators indicated that most international tourists traveling to destinations in mainland Ecuador are adding a few days to their visit to the Galapagos. Accordingly, the outbound operators prefer to book these packages through Quito-based inbound operators who also own and operate boats in the Galapagos. This streamlines purchasing and accounting procedures. Less frequently—for birdwatchers who are not also vacationing in the Galapagos, for example—the outbound operators will book directly with lodges.

Figure 4: Map showing Actors, Transactions and Linkages in Mindo



In either case, through screening procedures, annual visits and feedback from tourist questionnaires, outbound and inbound operators select and maintain relationships with lodges that meet their standards related to quality of accommodations, quality of guide services, a professional approach to punctuality, appearance and customer service, and responsible tourism (from landscaping with native plants to hiring local employees). Through the communication and enforcement of these standards demanded by the international tourists and the feedback provided to service providers by operators, the lodges have been able to offer a quality service to a niche market, rather than compete primarily on price. With prices starting above US \$65 per night, the lodges offer comfortable accommodations, quality restaurants and trails, interpretive centers and highly qualified, bilingual guides that ensure a rewarding experience for birdwatchers, butterfly aficionados and other nature-focused tourists. The lodges are also visited by high-end Ecuadorian tourists.

## Text Box 1. Bridging the Gap through a Strategic Alliance

Despite limited interactions across the two sides of the value chain map, seven businesses, including ecolodges and one legally registered local operator in Mindo, have formed a strategic alliance and opened a travel agency office in Quito to attract international tourists. For two years the local operator shared the perspective that registering as a legal entity was more of a hassle than it was worth. However, he also noticed that mid- to high-end tourists would pay more for quality guides and services, and that this market, while smaller in volume, was less susceptible to seasonal fluctuations. This market also demanded receipts and the ability to purchase packages through agencies outside of Mindo—demands that could not be met unless his operation was legally registered. By legally registering and ensuring quality guide services, his operation has differentiated itself within the Mindo market, built alliances with the high-end accommodations, and started to gain access to higher-end international tourists, including a pending contract with an international tour company to bring a regular busload of tourists to Mindo.

The right hand side of the map shows the opposite situation: a fragmented market with large numbers of relatively small accommodations competing on-site for large numbers of tourists—mid- to low-end Ecuadorians and low-end international tourists. Rather than product differentiation, price and volume are the basis of competition, with prices ranging from US \$6 to US \$15 per night. “Disloyal competition,” illustrated by low-balling on prices and the use of “touts” who disparage other accommodations in their attempts to lure visitors, was a common constraint identified by these operators and service providers. Many of these operators are not legally registered, viewing the benefits of registration as not worth the cost in time to register or in investments to meet standards that are not regularly enforced (see Text Box 1, above). There are many small accommodations, including several that consist of rooms for rent within a family’s home, and one large hotel with more than 150 beds. On major holidays occupancy rates approach full capacity, but during much of the year respondents spoke of an oversupply of accommodations.

Despite frequent complaints of disloyal competition, links with local input providers are stronger on the right hand side of the map than on the left. While the majority of their employees are local residents, the ecolodges tend to purchase supplies from Quito. Local operators are more likely to interact with the customers of the budget accommodations and busloads of day visitors, than with customers purchasing packages at the ecolodges. However, these consistent linkages, like the actors engaged in them, tend to be informal.

**Common Threat and Initial Response.** On weekends, Mindo is congested with day visitors hiking to waterfalls and tubing in the river. The number of visitors and a limited awareness and enforcement of codes of conduct are leading to the destruction of trails and littering in and along the river. Attempts to form associations of tubing and naturalist guides to enforce basic standards and establish agreements on pricing have collapsed. Despite being drawn by the forest and the natural destination, tourists in pursuit of recreational activities provided by informal operators competing on price in a spot market are threatening to undermine the destination’s image as a clean, natural escape from urban Quito. This presents a serious challenge for actors on both sides of the map.

The assessment team observed the development of more formal linkages among the actors on the left hand side of the map—the formation of a civic committee and a local “pre-chamber”<sup>15</sup> of tourism. These linkages appear to be motivated by a desire to inject more order into the planning and operation of tourism activities in Mindo, and

---

<sup>15</sup> The pre-chamber is an informal association, working to organize a local Chamber of Tourism for northeastern Pinchincha. Formation of the formal chamber requires a minimum of 20 members, and approval from MINTUR.

frustration with the inability of existing chambers and associations to represent their immediate interests. In order to be established, the pre-chamber will need to attract at least 20 members to meet legal requirements, and therefore include either members outside of Mindo or legal operators from the right hand side of the map. Bridging the gap between niche and spot market orientations is critical if Mindo is to maintain its image as a nature-friendly destination. It would be ideal if the formation of the local pre-chamber contributes to this end.

## **2. MACHALILLA: LIMITED INTER-FIRM COOPERATION IN A FRAGMENTED MARKET**

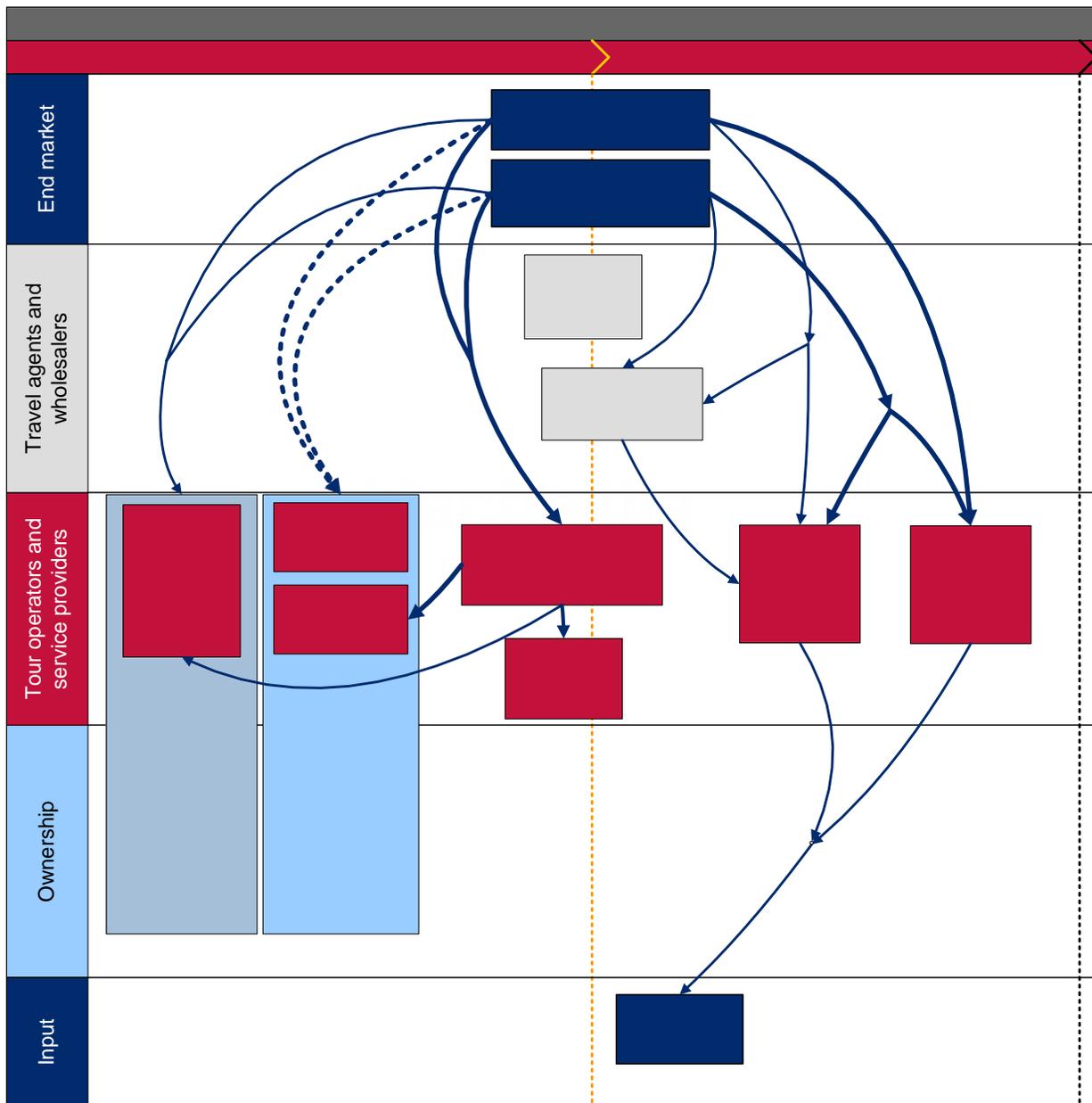
Machalilla National Park, created in 1979, covers 56,184 hectares and is mainland Ecuador's only coastal national park. The park includes a marine reserve, two islands and cloud and tropical dry forests. The National Park also contains important archeological sites of pre-Incan ruins dating from 500 to 1500 AD. Since the beginning of record keeping for tourist activities (1989), the park has been increasing in significance: 18,823 visitors in 1999 grew to 27,571 visitors in 2003 (MINTUR, 2004). Although the park offers community tourism, scuba diving and snorkeling, sport fishing, and Isla de la Plata, known as the "poor man's Galapagos" for its biodiversity, the destination is primarily popular for "sun and fun" recreational tourism and seasonal whale watching.

The park covers 80 percent of the municipality of Puerto Lopez and part of the remaining lands are occupied by indigenous communities. Since residents of both the protected area and the indigenous communities are exempt from income taxes, the municipality has a very low tax base from which to fund its activities. As a result, the town offers limited basic services and infrastructure. Moreover, the economic activities previously available to the town's residents such as agriculture and fishing were curtailed by the creation of the park. According to both public and private sector representatives interviewed, tourism has become a lucrative economic alternative for residents of Puerto Lopez in the last seven years as whale watching has grown in popularity. Thus far there has been very little evidence of ecotourism as knowledge of conservation has been primarily limited to the communities residing within the park.

Tourism activities in Machalilla operate more like the right hand side of the Mindo map. Ecuadorian and lower-end international tourists travel to Machalilla more for recreational purposes (the beach) than for environmentally-focused activities. Outbound operators play an insignificant role, and tourists are more likely to book their accommodations directly than through Quito-based agencies, with the exception of high- to mid-end accommodations owned by Quito-based operators. With neither type of accommodation focused on a niche market the difference in prices between accommodations is less dramatic than in Mindo, ranging from under US \$15 to the mid-thirties per night.

Few tourists purchase packages that integrate their accommodations with attractions offered by the national park. Instead, local operators deal directly with tourists to sell visits to the park. During the peak whale watching season from July to September, local fisherman compete with legally registered operators to meet the increased demand for boating services. Avoiding the costs and safety inspections that come with legal registration, they offer substantially cheaper excursions that do not meet the same safety standards as their legally registered competitors.

Figure 5: Map showing Actors, Transactions and Linkages in Machalilla



Like Mindo, few investments have been made in public protected areas to provide basic services (restrooms, information, interpretive tours and trails) to the visitors to such National Park sites as Isla de la Plata and the beaches of Los Frailes. Unlike Mindo, these unimproved protected areas do not create an anchor around which private, sustainable tourism activities have taken hold. Instead, Machalilla projects an image as a beach vacation destination, with seasonal whale watching. However, due to the inability to regulate large numbers of legal and illegal operators, this nature-based tourism is likely to produce more stress on the whales during mating season than it contributes to conservation. Limited enforcement of boating operations reflects a number of factors, including:

- multiple and redundant jurisdictions between which unlicensed operators can, quite literally, float to avoid enforcement (the National Park has authority over water two miles off the coasts of Isla de la Plata and the

mainland, the municipality has authority in areas beyond the purview of the National Park, and the Marines have authority in both areas)

- recognition that demand outpaces the supply of legal operators during the whale watching season
- a disincentive for strict enforcement due to an appreciation of the fact that fishermen have limited alternative livelihood options, view regulations concerning the National Park as a threat to their traditional sources of income, and, due to heavy boat traffic, cannot rely on fishing during the whale watching season

Local communities offering cultural tourism are also poorly integrated into the value chain. While investments in interpretation and infrastructure have been made by such sites as Agua Blanca, tourists to the local community's museum and archaeological sites cannot purchase admissions from operators, as they can for whale watching or visits to Isla de la Plata. A number of factors contribute to this fact:

- in order to reach the community sites, tourists need to pay a mainland national park fee of US \$12, (or US \$20 visiting Isla de la Plata) in addition to community fees
- communities, with limited business planning skills and cognizant of customer frustration with national park fees, have priced daily admission at US \$3
- given the low US \$3 fee, operators are unable to collect a meaningful commission, and therefore have no incentive to promote these sites

As a result of limited investments in the protected areas, limited business skills and ineffective pricing strategies at sites with greater ties to sustainable tourism, and with limited vertical linkages between local operators and outbound and inbound operators that could provide greater access to more niche-oriented market segments, significant links between tourism, competitiveness and conservation have not been realized in Machalilla. In addition, given the high percentage of international tourists who are first drawn to Ecuador by the Galapagos, Machalilla is probably limited in its ability to redefine itself as a destination to attract international market segments to the national park experience.

