

# FUNDING ECOTOURISM CERTIFICATION PROGRAMS

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## *Abstract*

By becoming more familiarized with the importance of sustaining the ecosystem, one may find the necessity of introducing the ecotourism to the world's industry. Despite numerous attempts to draw unique definition, one may say that it deals with the fact that urges responsibility while traveling to natural areas and conserves the environment, as well as improves the well-being of local inhabitants. The paper gives a snapshot on the ecotourism essentials and presents the importance of applying ecotourism certification programs. Moreover, the paper poses the general and specific objectives stated in the specific ecotourism accreditation programs. The basic financial obstacles, with which tourism enterprises are faced, are noted in addition. In this line, the types and mechanisms for funding, as well as the major financial "players" are elaborated. Finally, the paper concludes that tourism businesses, which have identified the necessity of certifying ecotourism programs, needs unconditionally to follow the ecotourism principles.

## *Key words*

*Ecotourism; Certification Program; Financing.*

## **INTRODUCTION**

Ecotourism is a subcomponent of sustainable tourism and sustainable version of the primary tourism based on nature, including various different elements of rural and cultural tourism in all its forms. The main intention is to achieve results and effects in terms of sustainable development. However, it is important to clarify that all tourism activities, regardless their association to leisure, business, events, health, adventure, and so forth, the effects on eco-tourism should aim at sustainability. This means that planning and development of tourism infrastructure, further actions and its marketing



operations, should concentrate on preserving the environment, and all the social, cultural and economic sustainability criteria, which correspond to the nature.

Lately stronger orientation towards ecotourism means evolution of a number of principles, guidelines and their certification. They are all based on the standards of sustainability with which the term ecotourism finds some unusual place in the big “pool” named tourism. Even though the great vocabulary for “tourism terms” is very unclear in terms what is a “pulling factor”, to the fact that ecotourism is a very simple marketing trick, one may say that generally ecotourism is still only point of view in the behavior to tourists known as eco tourists. Looking globally, this is a type of tourism that includes persons or groups with very clear ecological mind. Furthermore, they participate in all activities and other possibilities settled in the environment. By applying this form of tourism, the main intention is to decrease the negative effects made by mass tourism. So, according to established correlations, ecotourism cannot be classified like a term, which can be used for many regions. On the contrary, it is a form of tourism that attracts attention from those tourists who like the nature, which is still not destroyed. However, the increasing number of these eco tourists, arises the issue of increasing the infrastructural activities, which are often not sufficient. Some basic characteristics, which are mentioned at the concept of ecotourism and accommodation for which these eco tourists are interesting are: (i) Well preserved areas; (ii) Using simple types of accommodation and (iii) Strict adherence to environmental protection, including a limited number of visitors. Guests who use features fully or partially transform the environment and collect experience from the nature. Consequently, ecotourism is often associated with other types of tourism, such as natural tourism, rural tourism, agro tourism, green tourism and even Robinson tourism.

Over the years, various approaches have led to a general consensus on the components of ecotourism, meaning:

- Contribution to biodiversity conservation;
- Maintaining the character of local population;
- Including a relationship, experience - interpretation - learning;
- Doing responsible action of foreign tourists within tourism economy;
- Focusing primarily on small groups and small businesses;
- Requiring the lowest possible consumption of non-renewable resources; and
- Emphasising the local participation, ownership and entrepreneurial opportunities, particularly for rural population.

In the past decades, these efforts to validate the effects and success of ecotourism are still at an early stage. Given the fact that ecotourism is further defined by its participants and markets, many questions remain unanswered about how the success story of eco-tourism can be verified.

