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Case study

**Ecuador: Fostering Environmentally  
Sustainable Tourism and Small Business Innovation and Growth in the  
Galapagos**

Increased tourism pressure in the Galapagos required more effective management practices that focused on the tourists and the 60 tour boats that shuttle them among the islands. With support from a World Bank loan voluntary consensus standards were established that apply rigorous conservation practices to the boats and their clients. Tour boats that comply with the standards are certified which enables tourists, their travel agents, and tour operators to make informed, "green" choices. During standards development stakeholders expanded the scope beyond conservation to include safety and health, socioeconomic welfare, and quality of life of the crews, their families, and the Galapagos Island Community -- all of the elements of a true sustainable tourism program. This effort has yielded significant return on investment in protecting natural and human capital and the competitiveness of Ecuador's tourism industry.

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Well-managed tourism can be an important contributor to sustainable development, providing incentives to protect the environment and maintain biodiversity, and fostering small business development. A recently completed subcomponent of Ecuador's International Trade and Integration Project<sup>1</sup>, supported by a World Bank Loan, demonstrates this win win situation.

### **Tourism in the Galapagos – pressures on the environment**

Tourism is the fourth largest industry in Ecuador. In 2001, it generated more than \$430 million dollars and employed more than 72,000 people in formal tourism enterprises. The 630,000 foreign tourists that year accounted for roughly 9 percent of Ecuador's earnings from exported goods and services and 4.2 percent of the nation's Gross Domestic Product. Ecuador's most popular tourist destination is the Galapagos Islands, and 11 percent of tourism income and 14 percent of the sector's employment are directly related to the nearly 70,000 tourists who visit every year to admire the rich and rare biodiversity of these unique island ecosystems.

As tourism pressure in the Galapagos has increased, government agencies, conservationists, and the tourism sector have recognized the need to implement management practices that would address environmental and conservation challenges facing the islands' vibrant but fragile ecosystems as well as support local economic development. Factors that precipitated this recognition include the national and international importance of the Galapagos and increasing demands from tourists for environmentally friendly service. A particularly challenging problem is the serious threat posed by the introduction and spread of non-native plants and animals, or "invasive species," which endanger native flora and fauna through direct predation, competition for food, and habitat destruction. Tourists and their transportation are the major carriers of invasive species.

## **Voluntary Environmental Quality Standards Certification For Tour Vessels**

Specialists working to address these problems developed a strategy that focused on the tourists and the 60 currently active tour boats that shuttle people from island to island (see Table 1). Voluntary standards were established to minimize environmental impact by applying rigorous conservation practices to the boats and requiring the boats to sensitize their clients to the need for environmentally appropriate behaviour (see Box 1). Tour boats that demonstrate compliance with the standards are certified. Certification enables tourists, their travel agents, and tour operators (foreign wholesalers and packagers) to make informed, “green” choices among the tour boats. Conservación y Desarrollo (C&D)<sup>2</sup> and the Rainforest Alliance (RA)<sup>3</sup> were engaged to implement this strategy. C&D is an Ecuadorian NGO that specializes in conservation and environmental programs. RA is an international non-profit conservation organization that works to protect ecosystems by implementing better business practices. C&D and RA have worked together in Ecuador also on the certification of banana and cacao plantations.

**Table 1 - Galapagos Tour Vessels, by Size**

<b>Size</b>	<b>Number of Passengers</b>	<b>Number of Vessels</b>
Large	40-100	10
Medium	21-40	2
Small	Less than 21	48
Source: Ministry of Tourism		

Representatives of all stakeholders, including government agencies, conservationists, and local communities participated in developing the “SmartVoyager” standards. The International Galapagos Tour Operators Association — 33 North American travel wholesalers that provide most of the package tours to the islands — made significant inputs to the standards and pledged to support the certification program. The wide range of stakeholders expanded the scope of the standards development effort beyond conservation and biodiversity to include safety and health,

socioeconomic welfare, and quality of life of the crews, their families, and the Galapagos Island Community — all of the elements of a comprehensive and sustainable tourism program.

