# HANDBOOK 4

# FINANCING TOURISM CERTIFICATION PROGRAMS

*A publication of the Center for Ecotourism and Sustainable Development*

**CESD**

*Together with*

Rainforest Alliance
*Alianza para Bosques*

The International Ecotourism Society
*Uniting Conservation, Communities and Sustainable Travel*

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## Acknowledgments:

**Cover Photo:** Martha Honey, Certification plaques at Lapa Rios, Costa Rica

# Who should use this guide?

This guide is part of a series of handbooks on sustainable tourism certification.  It is based on a study which analyzed the financial sustainability of 40 tourism and other "green" industry certification programs from around the world and examined priorities and interests of 14 funding organizations.  These handbooks are based on studies done by the Center on Ecotourism and Sustainable Development (CESD) and The International Ecotourism Society (TIES) in collaboration with Rainforest Alliance and the Inter-American Development Bank (IDB). The report upon which this guide is based, the other handbooks, and additional related materials may be found at www.ecotourismcesd.org.  This collection of resources is designed to help certification practitioners and interested supporters advance tourism certification so that it becomes a useful and reliable tool for travel consumers and businesses to recognize and apply the principles of sustainable tourism.

Achieving financial stability has been a central challenge for many 'green' certification programs, in tourism as well as in other industries.  This handbook outlines steps and offers recommendations for making tourism certification programs financially viable.  It is intended as an easy guide to help those involved in creating and running tourism certification programs, and serves as a useful resource for governments, funders, businesses and non-governmental organizations supporting such programs.  It offers strategies and models of fundraising and financial management designed to build financial stability during the three stages of certification program development: start-up, operations, and consolidation. In addition, this guide focuses on ensuring that small businesses can access certification, providing specific recommendations to provide real benefits to small businesses at an affordable cost.

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## Introduction

While the number of tourism certification programs around the world is growing rapidly, and many are gaining recognition within the tourism industry and among the general public, few are financially self supporting. The long-term success of certification programs depends upon a number of factors, some internal and others external. As elaborated in this handbook, most financially viable certification programs are:

- **Are hosted within another organization** that has other interests beyond certification. As part of a larger infrastructure, they are able to share costs – such as administrative staff, offices and equipment, website staff – and combine marketing of certification with other activities;
- **Have partnerships** with a broad variety of organizations, including the tourism industry, governments, media and non-profit organizations, who contribute funding or provide in-kind support, such as marketing and promotion;
- **Receive some government support** because governments consider sustainable tourism as enhancing its reputation and protecting the resource base on which tourism depends;
- **Charge realistic fees for a variety of services**, such as the certification criteria, use of logo, training courses, audits;
- **Have certified a significant share of available businesses**. When programs have a reached a critical mass they not only have a presence in the marketplace, but can reduce the cost per business. Additionally, a variety of certified tourism services provides consumers with a wide range of sustainable tourism options to meet travelers' unique needs and desires.

These factors reduce costs, increase income and demonstrate a presence in the marketplace. They may also help lend credibility to the program and to tourism certification as a whole.

For long term sustainability, it is also critical that certification programs provide demonstrable measures of their positive impacts. They need to develop a series of economic, environmental and socio-cultural indicators and establish monitoring programs to measure performance. See the report "Monitoring and Evaluation Systems" at www.ecotourismcesd.org.

Ultimately, the financial sustainability and, more importantly, the environmental, social and cultural benefits of tourism certification, depend on generating increased interest by all stakeholders at local, national and global levels. This will be achieved by improved marketing of tourism certification (see Handbook 3: "Practical Steps for Marketing" and the full report "Marketing Strategies" at www.ecotourismcesd.org), and the establishment of a global accreditation body, known as the Sustainable Tourism Stewardship Council.

# CHAPTER 1: CERTIFICATION PROGRAM PLANNING

## Key Phases in Certification Program Development

There are several phases of establishing, developing and maintaining a credible certification program, and each has different cost items, as outlined in Table 1. Understanding these phases and the different financial implications enables realistic program planning.

| Table 1: Phases and Costs for Certification Programs | |
|---|---|
| **Start-up Steps** | **Cost examples** |
| <ul><li>Involve a multi-stakeholder body, consisting of representatives from government, tourism industry, academia, and non-profit organizations (conservation NGOs, consumer advocacy groups, etc.), in developing the program</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, and test them</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 (businesses to be certified, as well as secondary consumers such as tourism wholesalers, travel agencies, media, protected area managers, conservation NGOs and travelers)</li><li>Develop a monitoring and evaluation (M&E) protocol</li><li>Secure buy-in (and funding) from key interest groups</li></ul> | Feasibility study<br>Business plan<br>Standards development<br>Stakeholder outreach<br>Marketing plan<br>Marketing materials<br>Training materials<br>Technical staff<br>Administrative staff<br>Office/Infrastructure<br>Marketing staff |
| **Operation Steps** | |
| <ul><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, non-profit organizations, governments and, to a lesser extent, to consumers (e.g. as listed in last dot point above)</li><li>Begin monitoring and evaluation</li></ul> | Standards development<br>Marketing plan<br>Marketing materials<br>Training materials<br>On-site Audits<br>M&E system<br>Technical staff<br>Administrative staff<br>Infrastructure<br>Marketing staff |
| **Consolidation Steps** | |

| | |
|---|---|
| • Develop funding and promotional partnerships to market program more effectively to consumers<br>• Monitor and evaluate status and successes of program and disseminate results widely<br>• Renew and revise standards and procedures as needed. | Standards development<br>M&E system<br>Marketing materials<br>Staff<br>Infrastructure |

All phases require financial or possibly in-kind support.  Financing partners will likely change as the program matures. As with any new initiative, the Start-up stage requires an initial outlay of funds, with no or little income generation – and little prospect of repaying these funds.   Funds for this phase, which may last 1-3 years, are often most easily raised, and frequently come from donor groups, ranging from international multilateral or bilateral development banks, private foundations, and governments to, in some cases, private businesses.  These entities are eager to see that certification fulfills its expected outcomes and they may provide *grants* rather than *loans*. But, for the most part, they are not interested in providing long-term continuous financing.  They expect that, when run as a business, certification programs will generate activities or identify other sources for ongoing support, including charging tourism businesses appropriate fees to be certified, offering other services and products, and identifying other revenue streams that may include government taxes and incentive programs.

## Critical Objectives and their Financial Implications

For tourism certification programs to be effective and successful, they must ensure that a series of objectives are met.  The objectives relate to two closely-linked challenges: 1) addressing the costs of program development and implementation; and 2) gaining recognition.  The objectives include:
- Gaining public and private support through a multi-stakeholder process
- Maintaining credibility through on-site audits
- Building a critical mass of certified businesses
- Realizing marketing and other certification benefits
- Developing revenue models that ensure sufficient long-term funding
- Building consumer demand
- Reducing competition and confusion from other tourism certification programs
- Implementing a monitoring and evaluation program which demonstrates the effectiveness and benefits of the program

Most of these objectives are addressed in this section and Chapter 2.  Others – such as increasing consumer demand, reducing competition and monitoring and evaluation – are covered in Handbook 3 and reports specific to Marketing, and Monitoring and Evaluation of Certification Programs (found at www.ecotourismcesd.org).

