

# POLICY BRIEF

The Environmental and Natural Resources Policy and Training Project

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## Making Nature-based Tourism Contribute to Sustainable Development: A Policy Framework

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Revenues from ecotourism or nature-based tourism in 1988 were estimated as one-fourth the total of some \$55 billion earned from tourism in developing countries.<sup>1</sup> Ecotourism provides substantial flows of hard currencies to several economies of the developing world.<sup>2</sup>

**In 1988, one fourth of tourist dollars in developing countries came from ecotourism.**

Nature-based tourism activities vary widely. Here, we emphasize activities which feature natural ecosystems as the primary attraction for tourism.<sup>3</sup>

Countries need to develop ecotourism with caution. A country can sink a great deal of resources into such

development and facilities without recovering its investment and with a number of negative consequences.

We argue that before a country begins to develop and expand nature-based tourism, it needs an appropriate set of policies to avoid unintended negative consequences and achieve positive impacts.

### Developing a National Policy Framework

An appropriate policy framework for ecotourism development should include policies in three areas:

- **National support and advance planning** means developing national policy and support for a particular type of nature-based tourism program, generally with a specific theme.

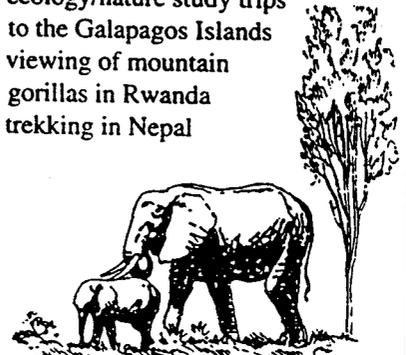
This includes creating a framework of laws and infrastructure that safeguard the nation's natural treasures and the interests of its people.

- **Pricing and revenue policies** means developing pricing and revenue policies that have explicit objectives, procedures for setting fees, and reinvestment of revenues.

- **Local participation and benefits** policies should create net benefits for local people in and around the ecotourism sites. They should also include local people in sharing control of project planning and implementation.

### Ecotourism Examples

- visiting national parks in Malaysia
- water rafting trips in Costa Rica
- diving on coral reefs in Belize
- visiting volcanoes in Costa Rica
- game viewing in East Africa
- mountain climbing in Tibet
- jungle trips in the Amazon
- ecology/nature study trips to the Galapagos Islands
- viewing of mountain gorillas in Rwanda
- trekking in Nepal



Let us look closer at each of these *three areas*:

### **National Support and Advance Planning**

Most countries have some ecotourism. However, in most instances, nature-based tourism is not a major planned activity nor a deliberate generator of hard currencies and tourism.

In contrast, we recommend that ecotourism be an integral and deliberate part of a country's development strategy. A nation can do this by establishing a systematic set of actions and policies to expand and develop it.

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## **Ecotourism needs to be an integral part of a country's development plan.**

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Countries need to develop a sound rationale, strategy, and policy framework before embarking on such a path. This framework has to depend on background work—market studies, environmental impact analysis, social impact analysis, and advice of experts in the field.

Enhanced worldwide travel has led countries to view nature-based tourism as an economic opportunity.

However, they need to examine all aspects to build a strategy and policies to provide the greatest opportunity for balanced growth and to avoid unintended negative consequences. The question is how to expand and grow in a sustainable fashion.

If ecotourism is to become an element in a country's development strategy, then it needs to be viewed as an economic activity.

This often conflicts with local views on traditions of free and unlimited access to a country's national treasures.

## **National Objectives for Nature-based Tourism**

There can be several national objectives for a nature-based tourism program:

- develop natural attractions that can generate regional income and employment; and
- generate revenue to maintain resources and to finance other programs (which means having users pay based on benefits they obtain).



At an early point, this conflict needs to be subjected to public debate and resolution.

A country also needs to keep in mind the direct costs of providing improved infrastructure, the indirect costs of degradation and congestion, and the opportunity costs of foregone uses of the resources.

Many natural resources have value to citizens just because they exist and are part of the nation's heritage, such as distinct mountains or major rivers. In comparing the economic costs and benefits of ecotourism development, each country needs to resolve the social/cultural issue of existence value versus use value.

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## **Ecotourism needs sound preservation laws and sanctions.**

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In some cases, nature-based tourism provides a way to protect resources and an alternative to other economic uses

that eventually would destroy them. Ecotourism development needs safeguards in the form of sound and enforceable nature preservation laws and sanctions.

