

# **THE BUSINESS OF COMMUNITY BASED TOURISM: A MULTI-STAKEHOLDER APPROACH**

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**Abstract:** The present paper attempts to weave together the theory and practice of community based tourism. Though the idea of community based development is age-old, its adoption into tourism is relatively recent. The paper examines how community based tourism can be a panacea for many of the evils of the mainstream industry driven mass-tourism. It exhorts that, while community is at the centre stage, there are important roles for governments and non-governmental organizations in community based tourism. The role of public-private partnership is also examined.

**Keywords:** Community Based Tourism, Blueprint for CBT development, Role of Governments and NGOs, Public-Private Partnership, and Case studies.

## **Introduction: Community Based Development and Community Based Tourism**

Community-based development is a strategy used by tourism planners to mobilize communities into action to participate in broadening the scope of offerings in the industry. The goal is socio-economic empowerment and a value-added experience for local and foreign visitors. This process opens new niches for destinations, most

notably for the nature, culture, and adventure travelers. What this achieves is a policy objective of creating a culture of inclusion in the industry, whereby communities participate and share in the wealth of the industry, dispelling a long held perception of tourism as an exploiter of wealth where only the rich can benefit.

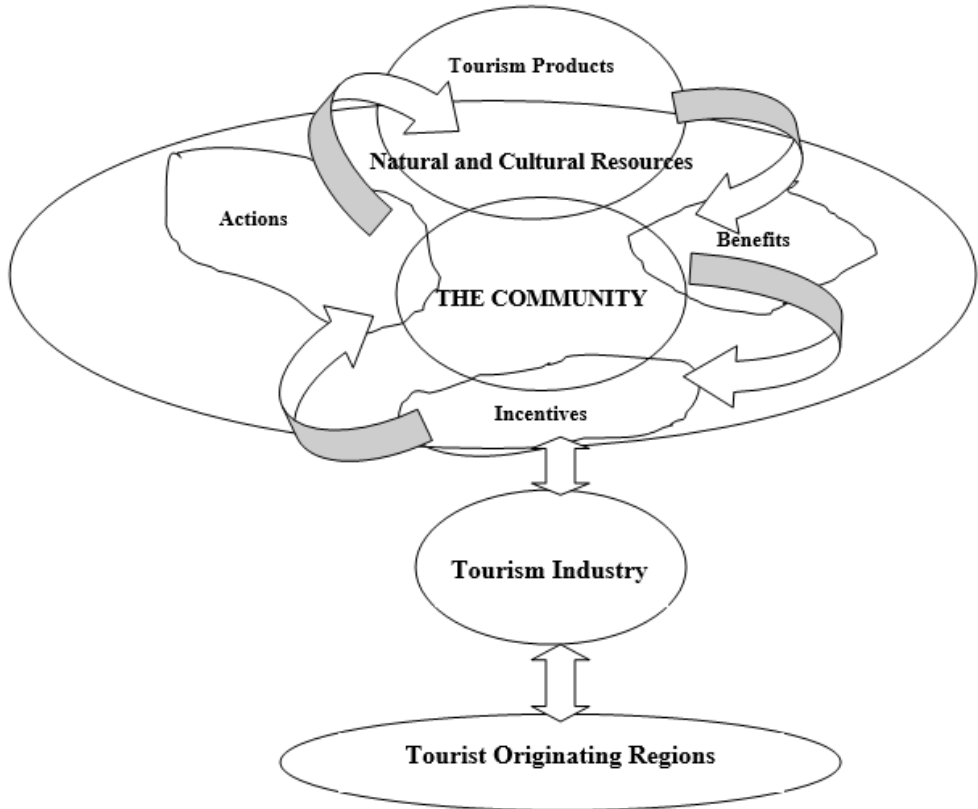
Community-based development empowers people to be more aware of the value of their community assets - their culture, heritage, cuisine and lifestyle. It mobilizes them to convert these into income generating projects while offering a more diverse and worthwhile experience to visitors. Every citizen is a potential business partner to be trained in small business management, environmental awareness, product development and marketing. This type of 'people-centered' tourism promotes a sense of 'ownership' which augurs well for the industry's sustainability.

Continuing with the above line of thinking, community based tourism (CBT) is may be defined as tourism that takes environmental, social and cultural sustainability into account. It is managed and owned by the community, for the community, with the purpose of enabling visitors to increase their awareness and learn about community and local ways of life. Existing terms like heritage tourism, eco-tourism, agri-tourism, cultural tourism, etc can all be forms of the community tourism product, within the constraint that these are to be promoted with the spirit of community centeredness and sustenance.