## ECOTOURISM CERTIFICATION PROGRAMS

Many tourism companies have been introduced in developing countries, where surveillance services, and even communication systems may be inaccessible. The enterprises that are geared towards ecotourism work in small-scale, and their results can best be evaluated using the criteria specified for that working style. Yet, the global certification programs are designed specifically for ecotourism or sustainable tourism in general, and have an urgent need to build international guidelines to address the task of how to develop and manage certification programs. It is a way of ensuring that an activity or a product meets certain standards (Bien, 2006: 7). Moreover, certification is defined as “a voluntary procedure that assesses, audits and gives written assurance that a facility, product, process or service meets specific standards. It awards a marketable logo to those that meet or exceed baseline standards” (Honey & Rome, 2001). According to de Vicente (2004: 15), certification has a much larger impact on supply side of the ecotourism market, than on the demand side.

TABLE 1. BENEFITS OF THE CERTIFICATION

Benefits for certified businesses	<ul style="list-style-type: none"> <li>- Helps businesses to improve themselves;</li> <li>- Tends to reduce operating costs;</li> <li>- Enables easier access to technical assistance and financing for businesses to implement new technology;</li> <li>- Ensures marketing advantage to certified businesses, as consumers learn to recognize credible certification brands.</li> </ul>
Benefits for consumers	<ul style="list-style-type: none"> <li>- Provides tourists with environmentally and socially responsible choices;</li> <li>- Increases public awareness of responsible business practices;</li> <li>- Alerts tourists to the environmental and social issues in an area, allowing them to act more respectfully or contribute to solutions;</li> <li>- Offers better quality service.</li> </ul>
Benefits for governments	<ul style="list-style-type: none"> <li>- Helps governments to protect their market niches as ecotourism or sustainable tourism destinations;</li> <li>- Raises industry standards in health, safety, environment, and social stability;</li> <li>- Lowers the regulatory costs of environmental protection;</li> <li>- By requiring economic benefits to communities, it can help reduce poverty, especially in rural areas.</li> </ul>
Benefits for the environment and local communities	<ul style="list-style-type: none"> <li>- Requires businesses to protect the environment and do little damage to it;</li> <li>- It requires businesses to respect local culture and provide real economic and social benefits for it;</li> <li>- It is likely to continue offering benefits for the long term.</li> </ul>

Source: Adjusted according to Bien (2006: 10-12).



Table 1 gives a glance on the importance of the certification process. Several reasons are noted in the line of justifying the necessity of entering tourism businesses into certification process (Russillo et al, 2007: 4)

- Improving quality and performance of their business and staff;
- “Doing the right things” to protect the environment and local community;
- Cutting costs;
- Gaining marketing advantage; and
- Avoiding being lumped with “greenwashed” businesses that are not sustainable, yet try to claim to be.

In this line, one may underline the necessity of introducing the certification schemes, which highlight the sustainable tourism products. These schemes have dual role of increasing industry performance by providing guidelines on how to be more sustainable, directing applicants towards sources of help and in some cases providing advice directly, and at the same time providing marketing benefits (Font & Carey, 2005: 19). Speaking of schemes, Klintman and Boström (2004) mention internationally harmonized eco standards known as ecological standardization schemes. Some schemes are even more legitimate for the so called “green political consumers” (Crane, 2005), or give the priority to the certain criteria (Blamey, 2001; Fennell, 2008; Klintman, 2012).

Due to fact that certification sets standards and assists in establishing ecotourism and sustainable tourism business opposite to other businesses that do not make such effects, it may be concluded that it is not a self-sufficient process, but rather a complex one consisted of various tools. The first step in that made Australia as a leading country in this program. In this line, in 1994 Australia established the National Tourism Organization (NTO) Program for research, initiating and financing the federal level initiatives for certification. Additionally, in 1996 Australia established the one and only special ecotourism certification program that is accepted in the world. This program presents an economic initiative of the Australian association for ecotourism development funded by the NTO. The program so far has been revised in March 2000 with a new subprogram for tourism based strictly on nature. As accreditation program based on practical, the Australian National Program requires program participants to achieve specific objectives are classified into different categories such as:

- Focus on Nature;
- Interpretation;
- Environmental sustainability;
- Offering protection;

- Working with local communities;
- Customer satisfaction; and
- Responsible Marketing.