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## **Citizens value many natural resources just because they exist.**

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### **Pricing and Revenue Policies**

As discussed in greater detail in a companion Working Paper,<sup>4</sup> we can treat nature-based tourism logically as a private good for the purpose of setting fees. This, in fact, becomes the rationale for applying the user pays principle and the basis for much of the following discussion.

Fees can meet several objectives, some of which may conflict with each other.

- They can raise revenues to cover the costs of management and infrastructure at sites.

- They can limit access to areas that are fragile.

- And fees can stimulate private investment in ecotourism.

A more detailed discussion of pricing objectives and approaches is available.<sup>5</sup>

Ecotourism pricing and revenue policies can involve multi-tiered pricing. This means that different groups pay different amounts. For example, foreign visitors could pay more than nationals. Other groups that often are given special prices include: children, senior citizens, the handicapped, and military personnel.

Determining demand and willingness to pay for nature-based tourism experiences is only the beginning in setting revenue policies and pricing levels. Past experience shows a high level

of political resistance to charging for something that traditionally has been free.

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## Fees can limit access, raise revenues, and stimulate private investment.

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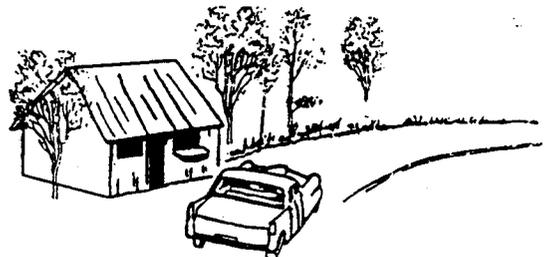
Above all, those involved with ecotourism development must produce a comprehensive, logical, and focused rationale for fees and their intended uses. This should include careful consideration of the types of fees used (see box below).<sup>6</sup>

When anticipating resistance to higher fees, managers can use several strategies to counteract it.

- Visitors are more willing to pay when they know why and how their fees are used.
- Fee increments are more palatable in regular small increments than in large jumps, even when fees are comparatively low.
- Support for fees increases when people know that they are intended for "quality" improvements, such as to upgrade toilets, trails, maps, and signs.
- Sometimes fees are hidden in tour packages, hotel and airport taxes, and prices of guide services so that visitors to ecotourism sites are not aware of them.

### Fee Categories and Charges for Ecotourism

Fee Type	Observations
General entrance fees	or "gate fees" for free or priced access to facilities beyond the entry point
User fees	for visitor centers, parking, campsites, guide services, boat use, trail shelters, emergency rescue
Concession fees	charges (or revenue shares) for firms or individuals selling food, accommodations, transportation, guide services, souvenirs, and other goods and services including revenues from public-private (parastatal) enterprises
Royalties	on sales of guidebooks, postcards, T-shirts, souvenirs, and profit shares from books, films, and photos made at nature-based tourism sites
Licenses and permits	for tour operators, guides, researchers, wildlife collectors, mountain climbers, river rafters, individual campers, bikers, and other users
Taxes	excise taxes on outdoor and sports equipment, room taxes, airport taxes, and vehicle taxes
Voluntary donations	cash and in-kind gifts, often through "friends of the park" organizations



## Guiding Principles for Fee Policy in Nature-based Tourism

Principle	Rationale
Fees supplement but do not replace general sources of funding.	Even for heavily visited sites, fee revenue rarely covers total costs, especially capital costs. Heavy dependence on fee revenue reduces visitor diversity and the scope of attractions offered. Fluctuations in fee revenue make fees an unstable income source.
Designate at least a portion of fee revenues for sites which generate them.	This plan increases management's incentives to efficiently set and collect fees. Visitors may be more willing to pay fees if they know that fees are used on site.
Set fees on a site-specific basis.	National guidelines specify fee objectives and policies. Yet management aims and visitor patterns vary across nature-based tourism sites, requiring local flexibility in fee assessment.
Not all sites require fee collection.	Fees are not cost-effective at places with low visitation and high collection costs.
Fee systems work best when supported by reliable accounting and management.	Management decisions about fees require acceptable data on costs and revenues of providing nature-based tourism for different sites and activities.



Various administrative criteria guide the selection of fee types and levels. Choices among alternative types should weigh expected revenues in relation to expected costs of fee collection and administration. Fair fees require payment in proportion to benefits received. Efficient fees require payment that covers management costs.

### Fair fees must reflect benefits received.

Fees should not distort efficiency in the larger economy. For example, approaches should avoid large taxes and subsidies on important ecotourism inputs. The form of the fee should

allow managers to determine who is to be charged what.

