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**Poverty alleviation through tourism: a case study from Paraguay**

Poverty alleviation through tourism has practiced by developing countries since the 1960s. However it is only in the last 10 years that it has become an academic discipline. Much like the terms “eco tourism” and “sustainability” many academics debate what actually constitutes pro poor tourism. This document gives a synopsis on the work to date in Paraguay with the Canadian International Development Agency. The paper explains the project and explores the difficulties of setting up sustainable tourism in a country with social inequity and political instability.

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**Key words:** Paraguay, South America, tourism, poverty, sustainability, community, developing country, pro poor tourism.

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**Biography**

Daniel Peak has over fifteen years experience in the tourism and hospitality industry and has lived and worked in several countries He is a professional red seal Chef with a recent degree in Tourism Management. He is currently working with Capilano College and McRae Institute in conjunction with the Canadian Government on a poverty alleviation project in Paraguay.

His area of specialization in this project is sustainable tourism, food safety and hospitality and event management. More information on Mr Peaks’ involvement in this project can be found at: <http://www.canada.com/northshorenews/news/story.html?id=1d1b9a0a-0a97-4c09-9c05-dd650b3285f3&k=91073>

## **Introduction**

Paraguay is relatively new to tourism. It is a country that is currently in the transition to democracy and is starting to enter the global market. Like many South American countries, there are vast inequities between rich and poor. Paraguay also has political instability and corruption problems; -- all these factors obviously hinder the development of tourism and also make potential tourism investors nervous. This document acts as a synopsis on my involvement in the poverty alleviation project in Paraguay during June 2007. The report discusses and suggests some strategies specifically for Paraguay to fight poverty through tourism development.

## **Methodology**

This paper takes a case study approach based on a rapid rural assessment of the potential for poverty alleviation through tourism in Paraguay. In addition, other organisations were researched such as the Overseas Development Institute (ODI), Pro Poor Tourism (PPT), and World Tourism Organisation (WTO) to see how poverty is being fought through tourism in other areas of the world. Unfortunately there has not been much detailed documentation on how successful pro poor tourism has been on a micro level. For example we know that tourism increased Thailand's GDP by 7% in the late 1990s but we do not know the increase in net benefits for the poor in the actual tourism destinations.

The method of data gathering during the Paraguay trip was similar to many other agencies involved in international development. The rapid rural appraisal approach was used which aims to incorporate the knowledge and opinions of rural people. It is more a participative approach rather than having detailed statistics. Many months before the CIDA team arrived in Paraguay local municipalities, governments and institutions were visited by University Columbia Paraguay (UCP) and were informed about the project. The local

communities developed lists of local business and individuals who would be attending the seminars. The communities are small therefore many business owners were familiar with one another but they have never established an official hotel/ tourism organisation

### **Background to Paraguay**

The current tourism product in rural Paraguay is mainly nature tourism and is targeted towards the Brazilian and Argentinean market; these markets constitute 97% of the visitors to Paraguay. A full listing of current tourist attractions is available at

[http://www.senatur.gov.py/attract\\_tem\\_int.php?language=2](http://www.senatur.gov.py/attract_tem_int.php?language=2). Tourism is one of the largest

industries in the world. It generates approximately 11% of GDP globally<sup>1</sup>. International tourism arrivals in developed countries have grown on average by 9.5% per year. It is no wonder that governments and development organisations such as CIDA are looking to tourism as a way of alleviating poverty in developing countries. Tourism can offer new jobs, international investments, tax revenues and can assist in infrastructure development.

The overall purpose of the project in Paraguay is to build the capacity of UCP to provide education and training in the area of sustainable tourism to rural communities in the departments of Misiones (Santa Maria) and Ñeembucú

### **Poverty alleviation through tourism**

This report will use the term “Pro Poor tourism” (PPT). PPT is defined as ‘. . . tourism that generates net benefits to the poor. Obviously PPT strategies are needed in many developing countries; however, economic benefits are only one component – social, environmental and cultural costs (the other ingredients for sustainability) should also be taken into account.

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<sup>1</sup> World Tourism Organization

The development of sustainable/ pro poor tourism in Paraguay will enable rural communities to establish another source of much needed income.