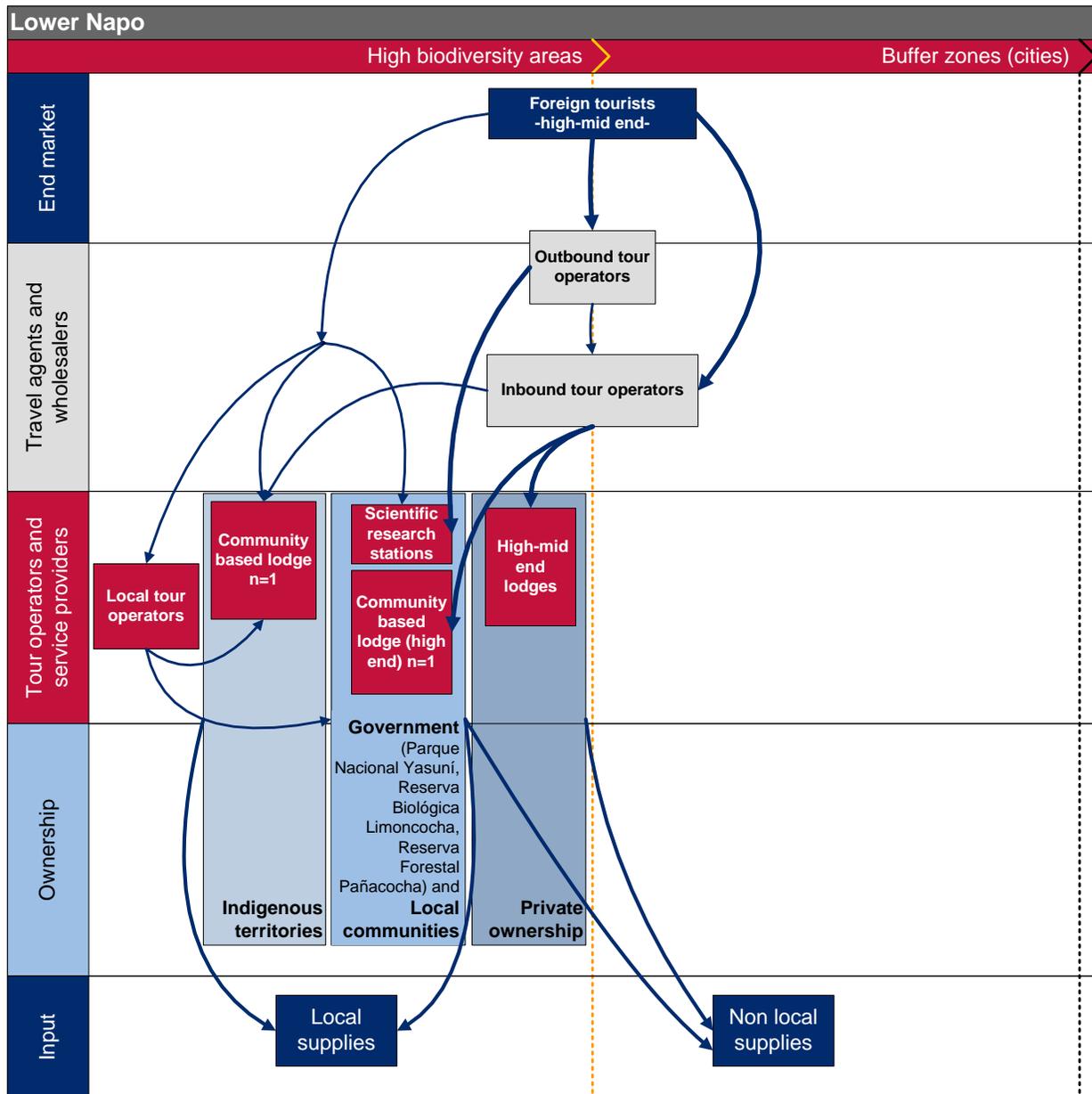
**Common Threats and Initial Responses.** Building on decentralization and existing informal collaboration among local actors, key stakeholders launched three programs over the last year to address the most significant challenges to the sustainable development of tourism in the region. As in Mindo, actors are organizing around specific local challenges. Firstly, public and private stakeholders formed a Management Committee for the National Park, the primary objective of which is to improve oversight of the marine area, where overlapping jurisdictions have led to a prevalence of unsustainable practices. Secondly, the public and private sectors also partnered to undertake a regional promotion campaign. Taking advantage of the responsibilities endowed to them through decentralization, the Tourism Office of the municipality decided to prepare a publicity campaign. In exchange for co-financing from the Chamber of Tourism, the promotional material lists contact information for all the registered businesses in the region. Private firms at the local and national level also served as sponsors and received publicity in the materials. Lastly, the private sector led by the Chamber of Tourism piloted a project where legally registered boat operators volunteered to serve as “mentors” to illegal operations run by fishermen. This initiative ensured that participating fishermen were following required security and environmental guidelines, thereby decreasing the risk to tourists and the stress to whales.

### **3. LOWER NAPO: VERTICAL LINKAGES, NICHE MARKETS AND CONSERVATION**

Ecuador's Amazon ecosystem extends from the shores of the Napo River and the boundaries of the Yasuni National Park to the Peruvian border. The tropical wet forest and the flooded forests (*varzea*) of the Napo River include numerous black water lakes and lagoons that connect with the small tributaries of the Napo. The area

includes public lands, community/ancestral lands and relatively small, privately-owned lands that are managed as private reserves for nature-based tourism.

**Figure 6: Map showing Actors, Transactions and Linkages in Lower Napo**



The Lower Napo area (see Figure 6 above) tends to reflect the left hand side of the Mindo map. This region offers a distinct product, the Amazon experience, to primarily high- and mid-end international tourists. The market is integrated, operating with numerous vertical linkages. The lodges—one owned by a company formed by an international NGO and an indigenous community, the others owned by private investors—have booking offices in Quito that accept reservations from a network of designated outbound and inbound operators. Some also accept individual reservations via the internet. The operators receive a commission for each booking, screen the lodges for

service standards, and relay feedback to the lodges from their customers. These relationships provide the lodges with access to a niche market of travelers interested in an authentic, high-quality Amazon experience.

The lodges offer their customers integrated packages, including boat transport from Coca, entry to the national park, guide services, meals and accommodations. Rates for these packages range from US \$170 to US \$200 per night. Slightly more budget-oriented travelers can visit a scientific research station within the national park. Local operators with canoes provide these tourists with access to the facilities, and visits to the national park. The lodges enter into contracts with local airlines to transport customers to and from Coca, and with companies outside of the region for supplies, ranging from food and drink to biodegradable soaps. The lodges are clear in the standards required in terms of quality and timing, and those not meeting the standards are replaced with alternative suppliers. The lodge in the national park sources fresh produce and souvenirs from the local community.

Horizontal linkages are less developed, with an atmosphere of strong competition and no formal collaboration between the lodges. Informal collaboration exists between staff members of competing lodges, however, who share the same river and remote living conditions. As one example, the staff at each of the lodges maintains their emergency radio on the same frequency, in order to be able to assist each other if needed.

As in Mindo, the public protected area helps to shape the destination, to the benefit of private operators and reserve owners. The extent to which sustainable tourism, conservation and competitiveness are linked, however, changes between ownership models and models of integrating with the local communities. To date, the lodge that is co-owned by a local community and an NGO, located within the National Park, has best integrated the concepts of sustainable tourism, conservation and competitiveness. (See text Box 2)

In terms of operations and conservation measures within the reserves, the lodges on private reserves in the region have followed similar models as those described in Text Box 2. However, in order to avoid the complications and uncertainty of working with local communities, these lodges operate as purely private businesses. Conservation planning and practices are limited to the reserve, without impacting on the land use practices in the surrounding communities. Benefits to the local communities are limited to those who are hired as employees and guides by the private lodges. Without a stake in these lodges, tensions with the local community have continued, and logging and hunting continues in and around the reserves. The private reserves serve as islands of conservation, with periodic encroachments from the surrounding communities.

Finally, the map points to a decline in more general tourist services in the region, with no activities mapped in the buffer zone side of the map. Historically, Coca served as a destination for Ecuadorian and low-end international tourists. Hotels in this region, however, are currently serving mostly business clients—employees of logging and oil companies working in the region. In response to security problems along the Colombian border to the north, and to generalized official warnings about the region, local and low-end tourism in the area has declined dramatically. As a result, tourists arriving in Coca's airport are mostly high- to mid-end tourists that have booked packages in Quito or abroad, and quickly pass through to the community or private reserves in the region.

## Text Box 2. Integrating Tourism, Community and Conservation

The ecolodge within Yasuni National Park was a community-inspired initiative, and construction began before any relationships were established with outside players. Limited resources, however, spurred the community to solicit the participation of an international nonprofit with ecolodge experience in neighboring countries. The community and the NGO created a for-profit company to operate the lodge (as required by law), collaborated on planning, and negotiated with the National Park authorities. The local community, which enjoys communal ownership rights of the lodge's land as part the 20,000 hectares they own within the National Park, was required to define a management plan for all of its lands when requesting approval for the tourism operation.

Community members invested their labor in clearing land and constructing the lodge's buildings, walkways and observation tower. The NGO invested cash and its business experience into the effort. The community owns 49 percent of the company and has received dividends that have allowed it to pay off a community loan and create a fund for community emergencies.

Both on lodge grounds and in the surrounding community land, conservation practices—such as curtailed logging and hunting, water recycling and waste management—have been adopted and promoted. The lodge has also contributed to the improvement of the surrounding national park. The community has made investments and improvements including construction of environmentally sound bathroom facilities and two parrot blinds (viewing platforms for clay licks) that allow visitors to view up to 11 species of parrots and parakeets. With the park's approval, the lodge is responsible for guarding the entrance to the clay licks and collecting entrance fees to the national park (a task which the park did not have the resources to do properly). In the last year alone, the community has increased the revenue from fee collection by over 50 percent. Economic performance at the lodge has been strong as well, with occupancy rates growing from 25 percent in the first year to 50 percent in the second year. The rate is expected to reach 75 percent in this third year of operation. Having paid off its debt and created an emergency fund, the local community is looking forward to income this year that it has earmarked for investments in health and expanded educational facilities.

Through the demonstrated integration of the local community in planning, implementation and income-sharing; solid collaboration between local resource managers and experienced conservation and business interests; effective use of tour operators and promotion among niche markets; and transparent legal practices—from the formation and registration of the for-profit lodge to the negotiations within the community as to how to invest the proceeds, this lodge has had a successful launch. However, the experience is both rare and new. The community is watching to see if the injection of capital into a traditionally non-market economy serves the social objectives of the community, or undermines community solidarity.

#### 4. GENERAL OBSERVATIONS ON RELATIONSHIPS

By mapping the transactions and relationships between actors in these three destinations, the team noted the following observations for Ecuador in general.

**Inter-firm Cooperation.** Nature-oriented tourism in Ecuador is not an integrated value chain. Many of the actors are focused on their firms, lack an industry perspective, and are reticent to cooperate with each other. Small, informal businesses spring up relatively easily, due to a lack of incentives for formalization—limited enforcement of legal requirements and high costs in time and money to register. The resulting high incidence of unregistered businesses increases a perception of disloyal competition at the local level, while discouraging the formation of

vertical and horizontal linkages, such as effective and appreciated associations or chambers, strategic business alliances, and the development of integrated value chains. Even large, formal players active in tourism chambers and associations are skeptical about their value and resentful of their dues.