The key benefits of CBT are seen to be: job creation; poverty reduction; less impact on an area's culture and environment than that exerted by mass tourism; community capacity building and pride; and revenue for maintaining or upgrading the community's cultural assets. The relationship between resources and actions in CBT is illustrated below:

The key rationale underlying the approach and objectives of CBT for conservation and development is that CBT through increased intensities of participation can provide widespread economic and other benefits and decision-making power to communities. These economic benefits act as incentives for participants and the means to conserve the natural and cultural resources on which income generation depends. Note from the diagram that the community is at the centre and is occupying the commanding position with regard to the management of its natural and cultural resources which can be reformulated as tourism products. The relationship of the industry to the tourism products developed out of the natural and cultural resources of the community is not a direct, one-to-one relationship; on the contrary, it is through the intermediation of the community. This is aimed to ensure that the aspirations of the community are never bypassed by the extraneous industry interests. One can see CBT as an interaction among the three major

groupings of the community, the tourism industry, and the tourists themselves. In the language of cost-benefit analysis (CBA), community based tourism may be expressed in terms of the following inequalities:



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- i.  $CB > IB > IC > CC$  (The inequality of interaction between the community and the industry)
- ii.  $CB > TB > TC > CC$  (The inequality of interaction between the community and the tourists)
- iii.  $IB > TB > TC > IC$  (The inequality of interaction between the industry and the tourists)

(CB=Community Benefits; CC=Community Costs; IB=Industrial Benefits; IC=Industrial Costs; TB=Tourist Benefits; and TC=Tourist Costs)

Note that the maximum benefit with the least cost goes to the community. This is the essential condition for CBT and the other conditions are not as consequential

as this. The third condition may even be contested; however, we feel this is desirable since only if the industry benefit is significant than the industry cost shall it survive and not move on to unsustainable practices; tourists shall visit a CBT destination as long as tourist benefit is more than tourist cost.

### **Defining Characteristics of a Community Based Tourism Project**

Community-based Tourism can and should encompass a range of activities that collectively contribute to improved conservation and development. Some of the most noteworthy characteristics of community based tourism projects are listed below (adapted from TPDCO, 2005):

- A community-based tourism project is a profitable and sustainable activity that enhances the environment while adding value to the experience of both locals and visitors.
- It directly involves the community – providing both social and economic benefits.
- Its ultimate goal is to satisfy consumer expectations without harming the community interests.
- It is market driven and has to meet high standards in order to be sustainable.
- Private entrepreneurs, community groups, and or organizations may own it. It should aim to educate, train develop, encourage, and utilize any skills and human potential within the community, towards the delivery of professional service.
- It should be operated within a business structure that adheres to government regulations, financial obligations, good labor relations and sound management systems.
- All Business Plans must be scrutinized to ensure owners/organizations understand the opportunities, pitfalls and risks and to show the long-term viability of the Project.
- Environmental awareness and sustainability should be top priority. It is the responsibility of the community to maintain clean healthy surroundings.
- Members of the community are expected to exhibit friendliness, honesty and professionalism amongst themselves as well as in their dealings with the visitor to ensure the integrity of the project.

Every community based tourism developer must ask the following questions from the very first stage of idea generation for the same:

- Will the project enhance environment while adding value to the visitor's experience?
- Will the project be developed, operated and protected by the community?

- Will the project provide social and economic benefits to the stakeholders/shareholders?
- Will the project be operated with sound ethical business practices including adherence to regulations and standards set by government, agencies, stakeholders, shareholders and consumers?
- Will the project offer professional services and value to the visitor and be competitive in the global marketplace?

If not properly devised and implemented, CBT is highly likely to fail. The International Centre for Responsible Tourism (ICRT) at the University of Greenwich, UK, is evaluating CBT projects around the world and reviewing literature on CBT. Preliminary findings from this research suggest several reasons why CBT projects fail:

- ◆ Few projects understand the need for commercial activities: local people must sell crafts, food, accommodation and wildlife or cultural experiences to tourists. This is the only way to ensure a sustainable supply of local income or conservation funds.
- ◆ CBT projects must engage with the private sector, including travel agents, tour operators and hoteliers. The earlier this engagement takes place and the closer the partnership, the more likely it is to succeed.
- ◆ Location is critical: for poor people to benefit, tourists must stay in or near to these communities. Very few communities have tourism assets which are sufficiently strong to attract tourists - they rely on selling complementary goods and services. Tourists need to be close by for this to happen.
- ◆ CBT projects do not always provide appropriate tourism facilities for generating income. For example, too many CBT initiatives rely on building lodges, which are capital intensive and need considerable maintenance, or walking trails from which it can be difficult to secure revenue.
- ◆ Protected areas increasingly rely on money from tourists to pay for conservation initiatives. Local communities often have to compete with conservation projects for revenues.