- **Gaining Public and Private Support through a Multi-stakeholder Process**:
Credible certification programs must be developed and implemented through a consultative process with a wide range of actors and organizations in order to gain public

    support and recognition.  This multi-stakeholder group is critical in the Start-up phase: it oversees the feasibility or market study, business plan development, fund-raising, creation of standards (or their adaptation from other credible and viable sustainable certification programs), and initial promotion of the concept and its practical outcomes.  It is important to ensure that program budgets include money for supporting this consultative process.  During the Operations and Consolidation phases, the role of the multi-stakeholder evolves into more specialized support roles as the partnership matures.  Members may even represent the certification program at events or forum.  They are often critical for the on-going outreach to the groups they represent for continued political or financial support.

## Table 2:  Multi-Stakeholder Involvement & Benefits

| More Consultation +<br>from the following: | More Resources =<br>such as: | Higher Success Rate<br>as exemplified by: |
|---|---|---|
| Local and national government agencies and officials |  | Balance of concerns |
| Tourism businesses | Meetings Coordination | Broader representation |
| Trade associations | Travel | Access and buy in |
| Media | Printed materials | More input |
| Non-profit conservation and social justice organizations | Communication costs | Acceptance |
| Development and consumer organizations | Time | Financial & in-kind support |
| Protected area managers |  | Market recognition |
| Community members |  |  |
| Academics |  |  |
| Other relevant industry players (utilities, "green" products suppliers, etc |  |  |

- **Maintaining Credibility through On-site Audits:** A costly but critical component to any credible sustainable tourism certification program is onsite audits. Certification programs often try to reduce costs of site visits through desk

audits, self-assessments, spot checks, or customer feedback. However, these are insufficient and often inaccurate, and cannot take the place of an independent third-party on-site audit. Alternatively, programs sometimes lengthen the period between site audits, requiring that they only be done every three years or more. If too infrequent, the strength of the audit, as well as the credibility of the certification label, suffers. It is important that certification programs balance the costs of on-site audits with credibility.

- **Building a Critical Mass of Certified Businesses:** Most sustainable tourism certification programs currently have relatively few certified clients. Many have less than 50 businesses certified and may have only between 1% and 5% of the certifiable product in their marketplace. In contrast, in many countries, the five star quality and service certification programs include nearly all accommodations. The five star program has achieved this critical mass because it is well established, internationally recognized, has consumer demand, and, in some countries, is compulsory rather than voluntary, i.e., accommodations and restaurants need the five star rating to get a business license.

  At present, all sustainable tourism programs are both relatively new and are voluntary. Therefore, other strategies are needed to build a critical mass of certified businesses in order to demonstrate credibility and help ensure financial stability. The oldest and most successful of the "green" tourism certification programs is Blue Flag which by 2006 had awarded certification to over 3200 beaches and marinas in 36 countries across Europe, South Africa, Morocco, New Zealand, Canada and the Caribbean. (See www.blueflag.org). Begun in France in 1985, it focused on two issues of paramount and critical concern to beachgoers – water quality and beach safety. The program became popular because it was responding to worldwide concerns resulting about water quality and safety issues, and has achieved relatively high consumer recognition.

- **Realizing Marketing and Other Certification Benefits**: While the marketing of certification programs and certified businesses is critical for success, most programs have not had the resources for effective promotion and advertising. As a result, certified businesses are not seeing significant increases in sales or attention. Cost effective marketing should be conducted in partnership with other stakeholders such as companies or organizations that have similar missions and are often already marketing to consumers. For instance, certification programs and products can be promoted on the growing number of responsible travel websites, collectively at travel shows, and in guidebooks. The Rainforest Alliance has done this effectively for certification programs and certified companies in the Americas. (See www.rainforest-alliance.org/tourism). In addition, programs should make sure that all businesses they have certified show the logo on all their promotional materials and include a link to the certification program on their websites. Further information and recommendations for effective marketing strategies can be found in the Report "Marketing Strategy for Sustainable

Tourism Certification" and the companion Handbook 3 found at www.ecotourismcesd.org.

At the same time, certification programs can help small businesses realize benefits that do not directly increase sales but that improve business quality, efficiency and management; lead to cost savings; and improve staff and community relations. They might offer technical and management training to businesses that are becoming certified, as is done by Green Globe 21 (www.greenglobe21.com) and Fair Trade in Tourism South Africa (FTTSA) (www.fairtourismsa.org.za). Such capacity building provides incentives to small companies and, when supported by donor funding, can also generate revenue for the certification program.

It is important to monitor the financial and non-financial program benefits of certification and to disseminate the results widely. The marketing of these advantages by a variety of stakeholders can help increase the confidence that businesses, as well as governments, consumers and funders, have regarding the benefits of tourism certification.

## CHAPTER 2:   IDENTIFYING REVENUE STREAMS

### Developing Effective Revenue Models
The development of certification programs must be based on solid business planning. Projections of funding needs and sources for Start-up and Operations should be identified early on, during the planning process. It is important to diversify funding sources in order not to become too reliant on any one source and to develop a broader stakeholder base. Here is an overview of four broad categories of funding sources:

### 1.  Fees
While user-fees for certification are an accepted and obvious source of revenue, fees alone will not cover all costs of credible tourism certification programs, particularly during the Start-up phase. Few existing sustainable tourism certification programs generate more than 50% of their budget from fees (exceptions include Green Globe 21, which certifies mainly large or high-end accommodations and charges higher fees than most, covering about 75% of its budgetary needs. Viabono in Germany (www.viabono.de) generates about 70% of its revenue through a combination of fees and, more importantly, sales of products and services. The following fees are the most commonly charged to tourism businesses seeking certification. Some may be covered through government or NGO funding, or may be on a sliding scale based on the size and earnings of the business:

- **Registration and application:**  EcoCertification in Australia charges AUD $85 (US $70) to apply – whether via an online application method or through a hard copy of the application document.  The application document and criteria can be

viewed on the website but cannot be downloaded. (www.ecotourism.org.au/eco_certification.asp).

- **Use of criteria:** Some programs, like FTTSA in South Africa, make their criteria available only to businesses that enroll for certification; others, such as Certification for Sustainable Tourism (CST) in Costa Rica, post the criteria on their websites (www.turismo-sostenible.co.cr/EN/home.shtml).
- **Pre-assessment or diagnostics**: Many programs offer a pre-certification consultation and evaluation to determine where improvements are necessary. Generally there is no fee involved. For example, the Respecting Our Culture (ROC) program for aboriginal tourism in Australia has a self administered desktop audit phase that is used to see whether operations are ready to proceed to full onsite, third party auditing and certification. FTTSA in South Africa also has produced a comprehensive online guide to its certification program. Nature's Best in Sweden has application fee which includes a pre-site visit diagnostic by the eco-labeling committee. The cost is determined by the tour operator's annual turnover. (www.naturensbasta.se/) For Green Globe 21 (GG21), there is a "Benchmarking" stage which assesses a hotel (or other tourism company, attraction or destination) against specific minimum requirements to determine if it is eligible to proceed to full certification. Benchmarking costs between US $300 and $700, depending on the number of employees or hotel rooms.
- **Onsite, third party audit:** There is wide variance in the fees. In Costa Rica, the government has underwritten the cost of auditing, making it free for businesses. Many programs use outside auditors and therefore the certification program itself does not realize revenue from this process.
- **License for use of certification program logo.**
- **Annual membership and renewal fees**, sometimes called program fees: For EcoCertification, annual fees range from AUD $250 to $980 (US $205 to $805).
- **Re-certification**: Most programs require re-certification every one to three years, and fees are generally charged.