Linkages are also challenged by the tensions that exist between ecotourism and recreational tourism products, and between local community members and operators from outside of the region. Destinations that capture a spectrum of market segments through business alliances and differentiation of services, rather than two extreme segments, appear to be more likely to emphasize interdependence.

The most effective horizontal linkages tend to be focused on challenges facing a local destination, from congestion and negative environmental impacts to ineffective promotion. Vertical linkages are best developed between actors serving high-end and niche markets, reflecting the incentives to enhance market access or to learn about standards demanded by that market.

**Power.** Given the absence of an integrated value chain, power dynamics are not consistent across actors or locations. More integrated, higher-end channels direct the end market's standards, demands and access through outbound and inbound operators. Within these channels, inbound operators who operate boats in the Galapagos enjoy an advantage over other operators, given the volume of mainland tourists who visit the Galapagos and outbound operators' desire to streamline the booking process. Fragmented, lower-end channels respond to the end market directly, competing for tourists on a price basis.

Management and ownership of natural resources is another power dynamic that impacts nature-related tourism. Analysis of the three sites shows that competitive tourism and effective natural resource management can be achieved under a range of ownership models. The ability of local communities to derive economic benefit is more important to long term competitiveness and sustainability, than are ownership models. Also, a lack of transparency and effectiveness in land management practices affects this power dynamic. Examples of clear land use planning procedures, agreements and enforcement are rare.

**Learning.** Existing linkages facilitate learning. Businesses serving niche markets tap the knowledge and market access provided by inbound and outbound operators—from standards to formal customer feedback. Through contracts and on-going relationships with niche market accommodations, small firms and entrepreneurs—suppliers, artisans, local farmers, and guides—also learn relevant product and service standards, and improve the quality and reliability of their services. Finally, given the scarcity of integrated market channels, alliances between international NGOs and local actors are significant in transferring technical knowledge—conservation practices in Mindo, archaeological knowledge and practices in Agua Blanca, and land use and business planning in Napo.

**Benefits.** Actors focused on niche market segments benefit more from integrated value chains. In dealing with these segments, travel agents are viewed less as middlemen chasing commissions and more as actors who provide channels for market information, market access and customer feedback. Benefits also flow between land owners and related accommodations—ecolodge dividends and enhanced land management to the indigenous community in Napo, improvements by the same community to the national park management and facilities, and the creation of a cloud forest destination by state-owned protected lands that benefit private reserves and lodges in Mindo. Horizontal linkages also produce benefits, facilitating better safety practices by fishermen and better promotion for tour operators and accommodations in Machalilla.

Finally, the flow of economic and environmental benefits are interrelated. We observed a link between the flow of economic benefits to local communities—recreational tourism opportunities in Mindo, community tourism in Agua Blanca, and the ecolodge in Napo, contrasted with the response of fishermen in Machalilla and the local

communities around private Napo reserves—and local community support of conservation efforts. Even though practices in and around Mindo’s river do not demonstrate effective natural resource management, reforestation and forest protection efforts in the reserves continue to enjoy broad-based support and participation because of the economic flows provided by nature-oriented tourism. Furthermore, benefits can flow from tourist destinations with an ecologically-oriented image based on public lands even in the absence of upgrades, as demonstrated in Mindo.

## D. SUPPORTING SERVICES

Interviews continually referred to the importance of two critical supporting services: promotion and finance.

**Promotion** at the national level is coordinated by *Fondo Mixto*, a parastatal fund housed in the Ministry of Tourism. The *Fondo Mixto* is a relatively small operation. Its three person staff is charged with the same mission as its competitor’s PromPeru, which is staffed by more than 100 people. *Fondo Mixto* operates 15 offices in foreign countries, represents Ecuador at trade shows, and promotes Ecuador tourism through targeted advertising and campaigns with overseas travel agents and outbound operators.

*Fondo Mixto*’s annual budget of US \$3 to US \$4 million<sup>16</sup> is funded by:

- a US \$5 tax on all outbound airline tickets, that generates just over US \$2 million per year
- a small tax on the fixed assets of registered tourism businesses, which generates less than half a million dollars per year
- funding from the national budget, which has ranged between US \$500,000 and US \$1.5 million per year

*Fondo Mixto* is working with a U.S.-based marketing firm, Green Team, to promote tourism with a campaign entitled *Ecuador: Life at its Purest*. The current advertising budgets allow for roughly 20 ads to be placed in targeted tourism magazines each year. The fund’s manager identified three critical constraints to effective promotion:

- limited budgets in the face of international competition
- ineffective linkages between the private sector and the *Fondo Mixto*, as well as between both these actors and the tourism councils that are developing under the decentralization initiative, and
- as a result of these poor linkages, insufficient planning capacity with an effective information system to monitor progress and trends.

---

<sup>16</sup> In comparison, PromPeru’s advertising budget for the United States is \$4 million. (Economist Intelligence Unit, 2005)

### Text Box 3. EcoRuta: Path of the Hummingbird (“El Paseo del Quinde”)—A Public-Private Investment and Promotion Effort

The Path of the Hummingbird EcoRuta links Quito with the central highlands towns of Nono, Tandayapa and San Tadeo. Along this strip of road, it is possible to see 550 distinct bird species. The EcoRuta project strengthened the infrastructure and hospitality services necessary to provide tourists with a nature-based and cultural tourism experience. It is a regional initiative to assist the local population to derive benefits from the increasingly large flow of tourists through the area. The Ecuadorian Corporation for the Promotion of Exports and Investments (CORPEI) estimates that the area received 12,000 visitors in 2004. The project was started by Mindo Cloudforest Foundation with the support of MINTUR, the Program for Sustainable Biodiversity of CORPEI, the local government of Nono, the municipalities of Quito and Los Bancos, and the Puntos Verdes Foundation. Through their efforts, MINTUR and the regional government at the provincial level agreed to invest in road infrastructure repairs and much needed signage.

A management committee for the EcoRuta, established in June 2005, is currently developing activities around the following key themes: training, conservation and reforestation, waste management and marketing. Four training courses have been held: one for indigenous guides and three related to hospitality services. The course for indigenous guides trained 28 people from the local communities while the remaining courses benefited at least 160 people. The training was provided by MINTUR and EcoRuta technical personnel and financed through donations from NGOs, participating hotels and other sponsors.

In the area of marketing, three marketing channels were developed: (1) tourism promotion in partnership with cooperating agencies; (2) promotion through the “EcoRuta: Path of the Hummingbird Travel Guide;” and (3) participation in the International Tourism Fair in Utrecht, Netherlands. Although a monitoring and evaluation strategy is currently under development, hotels throughout the EcoRuta indicate increased business since the promotion campaigns began.

—Source: Silva, et al. 2006

**Finance.** Most stakeholders continue to make investments in their firms—from additional rooms, bathrooms, interpretive trails or training facilities, or more environmentally friendly waste management equipment. However, given the financial crisis weathered by banks in the last decade, the seasonality and narrow margins of tourism operations, and relatively high interest rates, these upgrades are not being financed with loans. Even funds targeting the sector, such as Verde Ventures, have seen a low demand for loan products. Instead, the most common sources of investment funds are:

- Cash flow from the relevant business or other operations—Many large- and small-scale accommodation owners are involved in additional businesses. Activities among those interviewed included real estate operations, travel agencies, restaurants and retail shops. Upgrades to land and facilities are often funded from the cash flow generated by these businesses.
- Grants— Many of the ecologically-oriented businesses form or align themselves with NGOs. In this way, or through grants, they tap low-cost funds from overseas sources that allow them to make environmentally-oriented upgrades.

## E. MAJOR CONSTRAINTS AND OPPORTUNITIES

Interviews and discussions with over eighty industry actors revealed opportunities and constraints that can be placed within the following five broad categories: (1) end markets; (2) enabling environment; (3) inter-firm cooperation; (4) support services; and (5) firm-level upgrading. The opportunities and constraints, listed in the tables below, were presented during the stakeholder workshop for vetting by the participants. Italicized topics in the tables were most frequently cited as being significant by the workshop attendees.<sup>17</sup>

**Table 2: Key Constraints and Opportunities**

End Markets
<p><i>Constraints</i></p> <ul style="list-style-type: none"> <li>• <i>Insufficient objective information and promotional material at the regional level.</i></li> <li>• <i>Paucity of information on markets, market needs and segmentation, limits product development and market responsiveness.</i></li> <li>• General tourism market is over-served while niche markets are poorly targeted.</li> <li>• Firms lack access to international markets.</li> <li>• Over-generalized and out-of-date travel warnings have a lasting impact on a region.</li> <li>• The segment of the Ecuadorian market that is interested in nature-based activities remains small.</li> <li>• Galapagos is the only hook for promotion and sales.</li> </ul> <p><i>Opportunities</i></p> <ul style="list-style-type: none"> <li>• There are international marketing opportunities through CORPEI and <i>FondoMixto</i>.</li> <li>• Collaboration between private operators and public sector for promotion of regions as destinations.</li> <li>• Increase in number of Free and Independent Travelers (FITs).</li> <li>• Increased buying power of Ecuadorian market leading to increased demand across the tourism sector.</li> <li>• Private sponsorship of promotional material possible in lieu of public funding.</li> </ul>
Enabling Environment
<p><i>Constraints</i></p> <ul style="list-style-type: none"> <li>• <i>Weak infrastructure and related systems, including roads, waste management, health services, security and education.</i></li> <li>• <i>The public and private sectors tend to act independently of each other. There is little evidence of public-private collaboration.</i></li> <li>• <i>All levels of government lack planning, regulations, enforcement capabilities and resources for sustainable tourism.</i></li> <li>• <i>Low rate of reinvestment of tourism income into protected areas, especially for the management of tourism.</i></li> <li>• There is a duplication of efforts across government entities with oversight over tourism and environmental matters (i.e., patent fees and guide licensing is responsibility of both MINTUR and MAE), resulting in unclear procedures and bureaucratic red tape.</li> <li>• Both the Ministry of Tourism and Ministry of the Environment lack the capacity for longer-term planning and envisioning of where the tourism industry is headed.</li> <li>• For tourist areas located at a distance from the seat of local government, decentralization can be a threat because they have no guarantee that the municipality will act in their best interest.</li> <li>• Regulations relating to concessions are ill-defined, especially within protected areas, limiting opportunities for development of tourism in these areas.</li> <li>• Current hotel ranking scheme has not been revised since the 1970s. Hotel classifications do not reflect the</li> </ul>

<sup>17</sup> Spanish-language tables reflecting participant discussions are presented in Annex 5. Participants indicated their top five opportunity or constraint. Those items in Table 2 that received four or more individual votes are italicized.

current reality and can frustrate tourists. Also, the classifications are themselves antiquated.

- Lack of tourism-related training needed for officers and administrators in charge of the protected areas.
- Insufficient zoning of lands in protected areas and buffer zones.
- Continued use of out of date protected area management plans that do not include tourism management.
- Lack of monitoring and enforcement of protected area management plans and lack of visitor management systems within protected areas.
- Ongoing conflicts over land tenure including indigenous lands and protected areas.
- Negative impacts of tourism on the natural resources, i.e., pollution, erosion, etc.
- Lack of information offered to tourists including codes of conduct.
- Unsustainable practices by extractive industries in high diversity and protected areas.
- High numbers of unregistered businesses (lack of incentives for formalization).

#### *Opportunities*

- Decentralization of the jurisdiction over local tourism activities from the Ministry of Tourism to the municipal governments can be an opportunity for local empowerment.
- Targeted upgrades of facilities and access roads to key attractions in parks and protected areas.
- Possible to use and optimize tourism in protected areas to derive benefits for surrounding local communities.

### **Inter-firm Cooperation**

#### *Constraints*

- Disloyal competition and the presence of illegal operators strain relations among private sector stakeholders.
- Historically, chambers and other industry associations have been ineffective, leading to a generalized distrust of such broad groupings.
- Lack of collaboration between enterprises to create and benefit from market segmentation.
- Lack of adequate pricing strategies across enterprises in each destination.
- Ongoing conflicts among local and out-of-town business owners hinder collaboration.
- Lack of collaboration between enterprises to invest in mutually beneficial upgrades such as signage.
- There is a divide between the owners of 'eco' and recreational tourism products.