The ICRT summarizes the recipe for successful CBT as that providing:

- ❖ Collective benefits: for example providing funds for community assets such as grinding mills or school books.
- ❖ Individual benefits: paid employment (full - or part-time) and opportunities for micro-enterprise earnings (for example craft sales).

## **The Blueprint for Developing Community Based Tourism in a Destination**

In order that CBT be developed in a systematic manner, a methodological framework needs to be adopted. An outline of a suggested framework is provided below (Source: Tuffin, 2005):

1. Choose a destination
2. Complete a feasibility study with the community
3. Create an action plan
4. Set up an administrative system
5. Prepare for operation
6. Monitor and evaluate

### *Step 1: Choose a destination*

Choosing an appropriate destination requires collecting information that leads to an understanding of the community. A detailed study of the village context includes collecting information about the community from organizations working there, government agencies, other communities in the area, and the community members themselves.

### *Step 2: Complete a feasibility study*

The community needs to be fully involved in the process of deciding if they want to be involved in a tourism project. The process for building consensus in the community requires that the information and data be studied with the public and private partners and then an action plan be formulated. It is important to be open and honest about the limitations of the community when deciding whether to continue or not. The decision to develop CBT must be agreed upon by all parties. During this process the community will be stimulated to think about the reasons and motivations for developing CBT. They should be able to discuss the issues and visit communities which are already involved in CBT. The community members need to answer questions like:

Do you want CBT to raise income?

Do you want CBT to preserve culture?

Do you want CBT to conserve natural resources?

Do you want CBT to bring more knowledge and skills into the community?

*Step 3: Create an action plan*

If all parties reach a consensus, the planning process can begin. In this stage the community creates an action plan and enters into agreement with external agencies like tour operators. Some of the key issues that need to be considered include: Programs for the tourists; Services that will need to be provided; Development of facilities and infrastructure; Training that will need to be provided; Carrying capacity; and, Tour program and price.

The public partner (association of the community members) will need to formulate a monitoring and evaluation plan that includes the associated indicators and the private partner can begin to draft a marketing plan and strategy.

*Step 4: Set up an administrative system*

Without transparent organization, confusion, suspicion, and conflict can arise in the community. It is crucial that the community sets up a clear administrative system to effectively manage CBT.

The administrative organization will focus on the following: Participation level of community members; Division of roles in operation; Division of benefits; Transparency of management; Measures to control economic and social impacts; Measures to control natural and cultural impacts; and, Cooperation and communication with public and private partners.

*Step 5: Preparation of operation*

Before full operation of the tour program can start the community and its partners need to acquire skills and experience in operating CBT. The infrastructure must all be designed and built and the equipment acquired and put in place. At this stage emphasis will be placed on:

Training: including guiding skills, language learning, food preparation, housekeeping and simple accounting systems

Preparation of information: involving the educational content of the tour program; the things about themselves that the community members will share with tourists

Infrastructure design and construction: community lodges, trails, water systems, power systems, toilets, etc.

The community members will need to gain experience in guiding and operating the tour program and distributing benefits. It will be necessary to bring pilot groups of tourists into the community so that the community members can see what works and what does not and so that they can practice their skills and test the administrative systems.

#### *Step 6: Monitoring and evaluation*

Monitoring and evaluation starts once the program is in full operation. It helps to identify problems, impacts and benefits, as well as to ensure the sustainability of the operation. It examines the extent to which the project is meeting its objectives. It should also result in plans and efforts to compensate for weaknesses, correct problems, adjust systems and improve the program. Monitoring and evaluation is a participatory process. All stakeholders should play a role in gathering the monitoring data, assisting in the analysis, and in actions taken as a result of the final assessment and evaluation.

The aspects monitored include: Environmental impacts; Economic impacts; Cultural impacts; Social impacts; Efficacy of CBT as a development tool; etc.

Information can be gathered from the tourists, the community members and from physical inspections of infrastructure and the environment. Tools used for monitoring can include questionnaires, interviews, focus groups, guest books, photographs, checklists, trend lines, seasonal calendars, and so on.

Often in CBT the locations are remote and subject to national policies regulating access by foreigners as well as domestic visitors. Thus while initial assessments show considerable potential as tourism destinations, there may be regulations that restrict access by numbers and by seasons. International policies and actions have complex linkages with the visitor to a protected area and the local entrepreneur. Political instability can also affect the volume of visitors.

#### **The Koroyanito CBT Development in Fiji: A Case Study**

*(Summarized and published by The Mountain Institute, 2000, from the Proceedings of the Ecotourism for Forest Conservation and Community Development Conference, 1997).*

This example from Fiji has been chosen to highlight the linkages between conservation, economic development and participation in Community-based



Tourism products. A key feature in this case was the nature of participation where there appeared to be considerable power held by local communities in the development and management of the tourism product.