Certification programs should make realistic projections of fee revenue streams, taking into consideration small business limitations (discussed below). It is also important to differentiate which are one time payments and which are renewable.

**Hypothetical sliding scale of certification audit fees – with profitability data**
Table 3 illustrates the type of sliding scale that certification programs can use in calculating the cost and income from on-site audits. Larger businesses are charged a reasonable fee over cost, while small businesses are charged at or below cost. The costs usually do not include travel or room/board costs for the auditors, which are usually paid by the business to be certified. These numbers are hypothetical, but are intended to give certification programs a model for developing a sliding scale.

## Table 3: Sample sliding scale of certification and audit fees

| Size of hotel | Person-days for audit | Cost to cert. program* | Fees charged to hotel | Unit profit (loss)** | Real Cost/room | Fee charged/room |
|---|---|---|---|---|---|---|
| 301-500 rooms | 10 | $ 883 | $ 3,000 | $ 2,117 | $ 1.77 to $2.93 | $ 6.00 to $9.97 |
| 101-300 rooms | 8 | $ 717 | $ 1,800 | $ 1,083 | $ 2.39 to $7.10 | $ 6.00 to $ 17.82 |
| 51-100 rooms | 4 | $ 383 | $ 1,200 | $ 817 | $ 3.83 to $7.52 | $ 12.00 to $ 23.53 |
| 31-50 rooms | 3 | $ 300 | $ 600 | $ 300 | $ 6.00 to $9.68 | $ 12.00 to $ 19.35 |
| 11-30 rooms | 2 | $ 217 | $ 300 | $ 83 | $ 7.22 to $19.70 | $ 10.00 to $ 27.27 |
| 5-10 rooms | 1 | $ 133 | $ 150 | $ 17 | $ 13.33 to $26.67 | $ 15.00 to $ 30.00 |
| Micros- (1-5 rooms) | 1 | $ 133 | $ 85 | ($ 48) | $ 26.67 to $133.33 | $ 17.00 to $ 85.00 |

*\* Variable cost in person-days for audit + fixed cost for review. These costs are based on full-time, in-house auditors on a developing-country salary scale.*
*\*\* Profit or loss to certification program for each business certified.*


### 2. Products and Services

Programs need to identify additional revenue sources and strategies to cover operating costs, particularly during the initial 1-5 years of Start up and Operation. Some programs have become quite creative in this regard. For instance, the German certification program, Viabono has created an "eco-shop" that sells environmentally friendly cleaning products among other items and also receives commissions from travel agency bookings. When successful, these additional non-certification products and services diversify the funding base and help promote tourism certification and the sponsoring program. The following are some of the products and services that can be offered by certification programs. The amounts charged can be adjusted using a sliding scale based on business size and/or earnings:

- Technical assistance including classes and workshops.
- Consulting to other tourism certification programs, industries, governments, NGOs.
- Sale of technical materials and reports.
- Sale of implementation guides, manuals and promotional resources to outside parties.
- Sale of environmental products to improve sustainability (e.g. solar panels, water-saving showerheads and faucets, recycled products, etc.).
- Paid advertising for certified businesses, on websites, at trade shows, etc.

Green Globe 21, for instance, offers workshops to train auditors, consultants and interested individuals in its program. Such services must be kept independent from awarding certification to avoid potential conflicts of interest.

Table 4 gives a breakdown of funding sources for each development phase, with an estimate of the percentage from each source. Obviously, this percentage will vary from one program to another, but it shows that, over time, more revenue can come from fees charged to certified businesses, and less from one time grants or loans from foundations or international agencies.

| Table 4: Funding Sources for 3 Different Phases of Development |
| --- |
| 1. **Start up** (1 – 3 years): 100% outside funding – from governments, multilateral development agencies, private foundations, NGOs, etc. <br> 2. **Operation** <br>   a. **Initial Years** (3 – 10 years): mix of funding sources <br>      i. 10-30% Fees <br>      ii. 20-60% Grants or loans <br>      iii. 10 % or more Government taxes, credits, etc <br>      iv. 10-30% Other products and services <br> 3. **Consolidation** (10 years and onward) <br>      i. 60-80% Fees <br>      ii. 0-10% Grants or loans <br>      iii. 10-30% Government taxes, credits, etc <br>      iv. 20-40% Other products and services |

### 3. Start-up Grants or Loans

Multilateral developments banks, government agencies, foundations, and NGOs have all helped finance certification programs, particularly in the Start-up phase. For instance, the Inter-American Development Bank (IDB) has helped finance sustainable tourism certification programs in Brazil, Ecuador, Guatemala and Belize, and USAID supported certification in Jamaica; governments have supported programs in such countries as Costa Rica, Mexico, Sweden, and Australia; and philanthropic foundations such as Ford Foundation, Wallace Global Fund, and The David and Lucile Packard Foundation have supported certification initiatives. NGOs have helped create programs. Examples include the World Conservation Union's (IUCN) support for FTTSA in South Africa, Rainforest Alliance initial assistance for Smart Voyager in Ecuador (www.smartvoyager.org), Alianza Verde backing of Green Deal in Guatemala (www.greendeal.org/home.html), and WWF support for PAN Parks in Europe (www.visitpanparks.org).

However, increasingly these sources are requiring tangible, measurable data, which demonstrate the positive outcomes and impacts of certification. Therefore, sustainable tourism programs will need to demonstrate impact through, for instance, effective marketing and well-designed monitoring and evaluation (M&E) systems. (See handbooks and reports on Marketing and Monitoring & Evaluation at www.ecotourismcesd.org.)

Outside donor support is necessary for program Start-up because significant resources are required for program development and outreach to a broad range of stakeholders. At the same time, it is often relatively easy to obtain because the objectives of certification are consistent with the missions of many donor organizations. However, donors often only give one time grants and therefore certification programs need to be actively searching for ongoing funding sources and revenue streams to supplement revenue from fees, services and products. The most logical sources are local governments, through development of long term funding mechanisms such as tourism taxes or other relevant financial instruments.

### 4. Outside Funding for Operation and Consolidation Stages

Because most programs are nationally based and strengthen the tourism industry, certification programs should seek long term, ongoing funding from governments. This can come via existing or expanding program budgets (within offices of environment, health, energy, tourism, etc.) and through taxes collected at airports, hotels or through other relevant sales. These instruments provide a steady flow of funds to certification programs to allow them to function on a long-term basis. In Costa Rica, the CST has been funded by the national tourism ministry, the Instituto Costarricense de Turismo (ICT). The funding is not based on a percentage of a particular tax but rather it comes from government appropriations. Similar government funding is provided by the European Commission for programs such as those in Sweden and Germany.

Additional sources of ongoing support for certification are discussed in Chapter 3. The task for certification programs is to identify and secure direct funding, as well as in-kind support from a variety of institutions that have similar missions, goals and objectives as tourism certification proponents.