#### *Opportunities*

- Indigenous communities can build on their pre-existing relations to share business practices and lessons learned from tourism activities.
- Local initiatives (such as the Pre-Chamber in Mindo and the Machalilla Park Management Committee) can be the catalysts for collaboration among stakeholders.
- Integration of products and destinations into new "rutas."

### **Support Services**

#### *Constraints*

- *Lack of lending products available to tourism enterprises.*
- *Some tourism initiatives are dependant on international donors, which leads to an emphasis on short-term rather than long-term projects and leaves the initiatives vulnerable to unexpected pull-outs by the donors.*
- Lack of available personnel trained in hospitality or with knowledge of foreign languages.
- For those businesses that understand the significance of differentiation, their pursuit of market niches is limited by access to credit.

- Paucity of statistics related to the tourism sector limits the planning capabilities of public and private sectors.
- Lack of lending products tailored to small businesses.
- Indigenous communities, to a greater degree than other stakeholders, lack the networks and knowledge to access funding.
- Banks view tourism as a high-risk investment.
- Existing specialized funds (Verde Ventures) require investments that are outside of the range of investments considered by the stakeholders in the sector.
- Average profit margins for the industry are low relative to average interest rates for credit.
- Lack of training available to firms on best practices in natural resource management and conservation.

#### *Opportunities*

- There is a small but significant supply of business development service providers for the tourism sector.
- Creation of small credit products would provide an opportunity for businesses to finance upgrades.
- Business planning training courses, though limited, are offered by NGOs, universities, training centers, ministries and other public entities.
- Expand hospitality training courses by NGOs, universities, training centers, Ministries and other entities.
- Firms and communities can ally with foundations or NGOs as a vehicle for alternative financing.
- A few specialized funds for tourism enterprises (CORPEI, Conservation International's Verde Ventures).

### **Firm-level Upgrading**

#### *Constraints*

- *Business owners in the tourism industry, especially small business owners, possess limited business skills related to planning, accounting, and financial management.*
- *Business owners do not effectively analyze or consider end market demand when starting new tourism enterprises.*
- Firms lack incentives to improve standards or commit to certification programs.
- Lack of feedback mechanisms prevalent throughout all types of enterprises.
- Generalized lack of reservations systems.
- Conservation practices can be at odds with the livelihood opportunities available to local communities (especially in protected areas).

#### *Opportunities*

- Proximity of indigenous communities to nature-based attractions can provide opportunities for differentiation of their tourism offerings
- Use of interpretation by service providers allows them to educate their clients and eventually change the market segment that they attract.
- Interpretation and visitor education can be used to promote conservation practices.

In ranking significant opportunities and constraints, workshop participants most frequently identified those related to the enabling environment. Stakeholders found decentralization, the lack of basic services, and the lack of public-private collaboration, to be the most significant challenges that must be overcome within the enabling environment. Interestingly, although decentralization was identified as a constraint by actors in Mindo and in the workshop, interviewees in Puerto Lopez and in Coca (in the Amazon) are taking advantage of decentralization as an opportunity for local empowerment. The municipal governments in both areas note that although decentralization does not provide the municipalities with additional funds for tourism, their new authority has allowed them to launch initiatives in a much more timely fashion than was possible via the central government, which they can

finance through fundraising. Nonetheless, it is critical for the advancement of tourism as a formalized and sustainable sector that jurisdictions be clearly defined between the various government entities responsible for tourism and the environment at the municipal, provincial and national levels.

An additional area of concern related to the enabling environment was the low reinvestment rate into protected areas, which poses a challenge for the development of tourism within the national parks. Although the Ministry of the Environment, and therefore the national park system, are sorely under-funded, some basic investments are necessary to attract tourists, increase fee collection and protect the national resource itself. The option of targeted investments within the national parks is discussed in the Action Items section below.

Opportunities and constraints related to support services received the second largest number of votes from stakeholders. Interviewees and workshop participants emphasized the lack of credit available to tourism enterprises. Interviewees at the local level spoke about a lack of access to credit but they also acknowledged that they preferred to fund investments through their own cash flow and demonstrated a wariness of pursuing credit, especially at the interest rates banks offer to the tourism sector. Conversely, workshop participants, possibly swayed by the presence of donors and NGOs, emphasized their need for credit and its limited availability.

While the final three groupings of opportunities and constraints each received far fewer votes than Enabling Environment and Support Services, a few specific topics within these categories received a high number of individual votes. Under End Markets, the most frequently cited challenge was the lack of objective informational and promotional material available to tourists. Stakeholders from Mindo and Napo and workshop participants agreed that objective materials and advertising campaigns could boost tourism in their regions. In Machalilla, the issue was addressed the previous year when the municipality and the Chamber of Tourism jointly launched a regional promotion campaign.

Under Firm-level Upgrading, the lack of business development skills, including strategic planning and financial management, and the lack of information on end markets, was of highest concern at the workshop. Similarly, the interview process revealed that many enterprises, especially small, locally-owned ones, lacked the business acumen to properly price their products and segment their market. For these businesses, upgrading strategies revolved around what might increase tourist volumes (such as building swimming pools) rather than what might attract higher-end tourists. Finally, although workshop participants gave the lowest number of votes to Inter-firm Cooperation issues, these same issues were frequently emphasized by interviewees in the three regions.

### III. COMPETITIVE STRATEGY AND ACTION PLAN

#### A. FOUR POTENTIAL ELEMENTS OF A STRATEGIC VISION

The value chain maps, the flows of transactions, the learning and benefits that they represent, and their implications for competitiveness, conservation and sustainability were presented to a group of industry stakeholders in a meeting in Quito in June of 2006 (see Annex 4 for a list of participants). The mix of actors—operators and accommodations owners, local community representatives and large-scale mass tourism operators, key officials from the Ministry of Tourism and the *Fondo Mixto*, and representatives from relevant NGOs and the donor community—who do not routinely gather to discuss common challenges and opportunities, allowed for a frank and lively discussion of our findings. There was relative consensus on the need for a better understanding of relevant market segments, the development of products and destinations that responded to this market, and targeted promotion that effectively reached promising markets. We also succeeded in vetting and prioritizing the most significant and immediate opportunities and constraints. Given time constraints and the limited levels of a pre-existing, collaborative, industry-level orientation, we were not able to facilitate sessions that articulated a strategic vision or mapped out a list of short-term action that stakeholders were committed to implementing.

However, based on our research findings and stakeholder feedback, the team was able to identify elements of a strategic vision that should be considered by industry stakeholders. This vision is also consistent with the message behind Ecuador's present promotional effort, *Ecuador: Life at its Purest*.

1. Ecuador will develop a **brand** as the *leader in sustainable tourism*, offering authentic and unique experiences that are tied to Ecuador's *natural and cultural resources*. These tourism experiences will provide benefits to local communities and their members without negatively affecting the scarce resources that serve as the initial tourism draw.
2. Products and destinations under this brand will respond to **market demand**, designed to capture a range of market segments and tourists interested in a range of activities—ecotourism, cultural tourism, adventure tourism, and other activities that engage a larger number of customers than would a strict orientation to ecotourism narrowly defined and, within some markets, negatively perceived. In other words, elements of mass tourism that do not harm the sustainable tourism brand will be promoted, in order to attract a large number of tourists and to demonstrate that sustainable tourism is a mainstream brand.
3. Ecuador's growing brand of tourism will become increasingly linked with **natural resource management** that protects the environment and promotes biodiversity. In order to attract niche market segments and provide appealing natural destinations for recreation-minded tourists, elements such as land-use planning, tourism planning, measures to respect acceptable limits of change, and environmentally sound waste management will grow increasingly important. Furthermore, appealing to a wide market will have a positive impact on conservation measures as well as economic viability, as larger numbers of Ecuadorians will have concrete exposure to and a vested interest in the protection of resources.
4. Building this brand will require **increased collaboration** between industry actors, with the development of an industry-level awareness replacing the current enterprise level understanding of competitiveness. Since incentives for collaboration appear stronger at the local level, linked to concrete and immediate mutual benefits, local collaboration that is consistent with the national brand will be encouraged. In fact, the national brand will

be shaped and strengthened by collaborative efforts to define and promote mini-brands or destinations. These mini-brands can incorporate businesses in one location, such as Mindo or the Bajo Napo, or across locations, as in the EcoRuta.

Local businesses will collaborate in defining the image, planning the elements, and establishing the standards and alliances needed to promote and benefit from these destinations. National level operators, chambers, associations, the Promotional Fund (*Fondo Mixto*), and relevant ministries will engage these local destinations in an iterative process, with market access and information and technical information flowing back to local destinations and businesses, and market and product information flowing to shape national level services. Through local collaboration and feedback between local and national level actors, Ecuador will succeed in developing and selling the products, destinations and brands that will make it the world leader in sustainable tourism.

The dynamics of this collaborative effort to build a national brand are illustrated in the following diagram, with collaboration between local actors moving outward and resulting in destinations and a solid national brand, while information and market access moves inward to strengthen the product development and conservation efforts of local destinations and businesses.

**Figure 7: Building a National Brand**



## B. POTENTIAL ACTION ITEMS

We have also identified potential action items that are consistent with these strategic elements and responsive to critical opportunities and constraints. As mentioned, we were not able to facilitate an action planning session during the stakeholder workshop. In order to propose action items that were more likely to reflect stakeholder incentives, we took the opportunities and constraints to upgrading that were identified in our analysis and prioritized during the

stakeholder session, and filtered them through two criteria. First, we considered their fit with the four elements of a strategic vision. Would addressing the constraint or pursuing the opportunity help stakeholders to:

- shape a national brand of sustainable tourism,
- respond to a wide spectrum of market segments interested in sustainable and nature-based tourism,
- enhance the link between conservation and tourism, or
- collaborate in the development of local destinations and mini-brands that in turn could build a national brand and a more competitive, sustainable and collaborative industry?

Second, we considered the feasibility of actions that could effectively respond to the most relevant opportunities and constraints. As a result of this analysis, we recommend actions that fall into four categories.

## 1. ENABLING ENVIRONMENT

Given the budget shortfalls, the capacity limitations and resulting lack of confidence in relevant public sector institutions, improvements in the enabling environment are critical to enhancing the competitiveness of Ecuador's sustainable tourism sector. At the same time, a top-down approach does not have a strong likelihood of success. For this reason, we recommend a strategic vision in which inter-firm collaboration and industry organization builds from the local level. Local collaborators can influence critical enabling environment improvements at the local and provincial level, given decentralization efforts. At the same time, donors and stakeholders would benefit from national level improvements with the potential to be achieved quickly. These include:

- *E-efficiencies* such as websites that link ministries' efforts, resources and studies on sustainable tourism, or on-line payments systems for licenses
- streamlined *legalization processes* such as the updating of relevant standards<sup>18</sup> and efficient business registration processes
- the implementation of concessions and *differentiated fee* strategies in protected areas, so that local opportunities for co-management can be tapped and the fees generated by specific sites can better reflect market demand and the quality of the services provided. Furthermore, a strategy in which a portion of the fees generated at each site are reinvested locally would serve as an incentive for more effective fee generation and management.

Successes and lessons generated by these efficiencies, local cooperation, and the upgrading of destinations, firms and support services will contribute to the industry identity and relationships needed to succeed at longer term enabling environment initiatives. These more systemic improvements include:

- clear delineation of roles and responsibilities between ministries, and between national and local levels of government
- zoning and planning—training and implementation at national and local levels

Collaboration between donors—including the Inter-American Development Bank, which is currently planning a US \$15 million Sustainable Development effort—could facilitate the coordination and provide resources to increase the likelihood of success.

## 2. INTER-FIRM COOPERATION

Given the basic level of industry identity possessed by stakeholders, and a general lack of confidence in national entities—from ministries to associations—the most promising actions have a more local orientation and the ability

---

<sup>18</sup> Tourist accommodations standards are slated for updating by MINTUR this year, although mechanisms for implementation and enforcement have not been vetted with private sector associations or local governments.

to demonstrate mutual benefits to stakeholders more quickly. These demonstrated benefits, in turn, should help build momentum around a stronger industry orientation, increase confidence in collaborative efforts, and promote relationships needed to tackle longer-term and more systemic challenges to competitiveness.

Interested donors can contribute to this process by facilitating **local stakeholder sessions**, where local stakeholders can prioritize opportunities and constraints and collaborate on action plans for upgrading their firms and destinations. The energy and dialogue promoted by the stakeholder session in Quito demonstrated the potential of this tool.