As part of the management strategy for Koroyanitu National Park in Fiji the following activities and organizations were established.

*Village Ecotourism Co-op Society Limited:* Each village with an ecotourism facility established their own Ecotourism Cooperative Society Limited, with the main objective to “establish and manage projects in such a manner, which maximizes benefits to the community and ensures equal opportunities for all”. Membership is restricted to landowning units on the basis of the amount of their land included in the project area and villagers who earn their share through direct involvement and/or capital contribution. The first criterion provides an incentive for landowning units to dedicate as much of their land as possible and discourage poor practices, which may disqualify a parcel of land. The second provides for allocation of equity, distribution of benefits, commensurate with one’s contribution to the project. The feature to note here is who owns the land that is to be conserved and serves as an attraction. With local ownership, the economic incentives to conserve are much stronger since local people who derive economic benefits also make the decisions on land management.

*Koroyanitu Development Trust (KDP):* All landowning villages agreed to establish the KDP and the objectives were to:

- ensure the protection and integrity of the natural and cultural heritage within the national park
- facilitate efficient and controlled flow of visitors to facilities
- award contracts and approve participation
- and, hold shares in Fijian Vanua Tours Inc.

An institutional arrangement was established to manage conservation and development activities associated with the site.

*Fijian Vanua Tours Inc. (FVTI):* The objectives of this entity are to:

- promote participation in the protection of their natural and cultural heritage
- secure funding for the establishment of ecotourism facilities and other activities which lend to sustainable development
- conduct relevant training and development programs for owners
- provide management and technical assistance to Village Tourism Cooperatives
- and, hold shares in Fijian Vanua Tours Limited on behalf of accredited facility owners Fijian Vanua Tours Limited

This entity is a limited liability company designed to:

- promote Koroyanitu as a desirable ecotourism destination
- facilitate efficient and controlled flow of visitors to FTVI facilities
- set and enforce standards
- approve accreditation
- generate income

Participation is restricted to two parties - 50% for FVTI and 50% for a private investor who can inject expertise and capital to ensure survival in the tourism industry. Both of the above entities serve to increase participation in tourism and related activities from deriving economic returns to quality control to market and product development.

Noted achievements of the scheme are:

*Education:* participation in business management and tour guiding courses

*Women's participation:* active club that makes and sells handicrafts

*Environmental protection:* logging has not been reintroduced; area set aside for tree nursery; enrichment planting in previously logged areas; etc.

*Income:* project earned in 1994 the equivalent of the entire communities yearly income before the project, two thirds was retained in the village

*Capital additions and improvements:* in 1994 another accommodation facility designed especially for school groups who want to camp in the park during field trips. Education groups have regularly used this facility.

### **The Role of Non-Governmental Organizations in Community Based Tourism**

Nongovernmental organizations, or NGOs, are generally accepted to be organizations which have not been established by governments or agreements among governments. In the early 1990s there began to be recognition of the importance of NGOs. They are found to have closer ties to on-the-ground realities in developing countries and, perhaps more important, to be able to deliver development aid considerably more cheaply than states or intergovernmental organizations.

Aided by advances in information and communications technology, NGOs have helped to focus attention on the social and environmental externalities of business

activity. Multinational brands have been acutely susceptible to pressure from activists and from NGOs eager to challenge a company's labor, environmental or human rights record. Even those businesses that do not specialize in highly visible branded goods are feeling the pressure, as campaigners develop techniques to target downstream customers and shareholders. In response to such pressures, many businesses are abandoning their narrow shareholder theory of value in favor of a broader, stakeholder approach which not only seeks increased share value, but cares about how this increased value is to be attained. Such a stakeholder approach takes into account the effects of business activity - not just on shareholders, but on customers, employees, communities and other interested groups.

There are many visible manifestations of this shift. One has been the devotion of energy and resources by companies to environmental and social affairs. Companies are taking responsibility for their externalities and reporting on the impact of their activities on a range of stakeholders. Nor are companies merely reporting; many are striving to design new management structures which integrate sustainable development concerns into the decision-making process.

NGOs have been involved with tourism related issues for a long time. Current international activities in community tourism planning and development reflect a strong interest and involvement by NGOs, particularly those focused on resource conservation. Traditionally, they have been critical. They have campaigned against contentious issues, such as tourism links to child prostitution and the forced relocation of peoples for new developments. NGOs have frequently been concerned with tourism related environmental issues, opposing, for example, the establishment of golf courses in developing world locations that have exploited land and water previously available to local communities. NGOs have also focused their attention on the flow of income from tourism, particularly in the developing world, examining how this has been generated and how equitable its distribution is. Most NGOs commenting on tourism have had their major interests elsewhere.