## Providing Small Businesses Access

It is extremely important to ensure that community and indigenous businesses can afford certification and have equitable access to certification systems. The challenge lies in the fact that the costs of servicing these clients are high (based on a per room calculation), while their ability to pay certification fees, even subsidized, are often low. (That said, there are some small luxury or high-end hotels that are quite profitable and who can afford to pay for certification.) Small, community-based, and indigenous businesses are typically at a disadvantage on a number of levels. These include:

- Inability to pay certification direct costs.
- Lack of staff and resources to implement changes to meet certification requirements.

Yet, certification programs themselves need to encourage small businesses to participate by providing them with mechanisms for accessing certification. It benefits programs to maintain a diverse portfolio of certified members. In addition, the basic concept of sustainability implies equitable treatment to all. Non-profit programs, in particular those that are mission-based, promote equal access as part of their guiding philosophy.

Certification programs need to recognize the financial challenges faced by many small businesses and build solutions into their business plans in order to help ensure the program's long term financial sustainability.

- **Ability to implement changes to meet certification requirements**

In addition to the direct costs of getting certified, businesses incur expenses in making changes needed to comply with the certification standards. Examples include introduction of energy saving devises such as low flow shower heads, renewable energy infrastructure such as solar panels, or improved waste management systems. The management and technical skills required, as well as infrastructure improvements, may only be possible with substantial external assistance, such as low-cost or free technical assistance and financing, beyond the scope of certification itself. For small businesses with narrow profit margins, the costs may be too high or funding not available. (See Handbook 2 on Funding Mechanisms www.ecotourismcesd.org). Businesses will realize long term economic benefits - such as cost savings in reduced energy and water use, higher efficiency, more dedicated staff. However, they may need outside funds, via loans or grants, to upgrade infrastructure or conduct needed staff trainings. Partner institutions – non-profit organizations, tourism and other "green" businesses, academic institutions, governments and donors – may be called upon to assist according to their capabilities.

In some sectors with "green" certification programs, there are organizations who offer support to businesses that want to become certified, but may not be ready yet. In working with these companies, they act as facilitators throughout the certification and pre-certification process and help create markets and support for committed businesses. One example is the Tropical Forest Trust that assists wood buyers (often manufacturers of wood products) to manage and monitor their supply chains and helps the forests that anchor those supply chains achieve FSC certification. Likewise, the Organic Transition Program of the United States Department of Agriculture (USDA) provides research, education, and an extension grants program to help farmers surmount challenges of organic production and marketing. Certification proponents will need to develop strategies for accessing support from such organizations and for needed funding. It should be noted that certification programs which offer a range of certification levels (such as CST in Costa Rica, EcoCertification and ROC in Australia, and Kenya's Eco-Rating Scheme (www.ecotourismkenya.org/) play an important role in

recognizing a range of companies, from those that meet minimum standards to those that achieve the highest level. Green Globe's initial Affiliate level gives new companies a 12 month period during which to learn more about the Benchmarking and full Certification processes.

- **Ability to pay certification's direct costs**

Small businesses with narrow profit margins have difficulty investing in certification, with no immediate guarantees of benefits. Direct certification costs -- including the application fee, on-site visits (such as pre-assessments, certification and follow up visits) and program fees -- may run from a few hundred to several thousand dollars. In some countries, bilateral and multilateral funding organizations and consulting companies implementing the projects, such as USAID, Chemonics, and the European Union, have contributed to or covered the costs, as well as providing needed training. In other cases, such as the CST program in Costa Rica, certification is free, underwritten by the government.

Certification programs can also reduce the cost per business through group training sessions and audits for businesses in the same geographical region. In some cases, it may be possible for the assessor to conduct a group audit if there are multiple businesses under one manager, company, or cooperative. In such cases, it may be possible to audit only a representative sample. Travel costs and auditor fees can be split among businesses. Combining 'green' audits with those for the 5 star or other verification or certification schemes, such as health, safety and quality audits can also reduce unit costs by spreading them over several programs.

Certification programs that offer incentives, subsidies, and financial support to small businesses must build these funding needs into their business plan to cover real costs of operation and program development.

| Table 5:  Reducing Costs for Small Businesses |
|---|
| Certification programs can assist small community and indigenous run businesses in order to reduce the financial burdens of certification:<br><br>• Creating a sliding scale of fees, whereby businesses pay fees for membership, application, audit and training based on gross sales, company revenue or volume of product sold, not on cost plus models.  Thus, small, less profitable businesses pay below costs, while the largest businesses pay higher margins.<br>• Providing free technical assistance, group training courses, or partnering with other institutions to do so.<br>• Helping to raise funds for small businesses to use to become certified. Sources would include governments, multilateral development agencies, private foundations, and NGOs.<br>• Developing a group certification training and auditing program for small businesses working together or located near each other to reduce costs.<br>• Combining the sustainable tourism certification site-audits with other inspections (e.g. health and safety, quality, etc.). |

# CHAPTER 3:  FUNDERS AND PARTNERS

This chapter examines each of the key stakeholder groups to identify areas of common interest and strategies for engagement in support of sustainable tourism certification.  It provides specific suggestions, with real-world examples, for how they can contribute to the financing and effective implementation of sustainable tourism programs.

## Governments

Governments - regional, national and local - are obvious sources of ongoing, long-term support.
Certification can be useful to governments because it provides an independent third party assessment, an outside seal of approval of tourism businesses. A number of governments have helped finance the creation of certification programs because they view certification as a way of building and protecting a destination's reputation for responsible tourism.  A few examples are listed below:

- The European Commission has established the European Flower Eco-label initiative to unite green certification programs under a single eco-label.
- The European Commission has provided significant support to national sustainable tourism certification programs in Switzerland, Germany, Latvia, and Sweden.
- Governments of Costa Rica, Sweden, Germany, Austria and Australia have all supported the creation of 'green' certification programs.
- In the United States, the Wisconsin Department of Tourism is supporting Travel Green Wisconsin, a certification program launched in 2006 together with the non-profit organization, Wisconsin Environmental Initiative (WEI).

Governments have a variety of ways to raise funds for improving tourism management and marketing.  The following are examples of innovative strategies and incentives to assist certification programs and certified businesses:

- **Tourism taxes**  including airport departure and airline ticket taxes, tourism sales taxes, hotel tax, cruise passenger head tax, and land transfer taxes.
- **Tax concessions** (e.g. credits, deductions) for certified businesses and programs.
- **In-kind contributions** of government-funded academic institutions and technical or consulting staff or agencies (as in Australia through the government-run Cooperative Research Center for Sustainable Tourism - CRC).
- **Extended tenure**: Longer term permissions, preferential access, reduced fees, or discounts on concessions in government protected areas.
- **Reduced interest rates** on government loans, government taxes on credit card, and improved credit ratings.
- **Access to funding** from international donors, especially in developing countries.

- **Promotions and endorsements** of certification programs at travel shows and fairs, in government-issued tourism booklets, on websites, aboard the national airline, etc.
- **Training programs** on environmental technologies, environmental management, human resources, socio-cultural practices, community relations, marketing, etc.
- **Eco-label purchasing policies** requiring staff and contractors to use certified businesses.

## Multilateral and Bilateral Development Organizations

Many multinational development banks and aid agencies support "green" certification programs, including tourism, because they are interested in poverty alleviation, community development, small enterprise development, environmental challenges and indigenous rights, all of which can be ameliorated by sustainable tourism. The Interamerican Development Bank (IDB) funded programs in Brazil, Peru, Ecuador, Belize, Costa Rica, and Guatemala; US Agency for International Development (USAID) has supported tourism certification in the Caribbean and Guatemala; and the German aid agency GTZ, together with the IUCN, provided funding for programs in southern Africa.