Local stakeholder sessions should not be viewed as ends in themselves. Starting with stakeholders who more readily recognize each other is more likely to result in a consensus and commitment to **targeted local actions**. In our analysis we saw examples of local cooperation, from the accommodations and operators who joined forces with CORPEI to form the EcoRuta, to public–private collaboration in order to promote Machalilla, to the efforts in Mindo to form a local chamber of tourism in order to create an objective source of marketing information and to advocate for the enforcement of relevant ordinances at the municipal level. Involved stakeholders recognized the benefits that such horizontal linkages, destination promotion, and the enforcement of standards offered them, individually and collectively. This recognition provides the incentive to cooperate on significant upgrades that can help to build up the image and services of local destinations. In addition to these benefits mentioned above, local inter-firm cooperation could result in:

- *codes of conduct* for tourists and operators, so that pressures from larger numbers of tourist do not result in pollution, the destruction of trails, and other consequences that undermine both conservation and an attractive, nature-based tourist destination
- *local systems to manage and monitor limits* of acceptable change—given the limited planning and enforcement capacity of government, operators could develop and follow schedules for visiting protected sites, for example, reducing crowds and pressure on natural attractions
- objective promotional material and information services—services that objectively categorize establishments and promote destinations to targeted marketed segments
- collaborative websites and reservation systems which would allow numerous accommodations or operators to afford higher quality services and attract larger volumes of customers and new market segments
- *upgrading* (signage, interpretive trails, information and restroom facilities) of key publicly owned attractions by influencing the plans or contributing to the investment budgets of relevant government entities

Finally, given Ecuador’s competitive track record against Peru and the degree to which Peru’s promotional budget dwarfs that of *Fondo Mixto*, the government of Ecuador has a strong incentive to increase *Fondo Mixto*’s operating budget.

### 3. FIRM-LEVEL UPGRADING

Another outcome of local stakeholder sessions is the facilitation of **business alliances**, like the EcoRuta, facilitated by CORPEI. Business alliances offer vertical and horizontal linkages that allow small businesses to upgrade their business practices and tap new markets.

Firms can also upgrade their practices through **targeted training**. Investments in such **training** by donors, Ecuador’s tourism university, ministries, and chambers of tourism could be effective to the extent that firms or trainees cover or share in costs, and that training is linked to specific business and destination development opportunities, such as:

- guide training linked to licensing procedures, or to the launching of new destinations/routes

- tourism and natural resources management training for key protected area sites that are investing in sustainable tourism upgrades
- specialized training such as technical practices, planning, and pricing tied to destination development

#### 4. SUPPORT SERVICES

Financing will be required for upgrades facilitated through business alliances and training. Given the limited supply of loan products for investments in tourism, financial institutions that serve small businesses could enter the market by designing and promoting *loan products* that could finance smaller investments that allow firms to provide better services—such as reservation or accounting software, life jackets or other safety enhancements, or improved waste management equipment.

Stakeholders articulated both a desire to offer services demanded by a larger, sustainable tourism market, and a frustration at their limited knowledge of and access to this market. The research team shared this frustration of limited access to reliable market information, and statistical data on tourism and bio-diversity. One lesson of the EcoRuta initiative was the willingness of participating firms to capture, track and share information on visiting tourists, occupation rates and changes in each over time. Donors, ministries and local governments interested in building a market information system can use this lesson to facilitate the development of *local market information systems*.

These systems can be made further effective by offering feedback to *Fondo Mixto*, the national promotion agency. With limited funds for advertising campaigns and research, *Fondo Mixto* lacks effective ways to track the impact of its promotional efforts. By collaborating with local market information networks, *Fondo Mixto* could track the increase in tourists from targeted markets or other indicators that would demonstrate the effectiveness of promotional efforts.

*Market analysis* is also necessary and could be approached through a similar feedback loop between networks and *Fondo Mixto*. National or regional tourist chambers could serve their members by contracting a firm to conduct surveys of tourists within Ecuador to analyze market segments and assess customer satisfaction. In addition to sharing the analysis with members, they could exchange market information with *Fondo Mixto*, which conducts analysis of tourist segments overseas.

A longer-term, more expensive investment in market information is the creation of a national statistical system. A satellite accounting system within MINTUR has not operated for the last two years. If the Ministry of Tourism is unable to fund the maintenance of this system, donor resources might facilitate management of a reliable statistical system managed directly by the Ministry, or by a private firm under contract.

# ANNEX 1: CONCLUSIONS CONCERNING THE LINK BETWEEN TOURISM AND BIODIVERSITY, AND THE INTEGRATION OF VCA AND NWP FRAMEWORKS

In addition to the particular findings of this analysis of nature-based tourism in Ecuador, this activity provided an opportunity to test:

- the hypothesis that tourism activities can contribute to biodiversity, and
- the integration of two analytical frameworks: NWP and VCA

## A. TOURISM AND CONSERVATION

1. Nature-based tourism can contribute to effective NRM, and vice versa, as experiences in Mindo and Lower Napo demonstrate. Mindo evolved from cattle ranches to a cloud forest tourist destination, spurred by nonprofit entities that purchased land in order to contribute to biodiversity through reforestation. A public reserve was established, and businesses purchased additional land in order to establish private reserves, to create a mini-biological corridor facilitating bird and mammal movements, and to conduct ecotourism activities. In the village of Mindo, various conservation groups implement environmental education, continued reforestation and initiated waste management efforts (separating organic and inorganic trash). The local community has grown along with economic opportunities for recreational tourism. In the Lower Napo region, a local community's investment in tourism has directly resulted in improved land use management, water conservation and improved management and investments in the National Park.
2. Type of land ownership does not dictate whether or not conservation and tourism support each other. Private reserves in Mindo, national protected areas in Mindo and the Lower Napo, and community property in Agua Blanca and the Lower Napo all demonstrate a positive relationship between conservation and tourism. Similarly, ineffective planning and collaboration in the village of Mindo, tensions between the Machalilla National Park and communities that traditionally fished and logged there, and between private reserves and neighboring communities in the Lower Napo, all demonstrate the limits of this positive relationship. Rather than the type of land ownership, important preconditions include the fact that a scarce natural resource is a defining element of the tourist destination, that tourism operators possess adequate natural resource and business management capacity, and that the local community recognizes and receives benefits from the conservation/tourism activity.
3. Those interested in promoting conservation through ecotourism must think more broadly than ecotourism. As the Mindo case demonstrated, success in conservation and niche tourism is likely to catalyze investments in activities that attract more tourists. This creates a double edge sword for conservation. On the positive side, many more individuals, both tourists and tourism businesses, gain a stake in conservation, and operators, accommodations, shops and restaurant increase their sales and their likelihood of success. At the same time, in the absence of collaboration between niche and mass market players and effective mechanisms for planning and regulation, the growth of mass tourism can produce pollution and degradation that undermine both the business and conservation elements of the destination.

4. Because of this relationship between ecotourism and broader recreational tourism, and the importance of local communities recognizing and receiving benefits from conservation oriented business activities, it is important to facilitate local planning and collaboration around immediate benefits. Stakeholder sessions and action planning activities can be useful for this purpose. Achieving mutual benefits at the local level can help more isolated stakeholders who are focused on their individual businesses to build a more industry-oriented approach, and identify local solutions to the most critical systemic challenges.
5. While interventions at the national level are more complex, longer-term and expensive, there are national level priorities that include planning, enforcement, effective decentralization, and the cost-effective flow of market information, technical knowledge and promotion services. Coordination by donors and the government around these themes, informed by success at the local level, is important in order for the sustainable tourism industry to address systemic challenges to its competitiveness.
6. Finally, under models in which traditional communities are investors in tourism ventures, it is important to monitor the impact of the injection of significant cash into traditionally non-cash communities. We further recommend incorporating training and participatory activities that have proved effective in other locations for increasing the transparency and effectiveness of community financial management.

## **B. NATURE-WEALTH-POWER AND VALUE CHAIN APPROACH**

1. The NWP framework and VCA effectively informed each other in this exercise. VCA provided a structured and tested methodology for analyzing relationships within an industry, identifying critical constraints and opportunities, and generating stakeholder interest in industry-oriented upgrades. Because of its more detailed methodology, the team led with a value chain approach, but one informed by the orientation provided by NWP. Interview guides were adapted to gather information concerning local community participation and benefits, conservation practices, and enabling environment issues related to the ownership, management, conservation and threats to critical natural resources. The value chain map was adapted to include a new function—resource ownership/management, one critical to understanding the dynamics of industries based on scarce natural resources. Similarly, tourism activities within protected areas and in surrounding buffer zones were presented separately, allowing the team and stakeholders to note the differences in behavior between these two channels, as well as their conflicts and interdependence.
2. The Value Chain Approach provided a useful framework for analyzing a service industry that operates more as a cluster than a value chain. Nature-oriented tourism in Ecuador, in which actors lack an industry orientation, are reticent to form vertical and horizontal linkages, and can sell services to buyers who, literally, show up at their door step, does not operate as a value chain. Nevertheless, it proved effective to map transactions and relationships across functions, interview the actors performing those functions concerning the opportunities and constraints they face for increased competitiveness and sustainability, and vet those findings through a stakeholder workshop. This process surfaced recommendations for stakeholders to consider: short-term and longer-term actions that could improve the enabling environment, enhance vertical and horizontal linkages, and incorporate firm-level upgrading and support services into a strategic vision for a sustainable tourism industry.
3. Resource ownership/management is an important function for scarce resource-based products. As explained above, the form of ownership is less important than the degree to which owners and the local community perceive and realize benefits from the resource-based economic activities. By explicitly including this function in the interview and mapping exercises, one is better able to analyze how the resource is integrated into the

value chain, and the degree to which benefits are accruing to those who own it, as well as the degree to which investments in the resource are optimized.

4. The qualitative question guides developed, tested and used in this analysis were effective in mapping relationships of a more complex service industry—actors' transactions, information and benefits flows, and horizontal and vertical linkages. They were less effective in gauging relative profitability and more quantitative data. Because a wider range of services are provided in a range of manners, scales and price structures, one can not easily extrapolate based on indicators such as occupancy rates, in the same way analysts with information on production technology, hectares and yields can extrapolate rents and profitability for agricultural producers. If mapping rents and relative profitability is a critical outcome of the analysis, either a modified interview guide or, more likely, a separate research tool is required. Similarly, questionnaires capturing open-ended, qualitative information from tourists are not useful. A survey approach, gathering data in a more structured manner that can be easily aggregated, is necessary for gaining useful information from these actors because any one tourist represents a tiny percentage of the total number of tourists.

## ANNEX 2: REFERENCES

- ASEC and Conservation International-Ecuador. 2006. *Reporte del análisis de impactos relacionados a actividades turísticas en el Parque Nacional Machalilla*, Quito.
- BirdLife International. 2005. *BirdLife's online World Bird Database*. Version 2.0. Cambridge, UK: BirdLife International. (<http://www.birdlife.org>)
- Canaday, C. 2000. *La variedad de nuestra fauna*. Ecuador Terra Incógnita (Quito) 1:25-27.
- Centro de Levantamientos Integrados de Recursos Naturales por Sensores Remotos (CLIRSEN). 2003. *La Deforestación en el Ecuador*. Quito.
- Economist Intelligence Unit. 2005. *Travel and Tourism Industry Forecast: Americas*, London.
- Silva, Xavier, et al. 2006. *Guide EcoRuta: El Paseo Del Quinde*, Quito: CORPEI-USFQ.
- Food and Agriculture Organization of the United Nations. 2005. *State of the World's Forests*, Rome.
- Green Consulting. 2006. *Plan de Negocios y Mercadeo para Laguna de Cube (REMACH)*, Quito, Ministerio de Ambiente, Conservación Internacional, Fundación El Kaimán.
- Kernan, B. and M Stern. 2006. *Report on Tropical Forests and Biological Diversity*, Country Strategy Statement, FY 2007-2012. Report prepared for USAID/Ecuador.
- Ministerio de Economía y Finanzas. 2005. *Presupuesto General del Estado*, Quito.
- Ministerio del Ambiente. 2005. *Análisis de las Necesidades de Financiamiento del Sistema Nacional de Áreas Naturales Protegidas del Ecuador*. Quito, Ecuador.
- Ministerio de Turismo. 2004. *Registro de visitantes nacionales y extranjeros a las áreas naturales de Ecuador*. Quito.
- Ministry of Environment. 2000. *Environmental Strategy for the Sustainable Development of Ecuador*. Quito.
- Ministry of Environment. 2001. *Policy and National Strategy for Biodiversity in Ecuador 2001–2010*. Quito.
- Tirira, D. S. 1999. *Mamíferos del Ecuador*. Museo de Zoología, Centro de Diversidad y Ambiente. Pontificia Universidad Católica del Ecuador. Publicación Especial 2., Quito.
- Tirira S.D. (ed.). 2001. *Libro Rojo de Los Mamíferos de Ecuador*. Sociedad para la Investigación y Monitoreo de la Biodiversidad Ecuatoriana (SIMBIOE), Quito.
- Stocks, A. and A. Ona. 2005. *Assesment of USAID/Ecuador's Strategy to Conserve Biodiversity on Indigenous Lands*. Report prepared for USAID/Ecuador.
- World Tourism Organization. 2002a. *Special Report: The U.S. Ecotourism Market*, Madrid.
- World Tourism Organization. 2002b. *Special Report: The Spanish Ecotourism Market*, Madrid.
- World Tourism Organization. 2002c. *Special Report: The British Ecotourism Market*, Madrid.

