



Center for Responsible Travel



# Impact of Tourism Related Development on the Pacific Coast of Costa Rica

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**World Bank  
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# Center for Responsible Travel

- **Mission:** *Transforming the way the world travels*
- **Identify & examine critical issues in field of tourism**
  - Bring academic rigor to assessing world's largest industry
  - Bi-coastal: Stanford University & Washington, DC
  - Collaboration with institutes and NGOs around the world
  - Multidisciplinary; unique in U.S.
- **Provide analysis & tools**
  - To assist industry, governments, NGOs, international development agencies
  - Through research, publications, conferences, courses, films
- **Programs & field studies in coastal & marine tourism:**
  - Creating sustainable tourism in Baja California, Mexico
  - Impacts of cruise tourism on ports-of-call: Belize, Costa Rica, Honduras
  - "Global Trends in Coastal Tourism" + regional studies
  - Ecotourism/sustainable tourism case studies in Costa Rica
  - Executive Seminar: Coastal Tourism Innovators Symposium
  - SIFT Network to finance sustainable tourism projects
  - Ecotourism model in Osa Peninsula (current)

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# Two-Year Study of Tourism on Costa Rica' Pacific Coast

## ➤ **Field & desk research in Costa Rica & U.S.**

- Academically rigorous: Stanford U's Human Subjects Protocols
- 15 led researchers; 12 person Advisory Committee
- Results: 20 individual studies; Final Summary Report (Eng & Span)
- Officially released April 22 in Costa Rica

## ➤ **Analysis included:**

- Comparative advantage of tourism sectors
- Links between new international airport, government-led resort complex & private sector investment
- Legal & institutional structures, & government policies
- Social & environmental impacts
- U.S./global market: tourists, investors, & buyers
- Changes in Costa Rica's international "brand" & type of tourists



# Preliminary Observations:

- Costa Rica has built successful & internationally recognized model of ecotourism/sustainable tourism
  - Supported with 'green' certification: hotels (CST) & beaches (Blue Flag)
  - Challenged by fast-paced, poorly planned growth of “sun-sand-&-sea tourism”: all-inclusive coastal resorts, vacation homes & cruise tourism
  - Moving down coast towards Osa Peninsula: ‘crown jewel’ of biodiversity
- Central issue isn't size or location: it is sustainable or non-sustainable practices
  - Many small hotels -- – “**desarrollo hormiga**” – can be destructive
  - “**Residential tourism**”: Large all-inclusive resort complexes
  - CREST has identified “**innovators**”: developers of sustainable coastal resorts in Costa Rica & elsewhere
  - Potential for sustainable alternative models
  - But still MANY challenges...



# Overview & Highlights





# Background 1987



Central American Peace Plan  
President Arias wins Nobel Peace Prize...

and **ecotourism** takes off...

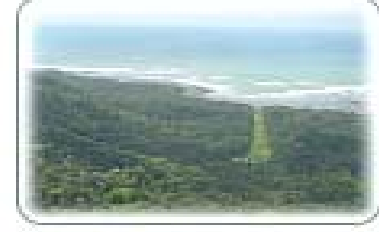
By 1992 media declared Costa Rica the  
“leading ecotourism destination”



# Components of Costa Rica's Ecotourism Model



- **Small scale**
- **Locally owned: Costa Ricans or foreign residents**
- **Many have strong social & environmental ethics**
- **Nature based: near parks or private reserves**
- **Home grown & grew quickly**
- **Innovative: responded to changes in market**



# Financial Success of Costa Rica's Ecotourism "Model"

## ➤ In 2 decades (1986-2007):

- Arrivals increased 7 times
- Receipts increased 14 times
- Costa Rica *doubled* its earnings/tourist

Costa Rica's Tourism Growth

Year	1986	1990	1995	2000	2007
Arrivals (thousands)	261	435	792	1,088	1,980
Gross receipts (millions US\$)	\$133	\$275	\$718	\$1,229	\$1,895

## ➤ Tourist expenditure well above international average

- \$170/day in spending
- \$800 - \$1000/visit
- Over 40% of tourist \$ stays in the country. (INCAE)



# Pacific Coast

## Rapid Growth of Other Types of Tourism: Cruise, Resort & “Residential” Tourism



Distinct history, trajectory, & impact

# Legal & Institutional Structures

- ❖ Coastal zone divided into 2 large areas:
  - ❖ **Zona Marítimo Terrestre (ZMT)**: 200M above high tide
    - ❖ Public domain & access
    - ❖ 2 subzones:
      - ❖ First 50M
      - ❖ Next 150 M
    - ❖ Development restricted: concessions & 'use permits'
  - ❖ **Coastal Zone beyond ZMT**
    - ❖ Mix of public & private land
- ❖ **23 national agencies & 15 municipalities** have authority for coastal regulation & development
  - ❖ Legal framework relatively good
  - ❖ Problems: Overlap of responsibilities, lack of expertise, corruptions
  - ❖ **Result:** chaotic, poorly planned development
  - ❖ Pollution of beaches/ocean, competition for resources (water/land), illegal cutting of mangroves & coastal forests



# Tourism “Pole” or Center: Papagayo Peninsula, Guanacaste

- 1960-70s: Government concession to develop European-style all-inclusive beach resorts
- 1970-80s: Master plans but no foreign investment
- Mid-1990s – First resorts begun, amid scandal & public opposition
- 2003 – Four Seasons opened, others followed
- Symbiotic relationship to new international airport:
  - Rule of thumb: resorts need to be 1-2 hours from international airport



# International Airport, Liberia

- **1976: Government built international airport outside Liberia for resort tourism**
- **1976-2000: Largely for domestic flights & charters**
- **2002: Delta Airlines began scheduled flights to U.S.**
- **Resort developers put up \$3m fund**
- **2009: 12+ international carriers**
- **New international airport being planned near Osa Peninsula (*will return to this...*)**



Guanacaste's coastal resorts around Liberia airport.