Most of the support has been for program Start-up, often not long enough for programs to reach financial sustainability. Certification programs must recognize that funding from development agencies is generally provided for limited time periods, specifically to initiate programs which are to become self-sustaining. Therefore, when applying for support from these sources, certification programs should build a case for Start-up assistance for the 1-3 years required, and then demonstrate how they will secure operational funding from government sources and through fees, products and services to businesses.

## Private Foundations

Private foundations can be another source of funding for certification programs. In the United States, the Ford Foundation, Packard Foundation, Wallace Global Fund, and Rockefeller Brothers Fund have, over the years, provided support for "green" certification programs in several industries, including tourism. In addition to providing financial support, they can play a powerful role in promoting certification and influencing other donors and partners. They can also support incentives, such as the following, to encourage businesses to become certified:

- **Training, consultant advice and technical support** on environmental, social, quality, management, administrative or financial issues, or on applying for certification.
- **Informational resources** to implement technical, managerial and marketing improvements.
- **Promotion and marketing** via public and private channels.
- **Networking** support or assistance in developing cooperatives or mutual support systems.

- **In-kind support** to media (newspapers, magazines, guidebooks, television or radio productions, etc.) that promote sustainable tourism and certification.
- **Direct financial assistance** to businesses to cover certification or re-certification fees.

Because foundations, like multilateral banks, want to encourage grantees to become self sufficient, they often support pilot projects and Start-up phases only, leaving certification proponents to find additional resources for ongoing operations.  At the same time, the priorities of foundations change periodically and some foundations that have supported certification in the past no longer do so.

## Industry Groups

**Tourism:**  Within the tourism and travel industry itself, there are a growing number of businesses or industry associations that have developed or funded tourism certification programs.  Two of the oldest are those created by the American Automobile Association (AAA) and the Mobil Corporation's 5 star rating.  Green Globe 21 was initiated by the World Tourism and Trade Council (WTTC), a large travel industry association, and Gumnuts is a program of Australia's New South Wales camping and caravan association (www.gumnutawards.com.au/).  Likewise, programs in Germany and Luxembourg have industry support.  While funding, especially operational support, may come from industry members, certification programs need to build in mechanisms to ensure independence from industry in carrying out their assessments so that there are no conflicts of interest when awarding certification logos.

Industry trade organizations – chambers of commerce, ecotourism societies, etc. -- can also provide financing, in-kind support, marketing and promotion for certification programs.  In fact, a number of existing tourism certification programs – such as those in Australia, Kenya, Ecuador, and Sweden – have been started, funded and/or managed by ecotourism associations. In addition, airlines, through their in-flight magazines, reservation systems and creative financing options (including seeking voluntary donations from passengers or adding a small surcharge to tickets to support sustainable tourism) can also be powerful financial and marketing allies.  Tourism distributors or intermediaries, including tour operators, web-based companies such as Expedia and Travelocity, travel agents and educational travel programs (for museums, universities, zoos, etc) can also advertise and utilize certified businesses and programs. Another possible source of support might be the growing number of carbon offset programs, such as Atomsfair in Germany (www.atmosfair.de/) and the Swiss program My Climate (www.myclimate.org) that  calculate greenhouse gas emissions for air and other types of travel and charge travelers and use funds to invest in sustainable energy projects.

Certification programs need to work with travel wholesalers and intermediaries to develop policies and procedures that promote certified businesses. They also need to seek financial support from tourism trade associations and large tour operators to encourage businesses to become certified. They can develop marketing campaigns

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with other members of the tourism and travel industry, and seek preferential marketing status from web or print-based travel and tourism media and sales companies. Examples already exist: the Dutch Association of Travel Agencies requires its members have an environmental policy, a first step towards certification; and certified tour operators in Costa Rica have pledged to preferentially use certified hotels and lodges.

**Banking and Finance:** Financial institutions, including national and private banks, pension funds, insurance companies, and socially-responsible investment organizations, can also help to finance certification programs. Lenders look for evidence demonstrating that the businesses are well-managed and able to repay their debts, and now many financial institutions are requesting that sustainability measures be demonstrated. Certification can reduce or replace the due diligence research that lending institutions must carry out. Therefore, certification programs are useful to lending institutions and can, in turn, make a case that banks offer reduced interest rates and improved credit ratings to certified companies. Certification can thereby become a tool for determining whether to approve grants and loans to businesses.

Many financial institutions (such as banking groups Citigroup and Fortis) have established foundations with particular focus on environmental projects. These might be tapped to fund certification programs. Another source of potential support within the financial sector is the socially responsible investment (SRI) community. Certification programs could research and approach SRI funds and investors to provide financing both to the programs as well as to small businesses seeking certification.

**Utilities:** There are several instances in which power and water companies have provided critical funding for tourism and other certification programs to help the industry reduce its electricity, gas, or water consumption. The New Hampshire Lodging & Restaurant Association's Sustainable Lodging Program ([www.nhlra.com](www.nhlra.com)), for instance, receives its financing from four power utilities in the state, and the Green Leaf program in Thailand ([www.greenleafthai.org](www.greenleafthai.org)) was partially funded by the country's electricity board. As shortages in energy and water become more acute, energy efficiency becomes more imperative. Tourism certification programs should, therefore, be prepared to approach utility companies and make the case for how certification can save on water and electricity use.

**Media:** The media, especially outlets concerned with travel, tourism, environmental issues and sustainability, are another obvious partner for marketing and promotional support. In some cases, substantial investment comes from a media company. For example, the *Verträglich Reisen* magazine was a strong supporter of Blue Swallow, a certification program operating in Denmark, Germany, Austria, Switzerland, Italy and France. While guidebooks such as *The New Key to Costa Rica,* Brazil's *Guia 4 Rodos* and Lonely Planet's *Code Green* and magazines such as Conde Nast's "Green List" have initiated their own forms of vetting and rating sustainable tourism businesses, they are not true certification programs with strict standards and on-site auditing. However, they demonstrate that there is support for the concept of certification and strong potential for marketing assistance. As national certification programs are developed,

guidebook series such as Lonely Planet, Moon, and Rough Guides, should be approached to include information about the certification program and a listing of all certified businesses.  In addition, certification programs can seek financial, in-kind and marketing support from the media;  conduct workshops and seminars aimed at travel writers, editors, and staff of newspapers, magazines, websites, guidebooks, video-production, etc.; and produce press releases about timely events (new companies certified, milestones, progress reports, identified benefits, etc.).

**Other 'Green' Businesses:**  Many "green" businesses – such as producers and suppliers of energy efficient or renewable energy products, organic foods, recycled products, water saving devices, sustainable or fair trade foods and drinks, and other environmentally and socially responsible products (including appliances) and services – can be excellent partners for sustainable tourism certification.  While they may not actually finance tourism certification, such companies and relevant certification programs in related industries, should be recruited as co-marketing partners. Informational resources, training and outreach, advertising, representation at fairs and trade shows, etc. may be shared to reduce costs and provide audiences with a variety of "green" products and services.  In addition, incentives and discounts can be created for "green" businesses and the consumers they attract.