In order to achieve a level of accreditation in ecotourism product must meet all essential criteria in each category. Achieving the status of full certification for ecotourism means meeting the 80% special criteria of each category. In this line, the tour operator or other tourism enterprise must complete a comprehensive questionnaire concerning each of the above noted criteria. In its first phase, the program was entirely dependent on the honesty of those who submitted applications. Later on, in March 2000, a new program was introduced and developed various mechanisms to control the ecotourism product together with all its character features.

However, there are still many open issues to be discussed. Namely, the biggest limitation of the program is its poor recognition and its indicators by consumers. On the other hand, this certification program can be applied only to ecotourism products, and is not applicable to the tourism businesses that are affected by indirect factors. Table 2 presents the key phases in certification program development, which are essential for establishing, developing and maintaining reliable certification program.

TABLE 2. PHASES FOR CERTIFICATION PROGRAMS

Phase	Description (steps)
I. Start Up Phase	<ul style="list-style-type: none"> <li>- Involve a multi-stakeholder body, consisting of representatives from government, tourism industry, academia, and non-profit organizations</li> <li>- Conduct a feasibility study assessing market needs and readiness, funding sources, models of program structure and finance, etc.</li> <li>- Develop a business plan</li> <li>- Develop draft standards and procedures</li> <li>- Finalize standards and procedures</li> <li>- Establish audit and assessment protocol process</li> <li>- Develop marketing materials and conduct promotion of program to potential users</li> <li>- Develop a monitoring and evaluation (M&amp;E) protocol</li> <li>- Secure buy-in (and funding) from key interest groups</li> </ul>
II. Operational Phase	<ul style="list-style-type: none"> <li>- Begin the process of assessing, auditing, and awarding businesses with certification label or logo</li> <li>- Implement training and education programs</li> <li>- Market program and certified businesses to tourism intermediaries</li> <li>- Begin monitoring and evaluation</li> </ul>
III. Consolidation Phase	<ul style="list-style-type: none"> <li>- Develop funding and promotional partnerships to market program more effectively to consumers</li> <li>- Monitor and evaluate status of program and disseminate results widely</li> <li>- Renew and revise standards and procedures as needed.</li> </ul>

Source: Adjusted according to Rome et al. (2003: 6).

## FINANCIAL OBSTACLES

The ecotourism business cannot be successfully run without investing in a ecotourism certification program. Based on previous experience, it is obvious that without appropriate funding only a segment may be properly addressed. In this line, one may mention the most profound financial obstacles. So, the tourism enterprises dealing in the field of ecotourism have serious barricades and serious financial difficulties. The certification program, assists in:

- Surviving in the competitive market;
- Raising company's image;
- Improving company's performance; and
- Raising the confidence of the company.

Yet, in order to obtain ecotourism certification, certain costs arise. These costs are not limited to short-term or nominated as direct costs, and they can be grouped (Figure 1).