World Tourism Organization. 2005. *Tourism Market Trends 2004*, Madrid.

World Travel and Tourism Council. 2006. *Competitiveness Monitor*. ([www.wttc.org/compMon.htm](http://www.wttc.org/compMon.htm))

Youth, Howard. 2006. *Ecuador, In Search of Natural Balance*. World Watch Magazine, Vol 19:2 March-April, pages 21-25. Washington, D.C.

Zabala, P; et. al. 2004. *Gestión del Turismo Sostenible en el Sistema Nacional de Áreas Protegidas (SNAP) del Ecuador*. Ministerio del Ambiente. Project MAE/BID ATN/ SF -8182, Ecuador.

## ANNEX 3: MULTILATERAL AND BILATERAL SUPPORT OF TOURISM

PRIORITY ACTIVITY	USAID	WORLD TRAVEL ORGANIZATION-STEP	AGENCIA ESPAÑOLA DE COOPERACIÓN INTERNACIONAL	INTERAMERICAN DEVELOPMENT BANK (IDB)	MULTILATERAL INVESTMENT FUND - IDB (MIF - IDB)	SERVICIO HOLANDES DE COOPERACION AL DESARROLLO (SNV)	GLOBAL ENVIRONMENTAL FACILITY	UNITED NATIONS DEVELOPMENT PROGRAM
Capacity-building in the sector		Micro-business tourism project (training and assistance)	Capacity-building for environmental sustainability (ARAUCARI A XXI)	Improving capacity of MSMEs in productive local sectors (fishing, farming and livestock, and/or tourism) (GPS)	Certification of Labor Competency in Tourism / FOMIN II Galápagos			
Financing for the sector	Assistance (small grants) for sustainable development projects	Micro-business tourism project (micro-credit)						Support for development of sustainable tourism initiatives through small grants program
Planning of Tourism Strategies and Policies	Tourism Value Chain Assessment (3 sites)			Strategic Plan for Development of Sustainable Tourism 2006-2020 (PLANDETUR 2020)		Institutional Strengthening of FEPTCE	SNAP-GEF Project, Planning and Infrastructure	
Strengthening of Community and Sustainable Tourism	Promotion of sustainable tourism development in indigenous communities: Support of CAIMAN Foundation	Institutional Strengthening for FEPTCE		Feasibility Studies of Nature and Community Tourism in the Southern Region of Ecuador				

Source: Table provided by Conservation International

## ANNEX 4: STAKEHOLDER MEETING PARTICIPANTS

Name	Institution
1. Diego Andrade	ASEC
2. Daniela Cajiao	Conservación Internacional
3. Salvador Cazar	Conservación Internacional
4. Steve Edwards	Conservación Internacional
5. Tomas Fletcher	Consultor independiente
6. Geovanna Robayo	CORPEI
7. Natalia Leske	Dirección de Conservación de Áreas Protegidas provincia del Chubut, Argentina
8. Andrés Garzón	Ecociencia
9. Glenda López	Encuestadora del proyecto
10. Paola Stone	Encuestadora del proyecto
11. Galo Villamil	FEPTCE
12. Patricio Yucta	FEPTCE
13. Patricio Tamariz	Fondo Mixto de Promoción
14. Roque Sevilla	Metropolitan Touring
15. Susana Balarezo	MINTUR –Programa de Descentralización-
16. Giovanni Rivadeneira	Napo Wildlife Center
17. Norbey López	Napo Wildlife Center
18. Byron Palacios	Neblina Forest
19. Dolores Quishpe	Proyecto GEF
20. Joao Quiróz	Proyecto Kaiman
21. Lucía Burneo	Rain Forest Alliance
22. Francisco Molina	Santa Lucía
23. Tatiana Calderón	SNV
24. Antía Portillo	STEP
25. Adriana Burbano	TNC / Corporación Randy Randy
26. Juan Rodríguez	Travel Ecuador
27. Jascivan Carvalho	Tropic Journeys in Nature
28. Doug Mason	USAID
29. Mónica Zuquilanda	USAID
30. Sofía Villalba	USAID
31. Thomas Moore	USAID

## ANNEX 5: LAWS AND REGULATIONS

<b>Tourism/Environment</b>	<b>Regulatory Organization</b>	<b>Objectives</b>
Special Law for the Decentralization of the State	President of the Republic and Ministries of State	Stimulate the administrative and financial decentralization of the State through social participation and capacity building mechanisms.
Special Regulations for Tourism in Protected Natural Areas	Ministry of Tourism / Ministry of Environment	Establish the rules and procedures applicable to tourist activities that are developed within the National System of Protected Areas
Regulation for Nature Guides in Protected Areas	Ministry of Tourism / Ministry of Environment	Determine the functions, obligations, rights and sanctions of protected area nature guides
<b>Tourism Legal Framework</b>	<b>Regulatory Organization</b>	<b>Objectives</b>
Tourism Law	Ministry of Tourism	Determine the legal framework that will govern advertising, development and regulation of the tourism sector; the authority of the State and the obligations and rights of the service providers and their users.
Regulations for the Application of the General Tourism Law	Ministry of Tourism	Establish the instruments and procedures of legal application and the institutional coordination of tourism issues
General Regulations for Tourist Activities	Ministry of Tourism	Establish the categories, rights, obligations and functions of the career businessmen or average citizens that are dedicated providers of tourist services
Regulations for Ecotourism	Ministry of Tourism	Establish permanent policies and general principles that should follow ecotourism activities developed at the national level
<b>Environmental Legal Framework</b>	<b>Regulatory Organization</b>	<b>Objectives</b>
Environmental Management Law	Ministry of Environment	Establish the principles and guidelines of environmental policy; determine the obligations, responsibilities, and levels of participation of the public and private sector
Forestry, Wildlife, Natural Areas Conservation Law	Ministry of Environment	Establish management of forests, natural areas, and wildlife that are property of the State, and their protection and use.
Regulation for the Forestry, Wildlife, Natural Areas Conservation Law	Ministry of Environment	Regulate the provisions contained in the Forestry, Wildlife, Natural Areas Conservation Law
Unified Text of Secondary Environmental Legislation	Ministry of Environment (shares responsibility with other organizations)	Contain all legal standards relative to environmental administration at the national level
<b>Strategies</b>	<b>Regulatory Organization</b>	<b>Objectives</b>
National Ecotourism Strategy (in process)	Ministry of Tourism	Establish general policies and guidelines that will provide the framework for future actions in tourism matters concerning trends in the Ecuadorian tourism market
Technical Ecotourism Standards	Ministry of Tourism	The Technical Ecotourism Standards establish the necessary guidelines which ecotourism businesses should use to develop their tourism activities.
Agreement of Transfers of Environmental Competencies	Ministry of Environment	Taking into consideration what has been established in the Special Law of Decentralization of the State, the decentralization of environmental regulatory organizations to the distinct Environmental Districts at the national level will be promoted.

Source: Table provided by Conservation International

## ANNEX 6: OPPORTUNITIES AND CONSTRAINTS TABLES (SPANISH)

### SUPERESTRUCTURA

Temas	Oportunidades y Limitaciones Claves
Descentralización	<ul style="list-style-type: none"> <li>• Empoderamiento local</li> <li>• Agilización de trámites (promoción de actividades legales)</li> <li>• Inequidad de capacidades</li> </ul>
Servicios básicos	<ul style="list-style-type: none"> <li>• Limitada infraestructura de apoyo (carreteras, manejo de desechos, salud, seguridad, educación)</li> <li>• Infraestructura de apoyo (especialmente acceso) en malas condiciones</li> </ul>
Relación pública-privada	<ul style="list-style-type: none"> <li>• Falta de colaboración pública privada</li> </ul>
Eficiencia del sector público	<ul style="list-style-type: none"> <li>• Falta de Planeamiento, ordenanzas, cumplimiento, asignación de recursos para turismo sustentable por parte de ministerios, municipios y otras entidades públicas</li> <li>• Falta de información estadística</li> <li>• Necesidad de capacitación</li> <li>• Agilización de trámites (patentes, licencias, SRI, etc.)</li> </ul>
Redefinición de las competencias	<ul style="list-style-type: none"> <li>• Duplicación de instituciones (paralelismo)</li> <li>• Desinformación interinstitucional y duplicación de esfuerzos Optimización del manejo de recursos, licencias de guías, patentes-interinstitucionales (municipios, ministerios)</li> </ul>
Reglas del juego no están claras	<ul style="list-style-type: none"> <li>• Estándares y categorías no se adaptan a la realidad actual (albergues, all-inclusive). Hay necesidad de establecer estándares y normas.</li> <li>• Faltas de reglas claras para concesiones/tercerización especialmente en áreas protegidas Propiedad sobre los recursos no es clara (conflictos entre propiedad de la tierra y explotación de recursos)</li> </ul>
Tenencia de tierra	<ul style="list-style-type: none"> <li>• Conflictos en la tenencia de tierras (privado/indígenas y áreas protegidas)</li> </ul>
Legalidad	<ul style="list-style-type: none"> <li>• Alta ilegalidad (falta de incentivos para la formalización)</li> </ul>
Planificación y visión	<ul style="list-style-type: none"> <li>• Limitada capacidad de planificación en el sector público</li> <li>• Falta de visión a largo plazo en el sector público</li> <li>• Necesidad de talleres de planificación</li> </ul>

### MEJORAS EMPRESARIALES: PRÁCTICAS EMPRESARIALES

Temas	Oportunidades y Limitaciones Claves
Planificación empresarial	<ul style="list-style-type: none"> <li>• Falta de planificación de negocios, planificación financiera, falta de sistemas contables</li> <li>• Limitada capacidad de planificación y/o visión empresarial</li> <li>• Servicios de planificación empresarial (por parte de entidades privadas, públicas u ONGs)</li> </ul>
Mercadeo	<ul style="list-style-type: none"> <li>• Falta de acceso a mercados internacionales</li> <li>• Oportunidades de mercadeo a través de CORPEI y Fondo Mixto de Promoción</li> </ul>
Capacidad técnica y laboral	<ul style="list-style-type: none"> <li>• Falta de capacitación del personal / falta de mano de obra con experiencia o con manejo de idiomas (sobre todo en comunidades y microempresas)</li> <li>• Capacitación empresarial (por parte de entidades privadas, públicas u ONGs)</li> <li>• Falta de sistemas de reservas</li> <li>• Aprovechar y fortalecer relaciones entre comunidades para compartir conocimientos empresariales y lecciones aprendidas.</li> </ul>
Evaluación y retroalimentación	<ul style="list-style-type: none"> <li>• Falta de sistemas de evaluación y retroalimentación</li> </ul>