**New Mechanisms:**  Finally, there are a growing number of innovative financing mechanisms that are being crafted to generate revenue for certification programs. These include payments from, or taxes charged to, polluting companies (using the "polluter pays" principle) or revenue generated to certify environmental services offered by sustainable tourism.  The growing market for carbon and greenhouse gas offsets could also potentially be tapped to support tourism certification.  For example, certification programs might generate income by also verifying projects which contribute to reducing carbon and greenhouse gas emissions.

## Non-Governmental Organizations (NGOs)

Many NGOs working in sustainable development, corporate responsibility, and consumer welfare can be recruited to support tourism certification, either with funding or in-kind support.  At the same time, their environmental, social and charitable missions can be advanced by requiring staff and members to use certified tourism services.  In fact, international NGOs such as Rainforest Alliance, The International Ecotourism Society, the World Conservation Union (IUCN) and Conservation International have been instrumental in launching programs in collaboration with national NGOs such as Alianza Verde in Guatemala, the Instituto de Hospitalidade (IH) in Brazil, and the (Center for Conservation, Environment and Development in Ecuador), Fair Trade in Tourism South Africa, and others.


NGO support to certified businesses and certification programs can include:

- **Sharing office space** and use of office supplies and equipment.

- **Developing guidelines**, criteria and a framework for implementing measures to ensure quality control, safety, security, social responsibility, Fair Trade, environmental responsibility, or management/administrative/financial accountability.
- **Providing technical support and resources**, including training and advice on environmental, social, quality, management, administrative and financial issues or on applying for certification.
- **Offering discounts** on materials, equipment, consulting fees, labor, etc. needed to implement and conform with certification criteria.
- **Offering promotional and marketing assistance**, especially directed to the organization's membership and partners

Certification programs, in turn, help NGOs to educate their memberships and partners; promote sustainable tourism certification in their newsletters and other communications resources; develop awards programs for certified businesses; and feature certified businesses in fund-raising events. For instance, Rainforest Alliance's annual auction each year honors certified businesses as does The International Ecotourism Society's (TIES) annual Gala and Auction.

## Academic Institutions

Universities and other academic and research institutions, especially those focusing on environmental and socio-cultural sustainability challenges and enterprise development, can benefit from, and contribute to, tourism certification. Their involvement in research, business planning, marketing, monitoring and evaluation processes, policy analysis and development, and training not only aids sustainable tourism certification programs, but also contributes to their missions. At the same time, certification programs can receive much needed expertise, research data, and training support at lower cost than if these services are contracted out to private companies.

Examples of such collaborative relationships can be found in:
- Australia, where the Cooperative Research Center for Sustainable Tourism (CRC) has conducted extensive research, developed and tested standards and created tools (EarthCheck benchmarking indicators) for Green Globe 21;
- Peru, where the Universidad San Ignacio de Loyola developed the criteria and procedures for the Peruvian Sustainable Tourism Certification Program; and
- Costa Rica, where INCAE, the leading business school in Costa Rica, helped create the CST and continues to provide technical support.

While the range of organizations and agencies that can lend direct or indirect financial support, as well as promotional and marketing assistance, is broad, the contributions of such partners cannot be expected to materialize without significant effort. Certification programs will need to develop good 'pitches' for each of these potential funding sources, educating institutions, financial institutions, NGOs, foundations and international lending agencies about the benefits of tourism certification. And, as stated above, they will need to be able to demonstrate certification's tangible successes in helping make tourism more sustainable.

# CHAPTER 4:  CREATING FINANCIAL MODELS

This chapter reviews the financial needs and sources and develops concrete tables and models that can be used by certification programs. While actual costs will vary depending on the location, size and scope of individual certification programs, the process and tools for achieving financial stability are the same.

## Program Organization and Structure

The diverse group of advisors and supporters that are assembled and consulted during initial stages of program planning and development are not those that run the certification programs on a day-to-day basis.  Certification programs can be efficiently run by a relatively small staff. Its size depends on the number of businesses involved and the scope of services offered.  While some programs, such as EcoCertification in Australia, were initially staffed mostly by volunteers, long term financial stability requires building a professional staff that is paid well enough to ensure continuity.

The certification program can be established as a non-profit, for-profit, or government-run entity.  Over time, the organizational structure should be re-evaluated, and possibly changed, as it affects several financial factors, including taxes, fundraising potential, access to capital and cost sharing opportunities.   There are also other factors to consider, which indirectly affect the financial sustainability of the program.   Table 6 outlines advantages and disadvantages of the major types of organizational entity.

With any of the organizational structures, housing the certification program within a larger organization with a similar mission and strategy helps to reduce costs. Examples include the Respecting Our Culture (ROC) program housed with Aboriginal Tourism Australia (ATA); EcoCertification, housed in Ecotourism Australia; Smart Voyager, housed in the Center for Conservation, Environment and Development in Ecuador; and the Imaflora sustainable forestry program, housed within the Imaflora NGO office in Brazil.  Program expenditures such as rent, equipment, supplies, and staff are shared. This is particularly needed in the Start-up stage when certification numbers are low and revenue may not support a dedicated office, full time staff, or administrative equipment. In addition, the host organization may already have marketing infrastructure and funding relationships which the certification program can leverage. During its Start-up phase until being spun off as a non profit, The Global Reporting Initiative (GRI), which has developed a framework and guidelines for organizations to report on their economic, environmental, and social performance, was housed for five years within Ceres (www.ceres.org), a network of investors, environmental organizations and other public interest groups working with companies and investors to address sustainability. Today over 1000 major corporations in 60 countries use its standards and guidelines.

## Table 6: Program Organization Options with Advantages and Disadvantages

| Organization Type | Advantages | Disadvantages | Examples |
|---|---|---|---|
| **Non-governmental Organizations (NGOs)** | + Eligibility to receive a wide range of multilateral, public and private development funds<br>+ Tax benefits<br>+ Credibility<br>+ Viewed as more trustworthy and less likely to be biased<br>+ Ability to reach out to diverse stakeholders | - Lack of business experience (because of mission focus)<br>- Lack of business plans<br>- Lack of marketing experience<br>- High staff turnover<br>- May be perceived as not sufficiently market or business-oriented | * Nature's Best in Sweden<br>* Green Deal in Guatemala<br>* Fair Trade in Tourism South Africa<br>* ROC and EcoCertification in Australia |
| **For Profit Businesses** | + Access to traditional financial markets<br>+ Potentially efficient<br>+ Experienced at business planning and execution<br>+ Financially viable | - Perceived conflict of interest if run by tourism linked industry ("greenwashing")<br>- Conflict of interest or perception of influencing certification decisions | * Original Green Globe, before relaunching itself as Green Globe 21<br>* American Automobile Association (AAA)<br>* Five Diamond Rating<br>* Mobil Five Star Rating System |
| **Government Entities** | + Access to infrastructure<br>+ Steady funding<br>+ Political support for certification | - Bureaucratic<br>- Lack of flexibility<br>- Change of administrations leaves uncertainty of support<br>- Credibility<br>- Skepticism by businesses of government programs | * CST in Costa Rica<br>* Austrian Eco-label for Tourism Services |

## Business Planning and Budgeting

Regardless of the organizational structure, tourism certification programs must view their services as a business. Development of a business plan and budget is essential at the outset.  A basic business plan and budget can be accomplished using instructional materials and templates available from many resources and organizations. These may be available on the internet; for example, the International Finance Corporation offers a free SME Toolkit on its website http://www.smetoolkit.org.  A realistic business plan with at least 5 years of projections is an important foundation for the financial sustainability of the certification program.  It also provides credibility to donors and lenders when asking for funding.