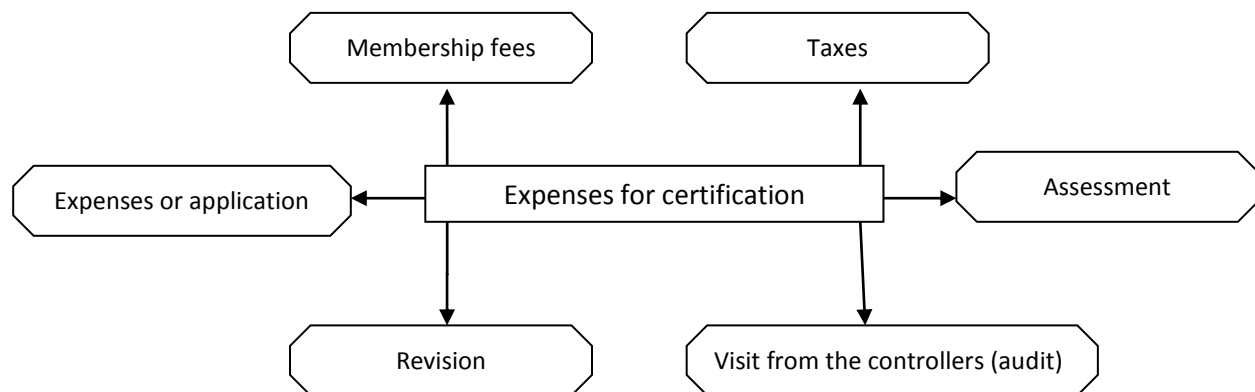


FIG. 1 COSTS RELATED TO THE CERTIFICATION OF ECOTOURISM (CESD, 2003c)

The entire set costs include costs for certain changes and financial needs in terms of equipment and infrastructure, necessary to meet the requirements of the certification program. Especially in times of major activities, one have to consider major investing, like installation of solar panels. Many times these costs are correlated with the introduction of very sophisticated technology. However, the improvements within the company during the period of certification, leads to the conclusion that these costs will bring benefits in much bigger internal efficiency.

On the other hand, small ecotourism enterprises need to have smaller investments since they act in limited environment and apply small range of technology. But tight budgets, as well as the long-term financing costs represent big charges for the most of small

ecotourism enterprises. They are at “pole position” not only in access to finance, but also in the implementation of any new system and technology that have or are required to introduce.

Therefore, the small ecotourism enterprises do not have just lack of funds, but lack of sufficient information and technical capacity and capabilities, benefits and effects of ecotourism. Moreover, they: (a) Do not know where to look for funding for their projects; (b) Are not ready to take the debt without clear cost-benefit analyses; or (c) Do not know how and where to seek for a technical assistance in order to find funding sources.

One approach to assist the ecotourism entities is the forming of a private and public partnership with other stakeholders for sustainable tourism, and thus ecotourism. These stakeholders (Government, NGOs, industry, donators etc) generally have common some interests in providing the highest standards. Hence, most of them are eager to meet the requirements of the certification program. Furthermore, they can play an important role in the overall means of providing technical and financial resources. The government, for example, through supplying benefits in social and economic conditions and sustainable environmental development in meeting the certification program, can assist in great manner in sustainability of ecotourism. Generally, this can be made by:

- Appropriate cover of the ecotourism legislation;
- Providing technical assistance;
- Education of ecotourism businesses on the ecotourism programs and tools that will in turn help them of some NGOs to fulfill mission of social equality;
- Poverty reduction;
- Conservation of monuments and tourist values; etc.

Additionally, donors, green funds and other organizations can provide resources to fulfill certification program through grants, loans and technical assistance.

## **WHAT TYPE OF FUNDING IS NEEDED?**

There are different kinds of necessary funds which have an influence on the financing mechanism. Table 3 presents the sample costs of sustainable tourism certification. Furthermore, one may note the main types of costs, which generally are divided into two groups:

**I. Direct costs.** These costs are directly related to the certification process and are known as temporary or short-term costs. They can be distinguished from each other, so some different certification programs may include the costs before and after the certification program. This group includes: (i) Application of taxes; (ii) Acquisition of



technical documentation; and (iii) Visiting from some agencies or consultants to implement the certification. Many tourism certification programs offer an inspection visits (audits) and those costs are covered by the certification program.

**II. Indirect costs.** These costs are long-term, fixed and variable costs. They are more difficult to be evaluated and have an influence on the final results. This type of costs generally address: (i) Using the best available techniques; (ii) Education and training; (iii) Technical assistance; and (iv) Investments in infrastructural projects. The indirect costs are necessary for the running the tourism business and is important that the ecotourism enterprises fulfill the certification criteria. Moreover, by covering these costs one may argue the fulfillment of the requests received from tourism market in order to acquire or improve the quality of tourist services. Therefore a tourism business must provide: (i) Budget for fixed costs (particularly the costs for equipment and infrastructure); (ii) Budget for variable costs; and (iii) Budget to meet the standards for certification.