However, NGOs can play an important constructive role in the development of management strategies and in the planning process of tourism development for various reasons. Tourism is becoming far too commoditized, and NGO involvement offers alternative ways of viewing the tourism experience. NGOs have prioritized development approaches that include host community perspectives, emphasized host–visitor interaction and stressed nature and cultural conservation. A number of NGOs have been actively involved in tourism related projects. The motives of NGOs in these circumstances appear to have been to boldly go where government or private commercial organizations would find political or economic resistance.

Being nongovernmental institutions they can establish and facilitate the participation of local stakeholders. Being non-profit organizations, they can promote the sustainable use of biodiversity and cultural resources and point out the economic benefits of the integration of tourism development and nature/culture conservation. Being experts in ecological sciences, social development and project management, and having a deep insight into the regional political and economic structures, NGOs can contribute significantly to the sustainability of community based tourism development. NGOs can sensitize the public and even organize mass movements if avaricious industrial interests placate the wider goals of community centered tourism development. Thus, they can act as brokers between conflicting groups and some of them have the potential to act in a conflict management capacity.

Another role that NGOs can take over is that of a co-operative agency that manages a community's initiatives towards CBT. Where international tour operators are unable to contract ground services to in-country operations or do not employ residents of that country, the amount retained in the destination is obviously lower than if this was not the case. Some NGOs appear to have special skills in collaborative partnerships based upon shared aims with local communities, the private sector and other NGOs. The NGO can become a unified marketing front for the small and medium scale tourism enterprises run by the community members. With the help of e-commerce technologies, such a body can bypass the middlemen like travel agents and tour operators and reach the tourist originating markets directly. With tour operators invariably demanding payment in the visitor's country of origin, the benefits to national economies can vary considerably. This has the potential to make the community's tourism offerings more cost-competitive, too. In these situations the development work of NGOs can be directly supported by tourism income flows, active tourist participation in projects, or through direct and indirect donations to their work.

Thus, NGOs are shown often to be both campaigning and proactive bodies, capable of operating in a wide variety of natural, economic and political environments. In sum, NGOs in community based tourism does one or more of the following things:

1. Contribute to the development of policies and plans for the CBT industry
2. Assist the government in developing a standard for responsible community based tourism

3. Assist the government, private sector and communities in implementing, monitoring and evaluating CBT
4. Attract funding from donor agencies to develop specific CBT projects
5. Assist communities and community groups in organizing themselves, preparing themselves for CBT and implementing CBT projects
6. Assist the government in conducting tourism and environmental awareness programs among communities and the tourism industry at large
7. Liaise between the private sector and communities to generate more community involvement in the tourism sector and stronger private sector commitment
8. Deliver education, training, bridging courses, and other capacity building exercises to local communities
9. Resist against inequitable tourism development by campaigning and mobilizing community support
10. Manage and market the community tourism product for the community, at least until the community gains experience to manage on its own.

Some of NGOs that do outstanding work in the area of tourism are:

- ◆ Tourism Concern ([www.tourismconcern.org.uk](http://www.tourismconcern.org.uk))
- ◆ Equations in India ([www.equitabletourism.org](http://www.equitabletourism.org))
- ◆ Ecumenical Coalition on Third World Tourism ([www.ecotonline.org](http://www.ecotonline.org))
- ◆ World Wide Fund for Nature ([www.wwf.org](http://www.wwf.org))
- ◆ Conservation International ([www.conservation.org](http://www.conservation.org))
- ◆ Rainforest Alliance ([www.rain-forest-alliance.org](http://www.rain-forest-alliance.org))
- ◆ Cultural Restoration Tourism Project (<http://home.earthlink.net/~crtp>)
- ◆ International Council on Monuments and Sites ([www.icomos.org](http://www.icomos.org))
- ◆ International Society for Eco-tourism Management ([www.ecomanage.com](http://www.ecomanage.com))
- ◆ Partners in Responsible Tourism ([www2.pirt.org](http://www2.pirt.org))
- ◆ Retour Foundation ([www.retour.net](http://www.retour.net))

### **Governments and Community Based Tourism**

Community Based Tourism can not be implemented successfully without the constant and coordinated facilitation by the various governmental bodies. Governments play a critical role through their institutional leadership, guaranteeing

stakeholders' participation. The Governments' role is also essential in the establishment of regulatory and policy frameworks, ensuring their enforcement, the application of appropriate economic instruments (including the removal of environmentally perverse subsidies), and monitoring environmental quality. What communities do in tourism depends on the opportunities and power they have, the incentives and prices they face, and their access to skills, training, capital and markets. All of these are shaped by government policies, regulation and taxes. Only governments can provide the strategic planning base for CBT which is so clearly needed. Only they can ensure that valuable and fragile habitats are identified, that baseline studies and monitoring are carried out, and that overall infrastructure needs and implications are assessed. And only they can establish emissions standards and zoning and design requirements, and ensure that they are enforced.