We cannot compare alternative types of fees without knowing a country's legal framework. Fees must conform with legislative and executive guidelines. The box above provides several additional principles.<sup>7</sup>

#### Local Participation and Benefits

One of the most contentious issues surrounding ecotourism development concerns its impact—both negative and positive—on local people. Do local populations gain more than they give up?

There are several negative aspects to avoid.

- It is likely that fenced areas will be excluded from local use. These could include areas that were critical in past religious customs

or other purposes. This can create hardship in addition to local resentment.

- It is possible that ecotourists will use up scarce resources needed by local people, for example, fuelwood in regions of the Himalayas where fuel is scarce.
- Ecotourists may contribute to pollution, leaving behind trash and contaminated wastes.
- Tourists may inflate local prices to the detriment of local residents.
- Even though ecotourism creates employment, it may be seasonal and unstable, thus disrupting local welfare over time.
- Outsiders can impact lifestyles of the local residents, sometimes negatively.

There are several ways that policymakers can avoid or deal with these negative impacts and can support the creation of positive local impacts including employment, sale of local goods and services, and revenues from nature-based tourism (see box below).

## Nature-based tourism can create employment and generate revenues.

### Consider These Policy Questions When Expanding Ecotourism.

Successful ecotourism expansion depends on a sound policy framework, public support, adequate capacity in the local and national service sectors

to absorb the tourist trade, and the existence of a logical and effective pricing system.

When developing an appropriate basis for nature-based tourism development, policymakers need to answer these four broad questions.

1. Does the country have natural ecosystems and features that can be used on a sustainable basis for ecotourism expansion?

If not, then ecotourism will not be a logical choice for development.

2. Do appropriate policies exist, including those for nature protection, political stability, pricing, local cooperation and support, infrastructure development, country "image," and marketing and promotion?

Appropriate policies are prerequisites for nature-based tourism development.

3. Does the service sector have the capacity to support expansion of ecotourism, including accommodations, transportation, guides, and associated inputs?

If not, then this becomes a priority and prerequisite for development.

4. Does the information exist—marketing studies, pricing experience, and attitude surveys—to design and initiate pricing and revenue policies that will achieve the objectives of the ecotourism expansion?

If such information does not exist, then it must be generated and tested as appropriate for the situation.

## Policies Can Support Positive Local Impacts

Policymakers can:

- develop agreements between government and local communities that are broad and inclusive in a regional/local development context.  
(This would include, policies concerning tenure and local use rights, local policing and protection of sensitive resources, local employment options, and involvement in infrastructure planning.)
- invest adequately in other infrastructure needed to encourage orderly ecotourism development and local participation in associated benefits.
- establish policies that effectively retain some of the ecotourism-related revenues in local communities.
- establish effective enforcement mechanisms that antagonize local people as little as possible.
- expand education and training for local populations to upgrade skills for nature-based tourism activity.
- emphasize policies that encourage purchases of local goods and services (reduce leakages and improve linkages).
- establish a sound baseline in local communities to monitor and evaluate progress and make adjustments to policies that need it.



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## Notes:

1. Lindberg, K. 1991. *Policies for Maximizing Nature Tourism's Ecological and Economic Benefits*. Washington, D.C.: World Resources Institute.
2. Boo, E. 1990. *Ecotourism: The Potentials and the Pitfalls*. Vols. 1 & 2. Washington, D.C.: World Wildlife Fund; and Whelan, T., ed. 1991. *Nature Tourism: Managing for the Environment*. Washington, D.C.: Island Press.
3. The research underlying this publication was supported by the U.S. Agency for International Development, the United Nations Environment Programme, and the University of Minnesota.
4. Laarman, J., and H. Gregersen. 1994. *Pricing Policy for Nature-based Tourism*. EPAT/MUCIA Working Paper, Draft.
5. See Laarman and Gregersen 1994. See also those cited references.
6. Adapted from Sherman, P. B., and J. A. Dixon. 1991. "The Economics of Nature Tourism: Determining if It Pays." In T. Whelan, ed., *Nature Tourism*, 109-12. Washington, D.C.: Island Press.
7. Adapted from Lindberg, K., and R. M. Huber, Jr. 1993. "Economic Issues in Ecotourism Management." In K. Lindberg and D. E. Hawkins, eds., *Ecotourism: A Guide for Planners and Managers*, 103-104. North Bennington, Vermont: The Ecotourism Society.
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