TABLE 3. SAMPLE COSTS OF SUSTAINABLE TOURISM CERTIFICATION

DIRECT COSTS
Fees such as application and manual Audit/Assessment costs: (range from \$150 to thousands of dollars) <ul style="list-style-type: none"><li>• Travel, food and lodging for auditors</li><li>• Daily rates for specialists or internationally accredited auditors</li><li>• Multiple visits: pre-assessment, diagnostics, audit, and verification inspections</li></ul> Logo and licensing fees – annual fees ranging from free to several thousand dollars
INDIRECT COSTS
Costs of meeting certification requirements: <ul style="list-style-type: none"><li>• new management systems and technologies<ul style="list-style-type: none"><li>• investment in infrastructure</li></ul></li><li>• creating and maintaining management systems</li><li>• staff training on implementing certification criteria<ul style="list-style-type: none"><li>• creating and maintaining social programs</li></ul></li><li>• creating and maintaining environmental programs</li><li>• meeting and maintaining quality and service standards</li></ul>

Source: Russillo et al. (2003: 7).

## MECHANISM FOR FUNDING

**Financial instruments.** There are numerous financial instruments for providing funds for certification of the ecotourism business, such as: financial aid, subventions, grants, loans and payments for services which are performed in the environment, and so forth.

The financial subsidies from the government and banks may also be available to meet the requirements of certification programs.

**Financial support.** Subsidies are costs that can be absorbed or paid by someone else. They can be direct or indirect subsidies such as cost reduction or other forms of financial support. It includes: (i) Informal taxes (membership, application, review, training, income, etc.); (ii) Reduced costs or loans from the government for small businesses to implement specific sustainable practices and are used to fulfill the requirements of the certification program; and (iii) All types of support, including technical assistance to offset the investment needs and direct payment of subsidies from NGOs, donors and governments.

**Grants.** Traditionally, the grants are used to cover the program costs for providing technical assistance and training programs, but cannot be used to cover the costs of audits. The grants are not repaid, but there may be specific reporting requirements for monitoring and evaluation. The grants may be used to cover direct and indirect costs.

**Loans and Loans guarantee.** Credits loans are used to assist the ecotourism enterprises to obtain the certification in an easier manner. Loans are repaid by banks and companies have to negotiate favorable terms of guarantees, such as: (a) Grace period before payment; (b) There are no guarantees with personal assets; (c) Longer repayment periods; and (d) Reduce the amount of the credit for early payment. The credits for certification of sustainable eco-tourism can have guarantees of humanitarian agencies and private business to reduce risk and interest rates.

**Other types of support.** Many organizations can offer non-cash assets or other forms of support such as technical assistance, marketing assistance or through business administration. The programs can help to recover the cash advances to the small businesses and offered the free services.

**Finance for conservation.** This is a relatively new field for financing the certification program in the ecotourism. So, the tourism enterprises which primary focus is on conservation of natural monuments, may apply this source of financing. The intention is to receive funds so the eco tourists will add a value to the sustainable tourism and environmental protection. Some financial plans for conservation are met entirely by the private sector, while others are initiated by the public sector.

**Payments for the eco environmental services.** Preventing the eco-system creates multiple benefits. Many eco activities that are implemented provoke advantage for the sustainable tourism businesses, not only in terms of tourism, but also for the socio-economic life in general. Eco activities related to cleaning the lakes and rivers contribute to enhancing the control and protecting the eco-systems. Yet, many institutions discover



a potential in providing alternative flows in order to obtain funding for sustainable ecotourism business. The sustainable business in ecotourism generates various effects to the community, in the first line economic, social and environmental.