Governments need to make resources such as national tourist boards accessible to CBT operations, while ensuring that systems of licensing or tourism standards do not act as barriers. Government, especially, the local government, provides the core utilities and infrastructure on which the tourism industry is based. This includes district and city roads, lighting, water and sewerage, public transport systems, signs, airports, and ports. If local government operates attractions such as museums, art galleries, sports stadiums, convention centers, parks, gardens, events, tours, and other amenities, the same become additional motivators for tourists to visit a CBT destination. The government can integrate travel information about the CBT destinations in the country into its Visitor Information Network, too.

Private companies can't be expected to share profits and power with rural communities simply because it's a kind thing to do. But governments can create the conditions under which it is in their interests to work with communities by giving communities market power and giving the private sector more security of investment and incentives for partnership. This can be by means of:

- asking private sector bidders to develop proposals for community partnership, and making this a key criteria in allocating tourism rights. This small change to the planning process can force every new investment to address community tourism issues.
- devolving tenure to communities, to give them market power in forming agreements
- giving communities an equity share in government-private agreements
- helping local residents to start private enterprises.

Policies vary from country to country and over time. It is often the overall approach that is most important in helping community tourism to flourish. Some tips that are suggested from governments in CBT by Africa Resources Trust (ART, 2005) are:

- Create supportive attitudes in government
- Let communities develop tourism over time
- Create opportunities and remove constraints, rather than plan community tourism for them
- Recognize that local people will have multiple livelihood objectives, not just maximizing cash income. Concerns about how land or natural resources are used, or access to training, can be equally important to livelihoods
- Enhance their power in the tourism market
- Ensure tourism sector regulations encourage rather than exclude the informal sector
- Welcome NGO facilitation – it's usually needed

There are two extremes to be avoided: one is to ignore community tourism or pretend it will happen with no support from Government and the industry. The other is for government and the industry to try to do everything and do it now, without allowing time for local people to develop their ideas and skills.

### **Harnessing Public-Private Partnership for Community Based Tourism**

Public-private partnership (PPP or P3) is a variation of privatization in which elements of a service previously run solely by the public sector are provided through a partnership between the government and one or more private sector companies. Unlike a full privatization scheme, in which the new venture is expected to function like any other private business, the government continues to participate in some way.

Important variants of public-private partnerships are (Source: National Council for Public Private Partnerships, USA): Build/Operate/Transfer (BOT) or Build/Transfer/Operate (BTO); Build-Own-Operate (BOO); Buy-Build-Operate (BBO); Service Contracts (SC); Design-Build (DB); Design-Build-Maintain (DBM); Design-Build-Operate (DBO); Developer Finance: Enhanced Use Leasing (EUL); Lease/Develop/Operate (LDO) or Build/Develop/Operate (BDO); Lease/Purchase; Sale/Leaseback; Tax-Exempt Lease; and Turnkey Arrangement.

*Build/Operate/Transfer (BOT) or Build/Transfer/Operate (BTO):* The private partner builds a facility to the specifications agreed to by the public agency, operates the facility for a specified time period under a contract or franchise agreement with the agency, and then transfers the facility to the agency at the end of the specified

period of time. In most cases, the private partner will also provide some, or all, of the financing for the facility, so the length of the contract or franchise must be sufficient to enable the private partner to realize a reasonable return on its investment through user charges.

At the end of the franchise period, the public partner can assume operating responsibility for the facility, contract the operations to the original franchise holder, or award a new contract or franchise to a new private partner. The BTO model is similar to the BOT model except that the transfer to the public owner takes place at the time that construction is completed, rather than at the end of the franchise period.

*Build-Own-Operate (BOO)*: The contractor constructs and operates a facility without transferring ownership to the public sector. Legal title to the facility remains in the private sector, and there is no obligation for the public sector to purchase the facility or take title. A BOO transaction may qualify for tax-exempt status as a service contract if all Internal Revenue Code requirements are satisfied.

*Buy-Build-Operate (BBO)*: A BBO is a form of asset sale that includes a rehabilitation or expansion of an existing facility. The government sells the asset to the private sector entity, which then makes the improvements necessary to operate the facility in a profitable manner.

*Service Contracts*: A public partner (federal, state, or local government agency or authority) contracts with a private partner to provide and/or maintain a specific service. Under the private operation and maintenance option, the public partner retains ownership and overall management of the public facility or system. Another way is public partner (federal, state, or local government agency or authority) contracts with a private partner to operate, maintain, and manage a facility or system providing a service. Under this contract option, the public partner retains ownership of the public facility or system, but the private party may invest its own capital in the facility or system. Any private investment is carefully calculated in relation to its contributions to operational efficiencies and savings over the term of the contract. Generally, the longer the contract term, the greater the opportunity for increased private investment because there is more time available in which to recoup any investment and earn a reasonable return. Many local governments use this contractual partnership to provide wastewater treatment services.