The business plan should first begin with the overall objectives and strategy, including:
- **Determining the activities** conducted and products expected (e.g. training, production of informational and technical resources, audits of businesses, etc.);
- **Identifying potential** partners and the activities that might be  jointly implemented;
- **Outlining a marketing strategy** directed towards tourism businesses to be certified, as well as certification users.

During the business planning process, the programs should identify and determine budgets for all activities needed to implement the strategy, such as:
- **Training needs**, including curriculum development, material production, trainer fees, training costs and technical resources
- **Auditing of businesses**, if audits are to be done by in-house auditors
- **Monitoring and evaluation** (M&E) systems

The budget should identify both
- **Costs** of all of the activities, including staff, administration and infrastructure costs; and
- **Revenue** streams
  - Projected income streams for certification services and fees
  - Potential revenue sources such as grants and loans

## Cost and Potential Funding Sources

Costs and potential revenue sources of starting and running a sustainable tourism certification program are shown in the Tables 7 and 8. These tables, in combination with the planning worksheet (Table 9), will help certification programs build a realistic business plan.

**Core Program Costs** include costs associated with standards development, program management and certification delivery.  The most important core costs fall into two broad categories: personnel, and training materials and workshops.

- **Personnel: Program Staff and Auditors**

Program staff and partners involved in Start-up and implementation may be part-time or full-time, depending on the scope, financial status and organization of the program. Many certification programs have only two to four people. Stability is important so while

there is a tendency to use part-time staff, short term contractors, and volunteers, it is important to have a core of full time, adequately paid staff.

With regard to auditors (or auditing), there are several possible models. When auditors are on staff, the program covers a portion of the salary by charging businesses for the auditor's time. However, the downside is that salaries are fixed costs which must be covered. The best model seems to have independent auditors who are fee-for-service contractors or employees of a company that conducts evaluations and approvals. In either case, they work independently of the certification program and charge certification clients directly for services (e.g. Green Globe 21 model). When external auditors are used, certification programs need to ensure that their fees are set or there are other sources of funding to pay these fees to ensure access by small community and indigenous run businesses. Auditing fees, like application fees, may be scaled to the size and turnover of a company. In addition, financial aid may be available from the government or other sources to allow small businesses to underwrite the cost of auditing and certification of small businesses. Auditors must also be trained and accredited by the certification program. Auditor training courses can potentially serve as an additional revenue generation strategy for certification programs.

- **Informational Resources, Training Materials and Workshops**

There are a number of technical and marketing documents and resources that programs must prepare and produce. These include certification program brochures, standards and criteria, instructions on how to proceed through the certification process, application forms and guidelines for use of the certification label or logo. These may be produced internally or by outside contractors. Costs vary depending on quality and quantity and the form (digital, printed or other medium) in which they are produced. Universities, with the use of supervised students, can often prepare resources at a moderate cost. Outside consultants are likely to charge more. However, costs can be reduced by producing documents on a CD or making them available over the Internet. Some certification programs, like CST and EcoCertification, make their standard and criteria public, posting them on their websites (though the EcoCertification criteria is not downloadable), while others, such as FTTSA, consider the criteria proprietary and only give them to paying customers. FTTSA has developed a comprehensive guide to its program which is available on its website. Similarly, Nature's Best in Sweden publishes the broad criteria on its website, but the specific criteria are not publicly available. While selling the criteria can be a revenue stream, it limits access to the program for both the public and for companies considering whether to seek certification. However, this lack of transparency can compromise a program's credibility. The advantages to making standards and criteria public – including the encouragement of new companies to join, educational value to intermediaries and other certification programs, and awareness-raising to the public and the media, such as guide books and travel magazines – would therefore seem to outweigh the financial reasons for selling access to a program's criteria.

Many programs also offer training workshops for businesses, auditors, marketing partners, and other potential supporters. These can generate revenue and publicity,

and may be conducted by program staff, with the assistance of academic or training institutions, government agencies, non-governmental organizations, or private consultants. International development banks, such as USAID and IDB, as well as government marketing agencies and tourism boards, are often willing to cover or subsidize the costs for small businesses, and sometimes even for larger ones, because credible and well-used certification raise industry standards. Careful planning, including clearly outlining the roles and responsibilities of stakeholders, ensuring transparency and avoiding conflicts of interest, are critical.

A good overview and examples of core program activities and potential funding sources was developed by sustainable tourism certification specialist Amos Bien. Many programs overlook the long term need for core and administrative support. Even the best standards need this critical support.

| Table 7: Core Program costs and potential funding sources for tourism certification programs | | |
|---|---|---|
| **CORE ACTIVITIES** | **COSTS** | **POTENTIAL FUNDING SOURCES** |
| START UP: INITIAL STANDARDS DEVELOPMENT and OPERATIONS | | |
| Consultants, Workshops Field Testing Publications: <br> - Standards and Implementation manuals <br> - Basic Marketing materials | Typically range from US$200,000 to over $1.5 million, over 1-5 years when there is little fee income. <br><br> Includes all of administrative overhead and operating costs for first 1-5 years. <br><br> These costs are often not included in the proposal for Start-up funding, but can cripple a program if not taken into account. | Fee Income Grants, loans and in-kind support from governments, foundations, NGOs, multilateral agencies or industry groups <br><br> Businesses in-kind support for program development |
| ADMINISTRATIVE OVERHEAD | | |
| Office expenses <br> • Rental, maintenance, utilities <br> • office supplies <br> • furnishings and equipment <br> • communications and other | Fixed cost which can be reduced by: <br> • cost sharing <br> • house program under a larger organization | Administrative overhead is generally paid out of certification fees |
| Salaries - full-time and part time | Fixed costs. Cost sharing, | Fee income |

| CORE ACTIVITIES | COSTS | POTENTIAL FUNDING SOURCES |
|---|---|---|
| • management, technical, marketing, administration<br>• staff auditors | volunteers and use of part time staff and consultants can reduce overhead | Grants |
| Consultants<br>• professional services | Variable.  Use effectively for specialized services | Fee Income<br>Grants |
| **CERTIFICATION OPERATING COSTS** | | |
| Outreach workshops, technical support | These are standard operating costs in order to make a program viable. | Fee Income. Workshops may obtain in-kind support from local businesses |
| Benchmarking, Referee checks/desk audit | Staff or consultants time | Fee Income |
| Benchmarking | Variable costs of auditor fees, travel and per diems range from $600 for small businesses to over $5000 for large businesses. | Fee Income Multilaterals, government agencies, NGOs and foundations may subsidize audit fees for small businesses |
| Certification committee meetings | In-house staff or auditors. | In-kind support Grants for travels costs |

**Non-core Program Costs**

In addition to core costs, there are a number of ongoing costs which ensure credibility of the certification program, build support, industry and consumer recognition and provide the tools for tracking and reporting on effectives (Monitoring and Evaluation systems). They are outlined in table 8.  For long term success, certification programs should also build these activities and costs into their business plans.