## MANEJO DE RECURSOS NATURALES

Temas	Oportunidades y Limitaciones Claves
Turismo y áreas protegidas	<ul style="list-style-type: none"> <li>• Baja reinversión en áreas protegidas, especialmente para el manejo de turismo</li> <li>• Aprovechar y optimizar el manejo turístico en áreas protegidas para generar beneficios locales</li> <li>• Capacitación para administradores de las áreas protegidas en turismo</li> <li>• Polución, impactos en flora y fauna, erosión</li> <li>• Turismo masivo, congestión</li> </ul>
Manejo, monitoreo, mejores prácticas y códigos de conducta	<ul style="list-style-type: none"> <li>• Las operadoras se encuentra en un estado incipiente para aceptar certificaciones o elevar estándares al menos que se otorguen incentivos</li> <li>• Falta de sistemas de monitoreo o sistemas de manejo de visitantes</li> <li>• Falta de información para el visitante, incluyendo códigos de conducta para turistas</li> <li>• Ordenamiento territorial y zonificación en las áreas protegidas, espacialmente para el uso turístico</li> <li>• Actualización de los planes de manejo de las áreas protegidas e incorporación de manejo turístico en los mismos</li> <li>• Cumplimiento y monitoreo de planes y reglamentos</li> <li>• Capacitación en mejores practicas y asistencia técnica para los operadores</li> </ul>
Conservación y oportunidades económicas	<ul style="list-style-type: none"> <li>• Prácticas extractivas no sustentables en áreas de alta diversidad o áreas protegidas</li> <li>• La conservación puede entrar en conflicto con la búsqueda de otras actividades económicas (incluyendo turismo)</li> </ul>
Educación e interpretación	<ul style="list-style-type: none"> <li>• Promover el uso de la interpretación para los turistas</li> </ul>

## DESARROLLO Y PROMOCIÓN DEL DESTINO

Temas	Oportunidades y Limitaciones Claves
Información y promoción	<ul style="list-style-type: none"> <li>• Patrocinaje privado para material de promoción</li> <li>• Colaboración entre operadoras privados y sector público en promoción basada en el destino</li> <li>• Falta de información objetiva y de material promocional para regiones</li> <li>• Galápagos es el único gancho de promoción y venta</li> </ul>
Infraestructura	<ul style="list-style-type: none"> <li>• Falta de señalización</li> </ul>
Seguridad	<ul style="list-style-type: none"> <li>• Advertencias para viajeros exageradas o no actualizadas</li> <li>• Relaciones públicas / actualización de advertencias para viajeros</li> </ul>
Desarrollo del destino	<ul style="list-style-type: none"> <li>• Integración de productos y destinos en nuevas rutas turísticas</li> </ul>

## SERVICIOS DE APOYO: ACCESO A FINANCIAMIENTO

Temas	Oportunidades y Limitaciones Claves
Acceso a crédito	<ul style="list-style-type: none"> <li>• Alianzas a largo plazo entre sector privado, ONG's y comunidades locales</li> <li>• Fondos especializados (CORPEI, Verde Ventures)</li> <li>• Falta de oportunidades de crédito para pequeños negocios y falta de sucursales</li> <li>• Dependencia en donantes internacionales y ONGs incluyendo vulnerabilidad al retiros de estos actores o proyectos a corto plazo</li> <li>• Comunidades rurales/ indígenas carecen de confianza o patrimonio para acceder a líneas de crédito</li> <li>• Falta de confianza entre la banca para proyectos de turismo</li> </ul>
Rentabilidad	<ul style="list-style-type: none"> <li>• Baja rentabilidad no permite amortizar créditos con tasas comerciales de interés</li> </ul>
Tamaño del crédito	<ul style="list-style-type: none"> <li>• Créditos pequeños para financiar mejoras</li> <li>• Fondos especializados (VerdeVentures) manejan montos muy altos</li> </ul>

## MEJORAS EMPRESARIALES: DIFERENCIACIÓN DE PRODUCTOS Y EXPANSIÓN

Temas	Oportunidades y Limitaciones Claves
Nuevos patrones/tendencias	<ul style="list-style-type: none"> <li>• Aumento de oportunidades generadas por la mayor capacidad de expendio del mercado ecuatoriano</li> <li>• Segmento ecuatoriano orientado a la naturaleza o actividades ecoturísticas es aún pequeño</li> <li>• Cambio de segmentos de mercado gracias a la interpretación y mejores prácticas</li> <li>• Incremento de FIT's</li> </ul>
Conocimiento del mercado	<ul style="list-style-type: none"> <li>• Falta de información sobre segmentos de mercado y necesidades de segmentos específicos</li> <li>• Visión errónea de construir primero el producto y luego buscar el mercado</li> </ul>
Inversiones que captan nuevos nichos de mercado	<ul style="list-style-type: none"> <li>• Falta de acceso a recursos limita acceso a nuevas oportunidades de diferenciación</li> </ul>
Conectividad	<ul style="list-style-type: none"> <li>• Cercanía entre atractivos naturales y comunidades locales</li> </ul>

## COOPERACIÓN ENTRE EMPRESAS

Temas	Oportunidades y Limitaciones Claves
Cooperación vs. Polarización	<ul style="list-style-type: none"> <li>• Gremios inactivos</li> <li>• Iniciativas locales (ej. Pre-Cámara -Mindo-, Comité de Gestión del Parque Nacional Machalilla)</li> <li>• Conflictos entre empresarios locales vs. no locales. Desconfianza entre comunidades y mayoristas sector empresarial.</li> <li>• Polarización entre productos "eco" y productos recreativos</li> </ul>
Segmentación de mercado	<ul style="list-style-type: none"> <li>• Estrategias de precios</li> <li>• Falta de alianzas empresariales para crear y aprovechar de segmentación de mercado</li> <li>• Falta de enfoque de mercadeo hacia nichos en vez de mercados generales</li> </ul>
Competencia	<ul style="list-style-type: none"> <li>• Competencia desleal</li> <li>• Bajos precios, "enganchadores", operaciones ilegales</li> </ul>

# ANNEX 7: SCOPE OF WORK

## JOINT FRAME/AMAP-BDS SUSTAINABLE TOURISM ASSESSMENT

### BACKGROUND

Communities are dependent on the health of their supporting ecosystems for their livelihoods, especially prospects for long-term economic growth. Democratic governance and sustainable use of natural resources are inextricably linked to the relationship of a population with the natural resources base and their overall well-being. Evidence from around the world suggests that when rural communities are organized around the production and trade of natural products and natural resource based services, such as tourism, and when these communities gain secure access to natural resources, there is potential for improved resource management that will increase biodiversity conservation while simultaneously providing sustainable economic growth opportunities. In an increasingly globalizing world, however, it is not enough to empower community-level enterprises to manage their productive assets; they also need to gain access to markets, finance, technology, business skills and other support services that impact the competitiveness and sustainability of natural resource based enterprises.

Most assessments to date have adopted a singular perspective: focusing on ecological issues, income-related issues, enterprise development, or the political economy of the commodity chain. To appreciate fully the current role of natural products and related services and enterprises in local and national economies, and identify opportunities for improvement, it is critical that assessments fully integrate aspects related to natural resources management, improved human health, economic benefits, and good governance. Further, if we are to promote sustainable economic growth based on these products or resource based services while also alleviating poverty, then it is critical to analyze issues related to the value chain, such as competitiveness, within-the-chain governance and the need for business development services.

In Ecuador, USAID is developing programs that will assist the country to conserve its unique biodiversity in ways that benefit indigenous, rural, and other disadvantaged people. USAID is convinced that achieving sustainable resource management and economic growth in protected areas will only be possible if activities respond to the complex and dynamic nature of rural life in Ecuador. Tourism has the potential to bring these two themes together for several reasons:

1. Conservation of large areas requires clear incentives for local participation;
2. Sustainable enterprises are essential to Ecuador's development at every economic scale;
3. International tourism, based primarily on natural areas, is a growing \$724 M industry in Ecuador and accounts for nearly 400,000 jobs; and
4. Few other economic opportunities are available for remote communities due to high transport costs, and the most attractive ones are the extractive ones (timber, oil, fishing...), which generally threaten natural systems.

USAID/FRAME and USAID/AMAP-BDS projects propose to conduct a joint field assessment of the ecotourism industry in Ecuador integrating both the *Nature, Wealth, and Power* lens and the *value chain* lens. The *Nature, Wealth and Power* lens sets out key questions including: how to integrate **nature** (environmental management), **wealth** (economic concerns), and **power** (good governance)? How is it possible to facilitate (a) sustainable utilization and improved management of natural resources, (b) **economic growth and poverty alleviation**, and (c) **empowerment and enfranchisement**? The *value chain* lens addresses the specific question: can small firms and the industries they dominate compete in globalized markets, and, if so, how? How do a) **benefits** create incentives or disincentives for performance; b) **power** in reference to inter-firm cooperation and coordination and relationships among firms in a value chain; and c) **learning** and innovation promoted by both private and public actors affect the competitiveness of small and medium enterprises?

A synergy of these two “lenses” or analytical frameworks allows essential environmental and social issues to inform concrete assessments of competitiveness and long term industry sustainability. Combining these two lenses will provide an opportunity to achieve the ultimate goal of a ‘triple bottom line’ that includes increased resource productivity and biodiversity conservation (ecological benefits), poverty reduction through development of competitive industry (economic benefits) and local empowerment and good governance (social benefits). FRAME and AMAP experiences highlight key relationships between producers and consumers, public and private actors facilitating the learning and information sharing that builds greater industry competitiveness and removes barriers to sustainable use of natural resources and effective natural resource management.

## AUDIENCE

The audience for this analysis is the set of stakeholders public and private, with an interest in the sustainable use and management of critical natural resources, economic growth driven by industries in the sustainable tourism sector, and the significant reduction in poverty and the income gap through increased employment and participation by, and benefits to participating enterprises of all sizes, but particularly small enterprises. The study will engage key actors with special attention to gathering lessons learned and supporting those actors already equipped with both the tools and the incentives to facilitate a more competitive socially and environmentally sustainable tourism industry.

The expected members of this group of stakeholders include:

- USAID/Ecuador and its partners (e.g., Ministry of Environment and Ministry of Tourism);
- Other donors (e.g. Inter-American Development Bank, World Bank, UNDP, Agencia Española de Cooperación Internacional, others);
- Government of Ecuador representatives at the national, regional, and local levels, including locally elected officials and civil society organizations;
- Representatives of local communities and rural producers in targeted, affected areas
- Private sector participants in selected tourism dependant industries (e.g., hoteliers, tour operators, etc.);
- Financial institutions and business associations;
- Private sector service providers to firms in those industries; and
- NGOs and businesses committed to the principles of sustainable environmental management, improved livelihoods, and poverty reduction through private sector growth.

## OBJECTIVES

The objective of this analysis is to provide a road map for businesses and facilitating NGOs from which stakeholders can develop an **industry competitiveness strategy** and a **stakeholder-driven action plan** to:

- increase the competitiveness and productivity of the tourism industry, as well as the sustainability of the biophysical resources that serve as its base;
- identifying critical conditions, incentives and interventions required for effective conservation, informed by successes and failures in effective biodiversity conservation in the selected sites; and
- reduce poverty through increased benefit flows to the rural poor through employment generation and strategies to link micro- and small-scale businesses to the overall ecotourism industry, thereby increasing competitiveness and contributing to local and national development plans and programs.

For donors and public policy makers, the results of this study will help to evaluate where sustainable tourism (1) has the potential to be a globally competitive industry (2) with social and economic benefits for local people and (3) significant contributions to conservation and sustainable development with particular attention to poverty reduction in rural areas. Second, this study will inform this same group where and how the legal, regulatory and policy environment affects the growth potential of the key products and what can be done about it. Third, where sustainable tourism has significant competitiveness potential, the study will include suggestions as to the kind of interventions and situations that would maximize its conservation and poverty-alleviation benefits.