***Other considerations.*** The financing in ecotourism for the fulfillment of the certification program is of paramount importance, but this is only a small part of the great mystery seeing that in tourism growing pool of money, does not always mean answering the criteria questions. Nevertheless, these issues are strictly related to meeting the certification program of ecotourism since their fulfillment may lead to improving the responsibility for the next levels of change as a result of certification. Bigger and more successful tourism businesses can have an easier access to finance. Due to this fact, it is very important that all ecotourism companies collaborate with the private and public sectors, community organizations and donors in order to perform the certification program with all its tasks arising from it.

## **FINANCIAL “PLAYERS”**

The various sources of funding to fulfill the certification program for ecotourism has many variations resulting with different combinations. Some tourism enterprises conduct the certification program in partnership with the NGOs, private foundations, supporting agencies or governmental bodies, in order to identify funds for covering the costs associated with certification. They may get the support in the form of technical assistance and subsidies from big companies that have been certified or are in the process of certification. In this line, all involved institutions should be prepared to provide integrated packages of financial, technical and marketing assistance to tourism businesses (Sanders, 2004).

The majority of certification programs are on national level. This is particularly the case with the tourism-oriented countries. Hence, the sources of financing can often be found among the authorities as the only funding source. Towards certification of the ecotourism businesses, one may note the need of wise approach following the “step by step” procedure. In fact, it is not required to meet any standards at once, but rather to allow the ecotourism business to fulfill the individual regulatory requirements over the time, thus to extend the indirect costs over several years.

There are many “players” on different levels who may have important role in posing a strategy for undertaking activities for sustainable ecotourism, which consequently will lead to the process of obtaining ecotourism certification. In case of not having sufficient funds, the leading “players” may have successful approach to donors and grants for

programs and projects that include sustainable practices. The main aim is to lobby the highest officials to create politics that support sustainable practices and develop innovative tools that enable funding of ecotourism enterprises. In this line, the supporting agencies may also invest in local and regional infrastructure networks. Generally, they are dealing with public funds and promote specific certification programs. However, these certification programs are instruments of public-private partnership with consulting companies where funds are allocated for creation of potential resources for sustainable ecotourism businesses.

## **CONCLUSION**

The paper gives a glance on financing ecotourism certification programs. It underlines the necessity of developing certified programs that measure different aspects of ecotourism. In this line, the certified programs ensure that ecotourism: (i) empowers local communities around the world to fight against poverty and to achieve sustainable development; (ii) provides effective economic incentives for conserving and enhancing bio-cultural diversity and helps protect the natural and cultural heritage; and (iii) promotes greater understanding and appreciation for nature, local society, and culture.

Moreover, the paper poses the general and specific objectives stated in the specific ecotourism accreditation program. So, in order to achieve accreditation in ecotourism, 80% of the specific criteria must be fulfilled. That means that more than 2/3 of each category (nature; interpretation; environmental sustainability; protection; working with local community; cultural component; customer satisfaction; and responsible marketing) must be met.

In addition, the research underlines the basic financial obstacles, with which tourism enterprises are faced. Although the first impression is that small ecotourism enterprises have lack of funds, the practice shows that they are often faced with lack of appropriate information, technical capacity and capabilities to search for funding. More precisely, they are not sufficiently informed about the sources of financing ecotourism programs, and are not ready to take the debt without clear cost-benefit analysis. In this regard, one may assist them by creation of a public-private partnership in the field of ecotourism.

Referring the types and mechanisms for funding, the paper recalls the numerous financial instruments for providing funds for certification of ecotourism businesses. So, subsidies, grants, guarantees, credit loans, non-cash assets and other funding sources are elaborated. Furthermore, the major financial “players” in terms of local, national and international NGOs, agencies, institutions and bodies are mentioned. Finally, one may conclude that ecotourism is very important and includes everything that supports conservation, communities, and sustainable travel. So, each tourism entity that has



identified the necessity of certifying its ecotourism programs needs to unconditionally follow the ecotourism principles. They address: minimizing the impacts; building environmental and cultural awareness; providing positive experiences for visitors and hosts; provide direct financial benefits for conservation and empowerment for local people; and raising sensitivity to host countries' political, environmental, and social climate.

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