## Table 8: Non-core Program Costs and Potential Funding Sources for Tourism Certification Programs

| ACTIVITY | COSTS | POTENTIAL FUNDING SOURCES |
|---|---|---|
| **PUBLICATIONS** | | |
| Industry and general public materials<br>Technical materials for assessors/auditors | Design and printing costs. Staff or consultant time to create materials Printing costs can be reduced by providing electronic versions online | Fee Income<br>Cost Sharing |
| **PUBLICITY AND PROMOTION** | | |
| Advertising<br>Flyers, posters, brochures and other promotional materials | Direct advertising is prohibitive<br>Cooperative advertising with certified businesses is cost-effective | Cost sharing<br>In-kind support<br>Fee Income |
| **TRAINING SEMINARS & WORKSHOPS** | | |
| Staff training<br>Client training | Variable costs<br>Technical specialists<br>Training venue costs<br>Material costs | Fee Income<br>Grants/In-kind support from NGOs, multi-laterals and foundations<br>In kind training from government programs |
| **STANDARDS REVISION** | | |
| Consultants<br>Workshops<br>Publications<br>Field testing | Standards revision every 2-5 years<br>Auditor fees<br>Per diem and travel<br>Staff time for revisions | Long-term financial partners, such as governments.<br>In-kind support from certified businesses.<br>Grants from NGOs or foundations |
| **OUTREACH and ACCREDITATION** | | |
| International and local outreach to policy makers, businesses, and funders. | Staff time, travel and per diem | Scholarships from event organizer<br>Grants governments, foundations or NGOs |
| Attending international events | Staff time<br>Systems development<br>Consultants | Foundation, multi-lateral support<br>Fee income |
| Accreditation fees | Not yet applicable | Fee Income |

## Developing a Budget

The following income and expense planning worksheet is based on the review of a wide range of programs and indicates the typical categories of expenses and earnings from a sustainable tourism certification program. Each program will need to enter the appropriate figures. Please note that while the treatment of capital costs and recurring costs is different, this Worksheet (Table 9) combines both types only in order to indicate some typical costs.

| Table 9: Worksheet Listing Typical Expenses and Income for Certification Programs | EXPENDITURES | | INCOME | NET |
|---|---|---|---|---|
| | capital costs | recurring costs | amount | gain (loss) - cash flow |
| **Administrative overhead** | | | | |
| *Office overhead* | | | | |
| Office rental | | | | |
| Utilities and maintenance | | | | |
| Supplies | | | | |
| Furnishings and equipment | | | | |
| Other | | | | |
| *Salaries - full-time and part time* | | | | |
| Management, Technical, Marketing, Admin | | | | |
| Auditors | | | | |
| *Professional services including auditors* | | | | |
| *OTHER* | | | | |
| **Initial standards development** | | | | |
| Consultants | | | | |
| Workshops | | | | |
| Publications | | | | |
| Field testing | | | | |
| **Standards revision** | | | | |
| Consultants | | | | |
| Workshops | | | | |
| Publications | | | | |
| Field testing | | | | |
| **Direct costs for certification** | | | | |
| Induction workshop | | | | |
| Site visits/audits | | | | |
| Help line, technical support | | | | |
| Benchmarking/desk audits | | | | |
| Certification panel meetings | | | | |
| *OTHER* | | | | |
| **Publications** | | | | |
| Standards | | | | |

| | | EXPENDITURES | | INCOME | NET |
| | | capital costs | recurring costs | amount | gain (loss) - cash flow |
|---|---|---|---|---|---|
| | Technical materials | | | | |
| | Industry publications | | | | |
| | General public publications | | | | |
| **Training seminars & workshops** | | | | | |
| | External training such as auditor, BMPs | | | | |
| | Staff training | | | | |
| **Publicity and promotion** | | | | | |
| | Advertising | | | | |
| | flyers, posters, brochures, etc. | | | | |
| **Outreach and accreditation** | | | | | |
| | International and local outreach | | | | |
| | Compliance with technical standards | | | | |
| | Accreditation fees | | | | |

An extensive analysis of existing certification programs have demonstrated the difficulties of basing the financial sustainability of a certification program on user fees alone. ***Many programs can only began to break even on operating costs – when it has certified over hundreds of businesses, after numerous years, even with an initial subsidies.***

It is clear that most certification programs cannot pay all of their operating costs based on fees alone unless:
- a very large number of businesses is certified, and
- large businesses pay fees on a sliding scale to permit smaller businesses to be able to afford the fees.

Furthermore, it is unlikely that initial capital costs can be recovered, so these must be obtained from external sources. For nearly all programs, it will be necessary to have ongoing financial support from stable long-term partners during the life of the program.

## Achieving Long-Term Financial and Organizational Sustainability

Two main conditions must be met in order to ensure the long-term sustainability of tourism certification programs.  The first is public recognition and demand at local and international levels.  These must be created by harmonizing programs and raising awareness about the benefits and values of certification.  The other is establishing a creative mix of funding streams at each phase of program Start-up, Operation and Consolidation so that programs can remain financially viable over time.

Because tourism is a global phenomenon and because travelers and companies span all countries and regions, the market for certification is an international one. However most "green" tourism certification programs – like the parallel five-star quality and

service programs – cover a single country.   Therefore, mechanisms must be created to establish compatibility between programs, harmonizing their standards and procedures. That is, in order to ensure international credibility, programs in different countries must be comparable in terms of their generic components, even if the actual measures or specific criteria reflect local conditions. In addition, the programs must then be marketed collectively and cooperatively to travelers and users around the world. Ultimately, both of these tasks are most easily accomplished through the formation of a global accreditation body, the proposed Sustainable Tourism Stewardship Council (STSC – see www.rainforest-alliance.org/tourism.cfm?id=council), with an easily-recognized logo that assures all users that member certification programs satisfy and apply internationally accepted standards of sustainable tourism. An STSC would build international credibility and transparency of certification programs and thereby attract political and financial support, both of which are conditions for financial sustainability. Finally, it could create economies of scale for promotion and research, as well as protect consumers and certifiers against false claims.  (See Handbook 1: A Simple User's Guide to Certification for Sustainable Tourism and Ecotourism available at www.ecotourismcesd.org).

Financial viability requires developing long-term business plans which specify generation of revenue from a variety of sources.  During the Start-up phase, certification programs will need to look to outside funding to establish themselves, especially because thorough planning and development with multi-stakeholder involvement can be time-consuming.  Funds can come from a wide variety of sources – international agencies, foundations, etc. - but these are very unlikely to continue beyond the first few years.  Therefore, for Operational and Consolidation phases other types of funding must be secured.  Long-term revenue streams must be created through a mix of fees, products and services provided by certification programs; government tax and credit mechanisms; and industry, media, NGO, and financial institution support. A final and important requirement is the creation of structures and mechanisms to monitor impacts and ensure financial accountability.

**About CESD:**



Launched in 2003, the Center on Ecotourism and Sustainable Development (CESD) is a non-profit research organization dedicated to the improvement of ecotourism as an instrument of biodiversity conservation and poverty alleviation. With offices in both Washington, D.C. and at Stanford University, CESD functions as a bi-coastal institute, conducting research and offering programs, conferences, and courses at both locations, as well as field research opportunities at home and abroad.

CESD's mission is to design, monitor, evaluate, and improve ecotourism and sustainable tourism practices and principles, through collaborative work by academics and industry experts.

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**www.rainforest-alliance.org/tourism.cfm?id=main**



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