### **SmartVoyager and the International Trade Project in Action**

SmartVoyager certification was launched in May 2000 and, in its first year, five boats were certified after assessment by C&D auditors. The largest boat carries 100 passengers, one is midsize (48), and the other three are small (20 each). Most small boat operators showed little interest at first in becoming certified. Small boats are usually individually owned and family operated. As with most small enterprises, they have limited funds for upgrading equipment and little interest in changing procedures. The perception was that SmartVoyager standards were complex and rigorous, and that while certification might be worthwhile for large firms, it was neither achievable nor affordable for small, family-owned operations. In addition, small boat operators have faced a decline in tourism since 9-11- 2000.

With support from the World Bank-financed International Trade and Integration Project, C&D and RA were able to test the applicability of the SmartVoyager standards to small boats. Through an intensive outreach effort, small boat operators were made aware of the challenges and opportunities afforded by SmartVoyager certification and how they could participate in reviewing the standards. A cross-section of small boat operators determined that 93 percent of the original requirements are applicable to all boats regardless of size. The remaining 7 percent did not apply mainly due to differences in the way large and small operators purchase and store supplies, and availability of space for desalination systems and holding tanks. These standards were then revised so that they could be applied to small boats.

This outreach effort enabled the small boat operators to learn what the standards required; how to comply with the requirements; and, most importantly, why the requirements were

included in the standards. After this training and motivation, a number of boat operators began to implement practices specified in the standards. C&D auditors assessed 34 small boats, and 24 were found to comply with all applicable technical requirements. Six of these have been formally certified. Of the remaining 18, eight have the resources to upgrade equipment and can be certified after additional training and technical assistance in such areas as documenting their environmental policies and performing internal audits.

The remaining ten small operators lack the funds to replace and upgrade equipment that does not comply with Smart Voyager requirements. Examples include replacing air conditioners and refrigerators using CFCs, replacing two stroke outboards with four-stroke models, and installing noise-abatement systems on propulsion and generator engines. It is expected that, as market recognition of Smart Voyager certification continues to grow, its competitive value will be broadly demonstrated and help stimulate access to credit to enable the remaining small boats and many mid-size boats to make the capital improvements needed to implement the standards and achieve certification.

### **Results and lessons to date**

The initial small boat certification initiative was achieved in 14 months with an investment of less than \$66,000 and has yielded a number of accomplishments. This modest effort has already yielded significant return on investment (ROI) in protecting natural and human capital and the competitiveness of Ecuador's tourism industry. Local auditors have been trained. Boat operators now understand to a far greater degree the impact of their boats and practices on the delicate environment of the Galapagos, and what they need to do to maintain biodiversity and protect the environment. Local boat operators have been familiarized with the goals and methods of setting standards and verifying compliance, misunderstandings have been clarified and interest in the program fostered. There has been widespread acceptance that SmartVoyager standards are

appropriate guidelines for improving performance and becoming environmentally and socially responsible. Designers of new boats are applying the standards in their design process. And with peer pressure and competition from certified operators, other boat operators are being motivated to ask for training and technical assistance so they too can comply with the standards and secure SmartVoyager certification. If funding for such assistance becomes available, a much larger portion of the fleet will be certified.

Finally, the SmartVoyager certification program has been promoted widely throughout the international tourism industry, enhancing Ecuador's reputation and the competitiveness of its tourism sector. Other segments of Ecuador's tourism sector see the SmartVoyager program as a model for their operations and for engaging small enterprises in environmental initiatives.

Some of the lessons from the initial implementation of the program include (1) small businesses need to be brought in to an initiative right from the beginning in order to gain acceptance and support; (2) all parties who benefit should share in the costs including tourists, tour operators and the national park; and (3) certification appears to be commercially advantageous enough to an enterprise to be self-supporting once its benefits are demonstrated.