The study will include the following:

- I. Value Chain Characteristics
  - a. Brief overview of value chain at the national level and summary of major differences between three selected zones
  - b. End market characteristics and trends, and Ecuador's position in the global market
  - c. Critical enabling environment elements impacting opportunities for sustainable growth, including:
    - i. Global certifications, standards and relevant international donor activities
    - ii. Identification of core cultural and biological diversity resources, risks to these resources and trends in abundance and diversity
    - iii. National tourism and environmental strategies, planning processes, policies, regulations and oversight, including land tenure issues
    - iv. Legal, regulatory, enforcement issues, and dispute resolution
    - v. Mechanisms of access control and maintenance, representation by women/marginalized groups and community response to ecotourism
    - vi. Infrastructure and services
    - vii. Characteristics, opportunities and constraints of actors including resource owners, ecotourism service providers, promoters and tour packagers
    - viii. Relationships between actors including horizontal and vertical linkages, distribution/access to information, learning and benefits, interactions with supporting markets and critical enabling environment actors, and incentives for investing in upgrading and conservation
- II. Findings: Competitive Strategy and Actions

- a. Opportunities for upgrading for increased efficiency, product or operational differentiation and accessing new markets prioritized according to end market information on key competitiveness factors
  - b. Win-win relationships, incentives, and catalysts for pursuing opportunities
  - c. Short-term actions to pursue opportunities and address constraints
- III. Recommendations and Conclusions
- a. For increased competitiveness of sustainable ecotourism in Ecuador
  - b. For use of an integrated tool for analyzing and facilitating competitiveness strategy and action plan development for ecotourism industries

## APPROACH

The proposed analysis introduces a multi-step process from analysis of end markets through to industry strategy development built on a broad body of research conducted by the USAID FRAME and AMAP BDS projects. This approach is participatory in all its phases and private sector-driven in two of its key steps: the development of an industry competitiveness strategy and the development of an implementation action plan. Each step in the proposed process draws from the results in the previous step.

The study team will draw from secondary data sources and collect both qualitative and quantitative data from interviews and stakeholder focus groups and workshops. The team will use both resource and value chain mapping as analysis and communication tools

The proposed Nature, Wealth and Power and natural resource value chain analysis consists of seven discrete steps.

1. **Conduct desk study utilizing secondary materials as preparation for field study.** Results of desk study will be communicated to FRAME/AMAP team prior to launching field study.
  - Identify and synthesize existing market research on ecotourism, including current characteristics of and trends in the ecotourism market.
  - Conduct a bench-marking exercise to assess Ecuador's position in the market.
  - Identify market leaders in the Ecuadorian ecotourism industry, both at the national level and in the three selected sites.
  - Identify and synthesize major findings in existing studies on impacts of ecotourism on the ecology of the resource itself in Ecuador.

Step 1 will be completed by AMAP and FRAME personnel in the US informed by Ecuadorian experts and current literature including virtual meetings with USAID/Ecuador to discuss highlights and initial design suggestions/focus for field assessment.
2. **Selection of locations.** The proposed approach will analyze ecotourism at the national level but will focus on three distinct areas representative of the diversity in Ecuador's natural, cultural and economic environment in order to assess and illustrate regional variations in constraints and opportunities and consequent strategies for increased competitiveness. Probable focus areas include the following:
  - Parque Nacional Machalilla- Coastal
  - Mindo-Eco-ruta- Sierra

- Napo- Amazona

Step 2 will be completed by the Mission and its partners with guidance from AMAP and FRAME senior researchers. Initial end market analysis has indicated that easy access to Ecuador’s coastal, sierra and Amazon regions is an advantage for Ecuador in the global ecotourism market.

3. **Design the study** including survey instruments that integrate the NWP and Value Chain frameworks.

Step 3 will be completed by AMAP and FRAME personnel in the US, with input from Ecuadorian experts.

4. **Select and train a local research team in this integrated NWP/Value Chain approach.** Build on the experience of local consultants with established tourism, natural resource management and business development experience to capitalize on the integrated model for industry competitiveness and conservation.

Step 4: Selection of consultants will be a joint effort of the FRAME/AMAP scoping team and the Mission, with the expatriate team being primarily responsible for the subsequent training. The training will be participatory to allow for further refinement of survey instruments and methodology.

5. **Conduct field visits, interviews and fact finding** in three destinations to apply the integrated framework in order to identify opportunities to increase the competitiveness of the ecotourism value chain in tandem with the sustainable use and improved management of affected natural resources. Research will identify:

- The enabling environment, including the local resource base, local environmental governance and related “power” and “wealth” aspects, the existence and quality of infrastructure and support services, and the business enabling environment.
- The main actors in these value chains, identifying the critical opportunities and constraints for sustainable growth that they face.
- The relationships between these actors, including learning (e.g., information, skills transfer) and benefit (e.g., income, reduced risk) flows, and identify promising characteristics and opportunities to increase the competitiveness and sustainability of the ecotourism value chains, at both the local and national levels.

Step 5: Initiated by the expatriate and local teams together and completed by the local team, with on-going oversight, analysis and direction provided by the expatriate team members. The expatriate team will also review and approve all survey instruments and products prior to actual fieldwork.

6. **Organize and implement a stakeholder workshop.** The FRAME/AMAP team will bring together a large group of stakeholders to discuss the results of the study, review preliminary findings and identify strategies and implementation plans for strengthening sustainable ecotourism.
7. **Disseminate study results.** Post results of study on the FRAME site, USAID website, MicroLinks website, publicize in newsletters and possibly organize a FRAME forum on sustainable tourism hosted by members of study team.

## DELIVERABLES

1. **Integrated framework analysis of the Ecuadorian ecotourism industry illustrated by three destinations: Machalilla, Mindo and Napo.** The analysis will identify opportunities to increase the

competitiveness of the ecotourism value chain at local and national levels and to increase the participation of and benefit flow to MSEs and rural communities.

2. **Identify incentives** to conservation of the natural resource base as it relates to ecotourism.
3. **Identify potential interventions** to support the development of an upgrading strategy to increase competitiveness while sustaining the natural resource base and its surrounding environment.
4. **A workshop to present initial findings and foster greater communication among the public and private sector stakeholders.** The purpose of the workshop will be to produce:
  - **a participatory competitiveness strategy** that creates a process in which stakeholders are able to build industry competitiveness, sustain the resource base, and ensure an equitable distribution of benefits to all value chain members.
  - **an implementation action plan** that provides guidance on how—in practical terms—to initiate a competitiveness strategy for ecotourism enterprises while promoting improved environmental management and better governance.

## LEVEL OF EFFORT

FRAME-AMAP proposes a team consisting of two researchers with additional support from a local team leader, advisors and interviewers, who will work directly to conduct the assessment under joint FRAME-AMAP supervision.

## MISSION SUPPORT AND BUY-IN

FRAME and AMAP will provide resources for the expatriate team. It is expected that USAID Ecuador will fund the costs of the local team and workshop logistics. During the scoping trip, options to hire local specialists were assessed and the Mission prefers issuing a purchase order.

## ANNEX 8: CONTACT MATRIX

Machalilla		
1	Aurelio Cipriani	Hosteria Mandala
2	Sin nombre	Hosteria Oceanic
3	Otto Pinoargote, Gabriela Silva	Hosteria Alandaluz
4	Sin nombre	Asociacion de Buzos Salango
5	Martinez	Asociacion de Guias Naturalistas PNM
6	Margarita de Ponce	Hosteria Atamari
7	Stella Maris	Hosteria Villa Colombia
8	Alex Betancourt	Hosteria El Isote
9	Luis Holguin	Unidad de Medio Ambiente (Municipio Pto. Lopez)
10	Pedro Falconi	Departamento de Turismo (Municipio Pto. Lopez)
11	Javier Davila	Coordinador PMRC
12	Oficial Leon	La Marina
13	William Lucas	Asociacion de pescadores
14	Santo Baque	Sendero ecoturistico El Rocio
15	Pablo Palacios	Asociacion de Taximotos
16	Anibal Ponce	Operadora Amazing
17	Sin nombre	Operadora Pacifico
18	Gary Medina	Operadora Marea de la Plata
19	Vicente Alvarez	Parque Nacional Machalilla
20	Mario Dalgo	Mantarraya Lodge
21	Pedro Ponce	Operadora Naturis
22	Pedro Ponce, Gaston Chilan, Cesar Manrique	Comunidad El Pital
23	Plinio Merchan, Hugo Asuncion, Ciro Ventura, Galo Ventura, Jairo Ventura	Comunidad Agua Blanca
24	Alfonso Pinoargotty	Hosteria Piqueros Patas Azules
25	Guillermo Parrales	Hospedaje ilegal Salango
26	Alexandra Mantuano	Museo Arqueologico
27	Placido Parrales	Cercapez
28	Carmen Yanchapaxi	Restaurante Carmita
29	Alfredo Pinca y Ascencio	Restaurante Delfin Magico
30	Sin nombre	Palo Santo (souvenir shop)
31	Maria Aparecida Nacimiento de Nieto	Hosteria Itapoa
Napó		
32	Alejandro Suarez	Fundacion Jatun Sacha
33	Gabriel Tapuy	Lider comunitario Nucanchi Kancei
34	Peter Schankel	Cabanas Alinahui
35	Sin nombre	Galeras y Capirona
36	Luis Yumbo	Ricancie
37	Norby Lopez & Giovanni Rivadeneira	Napo Wildlife Center
Mindo		
38	Hugolino Onate	Cabanas Armonia

39	Giovanni Patino	La Isla
40	Ramiro Salazar	Sachatamia Lodge
41	Hugolino Onate y Giovanni Patino	Asociacion de Guias de Mindo
42	Alba Saltos/Nolberto Jumbo	Corporacion Ecologica Amigos de la Naturalez
43	Jose Jumbo	CEA
44	Pedro Penafiel	Fundacion Puntos Verdes
45	Alex Carpio	Mindo Garden
46	Franklin Solorzano	Fundacion y Operadora Pacaso-Pacaso
47	Rosie Gomez de la Torre	Mariposario de Mindo
48	Marcelo Soria Garzon	Gallo de la Pena
49	Pablo Leon	Septimo Paraiso
50	Wahington Lopez	El Carmelo de Mindo
51	Luis Perez	Mindo Bird
52	Miguel Patino	Mindo Bird Adventures
53	Raul Narvaez	Transportista
54	Carlos	Restaurante El Acuario de Mindo
55	Alba Maridueña	Restaurante Kanelo
56	Paulina Patino	Hosteria Toucanet
57	Benigno Villagomez	Alcalde, Municipio Los Bancos
58	Wilson Proaño	Promotor de Eco-Turismo, Municipio Los Bancos
59	Eliana Rodas	Mirador Rio Blanco (alojamiento)
<b>Outbound Operators</b>		
60	John Meltin	Tribes, UK
61	Tim Murray Walker	Journey Latin America, UK
62	Andrew Tucker	Nature Trek, UK
63	Kurt Kutay	Wildland Adventures, US
64	Rea Franjetic	Cosmopolitan Adventure Tours, US
65	Jim Lutz	Vaya Adventures. US
66	Bernardo Carrillo	EcoVoyager, US
67	Danielle Weiss	GAP Adventures, Canada
68	Justin Laycob	Southern Explorations, US
69	Andrea Holbrook	Holbrook Travel, US
<b>Quito</b>		
70	Galo Villamil	Pluri-National Federaation of Community Tourism of Ecuador (FEPTCE)
71	Xavier Munoz	Neblina Forest
72	Ivan Lopez Villaba, Susana Balarezo	Ministerio de Turismo
73	Edgar Rivera	Ministerio de Ambiente
74	Rossana Manosalvas, Saski Flores	Ecociencia
75	Salvador Cazar, Steve Edwards	Conservation International
76	Michael McComb	Jatun Sacha
77	Scott Solsberg, Monica Maldonado	Sun Mountain International
78	Jorge Alban	Ambiente y Sociedad
79	Jamie Durango	SDS
80	Bruce Kernan	Independent
81	Meeting at USAID	The Nature Conservancy
82	Meeting at USAID	Bird Life International

83	Meeting at USAID	EcoCostas
84	Maria Dolores Quizshpe	Global Environment Facility
85	Tatiana Calderon	SNV (Dutch Cooperation Service)
86	Geovanna Robayo	CORPEI
87	Joao de Queiroz	USAID/CAIMAN
88	Raul Garcia	National Association of Inbound Tour Operators of Ecuador (OPTUR) and the Ecuadorian Association of Ecotourism (ASEC)

**Accelerated Microenterprise Advancement Project (AMAP)** is a four-year contracting facility that USAID/Washington and Missions can use to acquire technical services to design, implement, or evaluate microenterprise development, which is an important tool for economic growth and poverty alleviation.

For more information on AMAP and related publications, please visit [www.microLINKS.org](http://www.microLINKS.org).

### **Accelerated Microenterprise Advancement Project**

Contract Number: GEG-I-00-02-00016-00

Task Order: Knowledge and Practice

Contractor: **ACDI/VOCA**

Olaf Kula, Program Manager

Tel: (202) 879-0213

E-mail: [OKula@acdivoca.org](mailto:OKula@acdivoca.org)

**ACDI/VOCA** is a private, non-profit international development organization based in Washington, DC.