There are many organisations involved in poverty alleviation through tourism. Non government organisations (NGOS) such as the overseas development institute (ODI) have engaged in tourism projects in The Gambia, Vietnam, Laos, and South Africa. Finance organisations such as the World Bank, Asian Development Bank, Caribbean Development Bank and the International Monetary Fund are also involved in poverty alleviation projects in the Caribbean, Philippines, Cape Verde, Tanzania and Kenya to name a few. Developed countries such as Canada, Australia, USA and New Zealand also have agencies with projects many countries such as Nepal Sri Lanka, Thailand, Laos, India and Vietnam.

The United Nations (UN) “Contribution of Tourism to Poverty Alleviation” review has many success stories. For example: In South America residents at Lake Titicaca in Peru have benefited from tourism by selling quality hand woven textiles to the tourists. Colourful cultural festivals have also become a big draw for the independent tourist. Tourism in this area has actually helped increase local pride and preserves the local ancient language of Quechua.

Most of the poverty alleviation projects through tourism in the UN report, and other case studies, have had similar challenges. The project in Paraguay is also experiencing some of these difficulties.

1. The first challenge is to convince governments that tourism can be a catalyst for economic and social change. The effectiveness of pro poor strategies has only been recognized in the last few years, but has not yet been studied in its entirety. It is not really known what can be achieved until more rigorous and combined efforts have been made by the international communities, NGOs, banks, local and national governments.

2. Tourism usually only takes place in the parts of a country that are most attractive and easy to get to by travellers. Most poor areas lack adequate infrastructure such as roads and airports. The geographic isolation of the community is one of the many factors why it is poor in the first place. Also many of the poor regions do not offer stunning vistas or any man made attractions that are appealing to tourists.
3. Even when tourism does successfully increase income in a developing country there still may be no benefits for the poor. For example, in many South American countries corruption and political / social affiliations often determine who benefits from increased capital flows.
4. Finally, many potential visitors to developing countries have a negative image of the destination. These can include security, perceptions of inaccessibility, lack of infrastructure, health and hygiene.

Most of the ground work for the mission such as informing the community of the CIDA visit and organizing seminar times was already set up by UCP. Most of the seminars took place in San Ignacio and Santa Maria in the department of Misiones. The attendees were mostly business owners, tourism workers and managers. Some attended because they were interested in becoming involved in the tourism sector. For example some families attended because they were interested in developing a tourist home stay business in their home.

When the team first arrived we asked the locals what the priorities were in the in their communities. We found out that in the town of Santa Maria community members expressed an interest in re-establishing the organic sugar mill co-op which was closed down a couple of years ago from lack of financial support and from various agency officials taking their “consulting fees”.

Other group discussions asked “do you want tourism? /what type of tourism would you prefer”. Most agreed that nature tourism operating in a sustainable, pro poor way would suit the community the best.

If PPT is to happen (with any type of tourism) companies must have a " different way" of doing business. In order to make this “different way of doing business” more attractive for organisations it must be presented to them in a way in which they will find appealing. For instance; bringing local poor people into a tourism product can differentiate a product. An example in rural Paraguay may be locals having culinary demonstrations as part of a tour or selling organic sugar in a local hotel. Benefits include enhanced brand recognition, transportation savings, and extending the network of local people. For this new way of doing business to work local business must have access to credit in order to increase production. Employees and managers in tourism organisations should also be trained in sourcing local goods and services. Caribbean resorts, Sandals offer all inclusive enclave tourism in Jamaica. Pre paid package vacations are usually considered unhealthy for a local economy. However; Sandals does source most of their food from local farmers (agri linkages) therefore is operating in a semi pro poor way. Tourism does have enormous purchasing power; it requires labour, expertise and many other inputs which the poor can tap into.

On our particular trip it would have been useful to know more information on the history of development organisations activity in rural Paraguay (Misiones). For example; we only found out when we arrived in Santa Maria that the town once had an organic sugar mill. This would have been useful to know while preparing the teaching materials. We also need this information to assess what has failed and what has succeeded. It was soon apparent when walking down the main street in San Ignacio that the Red Cross had tried to implement a recycling programme in the town during 2004. Clearly this has now failed as the bins are

overflowing with plastic and paper mixed together. It would be beneficial for development agencies and /or WTO to establish a database with developmental history so organisations do no waste time and resources by “reinventing the wheel”.