*Design-Build (DB)*: A DB is when the private partner provides both design and construction of a project to the public agency. This type of partnership can reduce time, save money, provide stronger guarantees and allocate additional project risk



to the private sector. It also reduces conflict by having a single entity responsible to the public owner for the design and construction. The public sector partner owns the assets and has the responsibility for the operation and maintenance.

*Design-Build-Maintain (DBM):* A DBM is similar to a DB except the maintenance of the facility for some period of time becomes the responsibility of the private sector partner. The benefits are similar to the DB with maintenance risk being allocated to the private sector partner and the guarantee expanded to include maintenance. The public sector partner owns and operates the assets.

*Design-Build-Operate (DBO):* A single contract is awarded for the design, construction, and operation of a capital improvement. Title to the facility remains with the public sector unless the project is a design/build/operate/transfer or design/build/own/operate project. The DBO method of contracting is contrary to the separated and sequential approach ordinarily used in the United States by both the public and private sectors. This method involves one contract for design with an architect or engineer, followed by a different contract with a builder for project construction, followed by the owner's taking over the project and operating it.

A simple design-build approach creates a single point of responsibility for design and construction and can speed project completion by facilitating the overlap of the design and construction phases of the project. On a public project, the operations phase is normally handled by the public sector under a separate operations and maintenance agreement. Combining all three passes into a DBO approach maintains the continuity of private sector involvement and can facilitate private-sector financing of public projects supported by user fees generated during the operations phase.

*Developer Finance:* The private party finances the construction or expansion of a public facility in exchange for the right to build residential housing, commercial stores, and/or industrial facilities at the site. The private developer contributes capital and may operate the facility under the oversight of the government. The developer gains the right to use the facility and may receive future income from user fees.

While developers may in rare cases build a facility, more typically they are charged a fee or required to purchase capacity in an existing facility. This payment is used to expand or upgrade the facility. Developer financing arrangements are often called capacity credits, impact fees, or extractions. Developer financing may be voluntary or involuntary depending on the specific local circumstances.

*Enhanced Use Leasing (EUL):* An EUL is an asset management program in the Department of Veterans Affairs (VA) that can include a variety of different leasing arrangements (e.g. lease/develop/operate, build/develop/operate). EULs enable the VA to long-term lease VA-controlled property to the private sector or other public entities for non-VA uses in return for receiving fair consideration (monetary or in-kind) that enhances VA's mission or programs

*Lease/Develop/Operate (LDO) or Build/Develop/Operate (BDO):* Under these partnerships arrangements, the private party leases or buys an existing facility from a public agency; invests its own capital to renovate, modernize, and/or expand the facility; and then operates it under a contract with the public agency. A number of different types of municipal transit facilities have been leased and developed under LDO and BDO arrangements.

*Lease/Purchase:* A lease/purchase is an installment-purchase contract. Under this model, the private sector finances and builds a new facility, which it then leases to a public agency. The public agency makes scheduled lease payments to the private party. The public agency accrues equity in the facility with each payment. At the end of the lease term, the public agency owns the facility or purchases it at the cost of any remaining unpaid balance in the lease.

Under this arrangement, the facility may be operated by either the public agency or the private developer during the term of the lease. Lease/purchase arrangements have been used by the General Services Administration for building federal office buildings and by a number of states to build prisons and other correctional facilities.

*Sale/Leaseback:* This is a financial arrangement in which the owner of a facility sells it to another entity, and subsequently leases it back from the new owner. Both public and private entities may enter into a sale/leaseback arrangement for a variety of reasons. An innovative application of the sale/leaseback technique is the sale of a public facility to a public or private holding company for the purposes of limiting governmental liability under certain statutes. Under this arrangement, the government that sold the facility leases it back and continues to operate it.

*Tax-Exempt Lease:* A public partner finances capital assets or facilities by borrowing funds from a private investor or financial institution. The private partner generally acquires title to the asset, but then transfers it to the public partner either at the beginning or end of the lease term. The portion of the lease payment used to pay interest on the capital investment is tax exempt under state and federal laws. Tax-exempt leases have been used to finance a wide variety of capital assets,

ranging from computers to telecommunication systems and municipal vehicle fleets.

*Turnkey Arrangement:* A public agency contracts with a private investor/vendor to design and build a complete facility in accordance with specified performance standards and criteria agreed to between the agency and the vendor. The private developer commits to build the facility for a fixed price and absorbs the construction risk of meeting that price commitment. Generally, in a turnkey transaction, the private partners use fast-track construction techniques (such as design-build) and are not bound by traditional public sector procurement regulations. This combination often enables the private partner to complete the facility in significantly less time and for less cost than could be accomplished under traditional construction techniques.