This project needs to have hard evidence that our work is achieving our objective of alleviating poverty. This may involve gathering data in the community and making comparisons of household incomes between 2006 and 2010 (when the project ends). This would act as hard evidence to Paraguayan policymakers and local governments that tourism is actually a good tool for reducing poverty. The data gathering would not need to be the sole responsibility of CIDA volunteers; it may also be done by members of the communities to give them a sense of ownership.

### **Key Findings**

Unfortunately the region of Santa Maria, Misiones does not offer spectacular scenery. Most of the views are of flat plains ideal for cattle grazing, there are hardly any trees. In addition, there are not many activities (manmade or natural) available in the area. Therefore to overcome these obstacles local communities could develop cultural events and festivals as part of their tourism product. The best assets these communities have are their culture and way of life. Other niche tourism such as agricultural tourism, and culinary tourism many be developed in the vicinity

Pro poor/ sustainable tourism means that local and international businesses should operate ethically and with integrity. The company should bring benefits to the community and must be environmentally responsible. For example, there is a small village on the outskirts of Asuncion which has a very old and beautiful Catholic church. This church could be an excellent religious tourist attraction. However across the road from the church Coke has

provided local business owners with plastic chairs and tables in exchange for signage. The result is aesthetic pollution which spoils the experience at the church and in the town.



Top Left: View of the village church from the street

Top Right: The Street in front of church

Above: The view from the church

The main revenue for a poor local economy comes from small business and wages. It is important that locals have interesting, challenging and sustainable work that pays a living wage. Some critics of tourism say that the seasonality of the tourism industry does not offer job security. This can be overcome by tour operators diversifying the product in the low season and targeting different markets; for example, bird watching in Neembucu or culinary tourism Misiones.



Often poor people are very enthusiastic to sell their land to tourism developers for a quick profit. Developers targeting the US “retirement / second home market” purchased land from locals in Nicaragua, Los Congos very cheap. Later the developers sold the land to foreigners for four times the price! Now many locals cannot afford to own land as the housing prices have sky rocketed. <http://www.loscongos.com/faqs/index.htm>

## **Conclusion**

There is hope for Paraguay to further diversify its tourism markets in the future, but this will take time. Jeffery Sachs views democracy as a main requirement for poverty alleviation, economic stabilization and eventual economic development. Like many other countries in South America Paraguay currently does not have the social and political stability that is found in the West. Many of the European decedents still hold the majority of wealth and power. The economy is dependent on agriculture which in turn is vulnerable to the pricing of the international markets. Also, Paraguay is a landlocked country therefore transportation costs are high.

Data from the Fraser Institute shows that Paraguay does score above average on the economic freedom index (6.2). This is positive as it indicates that the government does not interfere too much in economic development, encourages foreign investment and does not tax the population heavily. Contrary to Jeffery Sachs view, the Fraser institute claims that economic freedom is a necessary condition for democratic development. “It liberates people from dependence on government in a planned economy, and allows them to make their own economic and political choices”<sup>2</sup>. The economic freedom index and the ranking of 55 (out of 113) on the global peace index also shows that Paraguay may be on the way to economic development. Tourism does encompass many sectors and has the power to influence the

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<sup>2</sup> The Fraser Institute : <http://www.freetheworld.com/index.html>

<sup>3</sup> Economic Intelligence Unit : <http://www.visionofhumanity.com/rankings/>

social and economic dynamics of a society. Fortunately the Paraguayans can offer a diverse natural tourism product and the development of the tourism industry in Paraguay will probably assist the poor to make their own economic and political choices in the future. Unfortunately: in the current circumstances, the lack of tax revenue collected by the government *does* slow down economic growth. Clearly the government does not have any surplus tax money to spend on business and infrastructure development in Paraguay. This lack of capital for business development and infrastructure also reduces Paraguay's ability to host tourists.

The biggest threat to the CIDA project at the moment is the elections in April 2008 and even after the elections political stability will continue play a large part in the future of tourism in Paraguay. Ultimately the success of the CIDA project will depend on the future direction of Paraguay's national development plans and how much poverty alleviation through tourism will be incorporated into these plans.

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