In a turnkey transaction, financing and ownership of the facility can rest with either the public or private partner. For example, the public agency might provide the financing, with the attendant costs and risks. Alternatively, the private party might provide the financing capital, generally in exchange for a long-term contract to operate the facility.

Further details about these variants are beyond the scope of this module. However, learners desirous of knowing the same are advised to consult the website of the National Council for Public Private Partnerships, USA (<http://ncppp.org>).

There are several basic characteristics of community-based tourism development that make public-private partnerships a possibility (UNESCAP, 2001). First, communities may not have the skills and experience in tourism management. Second, community tourism ventures take time to set up and require a process of intensive capacity building. Third, community tourism ventures may not be profitable when they are initiated.

Partnership is becoming a powerful tool for implementing CBT policies more effectively. PPPs enable the public sector to benefit from commercial dynamism, the ability to raise finances in an environment of budgetary restrictions, innovation and efficiencies, harnessed through the introduction of private sector investors who contribute their own capital, skills and experience. The positive characteristics of PPP arrangements for infrastructure development appear particularly attractive to developing countries like India given the enormous financing requirements, the equally large funding shortfall, the need for efficient public services, availability of a pool of private finance, growing market stability and privatization trends creating a favorable environment for private sector participation (Subramaniam, 2005).

Despite numerous advantages, certain negative aspects - a too large role for governments, partnerships lacking attention to market needs, disproportional investments, inefficiency of public administration, institutionalization of projects and lack of creativity - have to be taken into consideration before going in for any PPP based tourism development since these are antithetical to the spirit of CBT.

According to OECD (1997), good partnership involves a clear definition of roles, competencies, responsibilities and advantages both in public administrations and private enterprises. In particular, the public sector, as an agent of development, may help achieve optimal exploitation of public resources and services, safeguard the environment, and develop human resources. Partnerships must be based on agreements which show the economic benefits for the public/private sector and/or centre/periphery. More and more forms of partnerships are developed in almost all areas of tourism policy. Governments have to play an important role in new ways of organizing this co-operation, notably by defining a clear national strategy for tourism policy which will stimulate and guide innovative partnerships and give incentives to all individual partners to participate in the development.

### **The Akha Lodge: A Case Study of PPP in CBT**

Akha (in Northern Laos) villagers - with their exotic outfits, ancient traditions and traditional way of life - don't usually sit down with urban businesspeople and hammer out business deals. But, that is the scenario set up by GTZ, a German development agency ([www.gtz.de](http://www.gtz.de)) and Exotissimo Travel ([www.exotissimo.com](http://www.exotissimo.com)). GTZ is working with Akha villagers to set up their own trekking tours in order to offer them an alternative means of income generation. And, Exotissimo has built a reputation as a leader in the travel service industry in South-East Asia. Dedicated offices are situated in Vietnam, Cambodia, Laos, Myanmar and Thailand. In total, we have 14 offices and more than 320 full-time staff.

This Public-Private Partnership coupled with Community-based Tourism (CBT) offers the opportunity for rural communities to access the potential of a global market while helping to minimize any negative impacts tourism development may bring. The model offers an opportunity for the tour company to invest in an authentic village based tour program without having to develop all the skills in community development approaches. The partnership between communities and tour operator is formalized through a contract, in which rights and responsibilities of both business partners are stated. The approach creates local ownership, jobs and sources of income, trains local personnel, and transfers business know-how

and technology in a sustainable and participatory manner while at the same time adding an authentic experience to the tour operator's program.

### **Concluding Remarks**

Raising awareness of all stakeholders involved in community-based tourism is essential for promoting an understanding of the beneficial link between conservation and community development. Awareness raising and information dissemination to the community allows for greater self-determination and informed decision-making. Awareness campaign is equally important to other stakeholders involved, as it leads to greater understanding and sensitivity toward the variables involved in implementing community-based tourism.

Conservationists and development professionals have tried to promote community-based tourism since the 1970s. The CBT was a popular intervention during the ecotourism boom of the 1990s. It is now being suggested as a form of pro-poor tourism. However, only a few projects have generated sufficient benefits to either provide incentives for conservation - the objective of ecotourism - or contribute to local poverty reduction.

Community-based tourism is a complex and nascent field of study, and much remains to be learned. Continued information sharing and dissemination of research results are needed to identify better solutions for linking sustainability to the tourism enterprise. Ongoing research is integral to understanding the means by which CBT can be made more economically, environmentally and culturally sustainable. Policy and action should promote continuing research through the provision of financial, academic, technical, and dissemination support.

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