- Allegro Papagayo
- Sol Papagayo Resort
- Fiesta Premier Resort & Spa
- Four Seasons
- Hotel Riu Guanacaste
- Villa Buena Onda
- Flamingo Beach Resort Guanacaste
- Paradisus
- Barcelo Langosta
- Los Altos de Eros
- JW Marriott Guanacaste Resort

By 2008, 65% of Liberia airport arrivals staying in all-inclusive 5-star resorts.



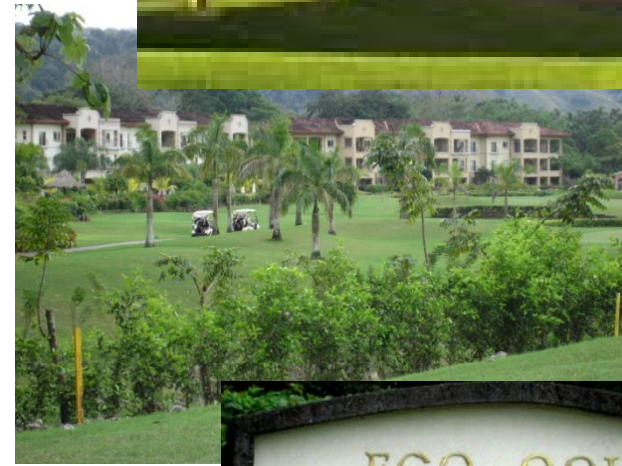
# New Variant in Coastal Tourism: “Residential Tourism”

- Took off since c.2000
- Vacation home & condo complexes
- Resorts become all inclusive gated “villages”
  - Hotels, vacation homes, golf courses, marinas, shopping centers, spas, etc.
- All components increase value
- Driven by U.S. market & dependent on U.S. tourists
- Bottom line: real estate speculation



# Golf Courses

- Golf courses considered necessary for all-inclusive resorts.
- Serious environmental impacts, including water consumption for village of 5 – 10,000.
- 2% of tourists to Costa Rica play golf.
- Condominiums next to golf courses sell for 20% more.
- Real purpose: real estate speculation.
  - .... & they call it 'eco'!



# Contrasting Profiles of Tourists:

(Based on Government Airport Surveys, 2007)

Airport	Liberia	San Jose
From U.S.	80%	51%
Visit	North Pacific Coast (88%)	2 or more locations
Beach & Sun	96%	57%
Length of stay	9 nights	13 nights
Visit national park	41%	53%
Vacation retails	9%	4%



# Costa Rica's International Reputation

- Costa Rica continues to obtain high marks in international polls – world's 'happiest' country -- & tourists rate their experience positively.
  - Resilience of reputation for high-value, nature-based tourism
- Nevertheless, among **tourism specialists**, are some expressions of concern:
  - Interviews with tourism professionals & guidebook writers reveal concerns re growth of 'big' branded coastal tourism
    - Some guidebooks no longer include all-inclusive resorts & certain Guanacaste destinations.
  - National Geographic Traveler surveys (2004 & 2009): 200 experts rated destinations on scale of 100 points
    - Costa Rica received 64 & 62 points – very mediocre!



# Pacific Coast Cruise Tourism



# Pacific Coast Cruise Tourism

## Key Findings

- Small component of tourism but expansion plans under discussion; raises number of policy issues
  - Only 16% of overall tourist arrivals
    - Puntarenas/Caldera – 80 ships/year (2008)
    - Majority of cruise ships go to Atlantic coast ports
  - Most onshore tours handled by 2 or 3 large San Jose-based tour operators
    - Large commissions (c.100%) paid to cruise lines
  - Visit same attractions as stayover tourists
    - Can damage environment & compromise experience for stayovers



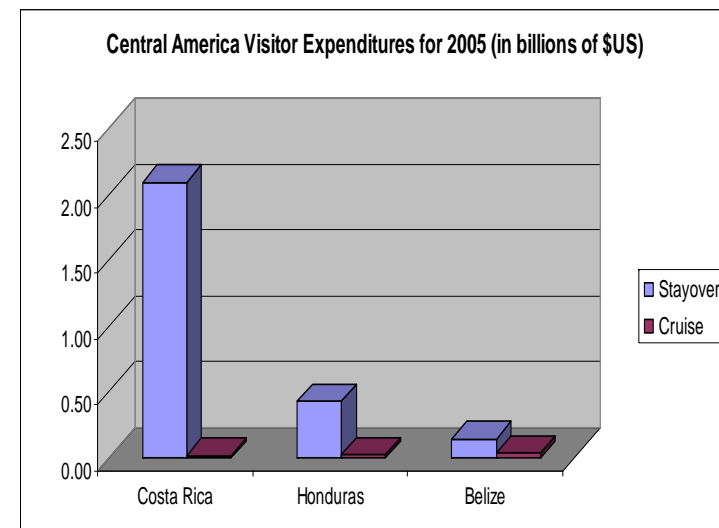
# Pacific Coast Cruise Tourism: Key Findings (2)

- Few benefits for port city businesses & citizens
- Head tax very low:
  - Puntarenas/Caldera: \$2.50 - \$4.00/passenger
  - Atlantic coast (Limon/Moin): \$2.09/passenger
  - Average in Caribbean: \$8.66/passenger
    - Bermuda = \$60/passenger
  - Preferential access given to cruise over cargo ships
    - Pay less in taxes
    - Cruises: \$11,000; Cargo: \$52,000
- Better option: small (“pocket”) cruises:
  - 250 or fewer passengers



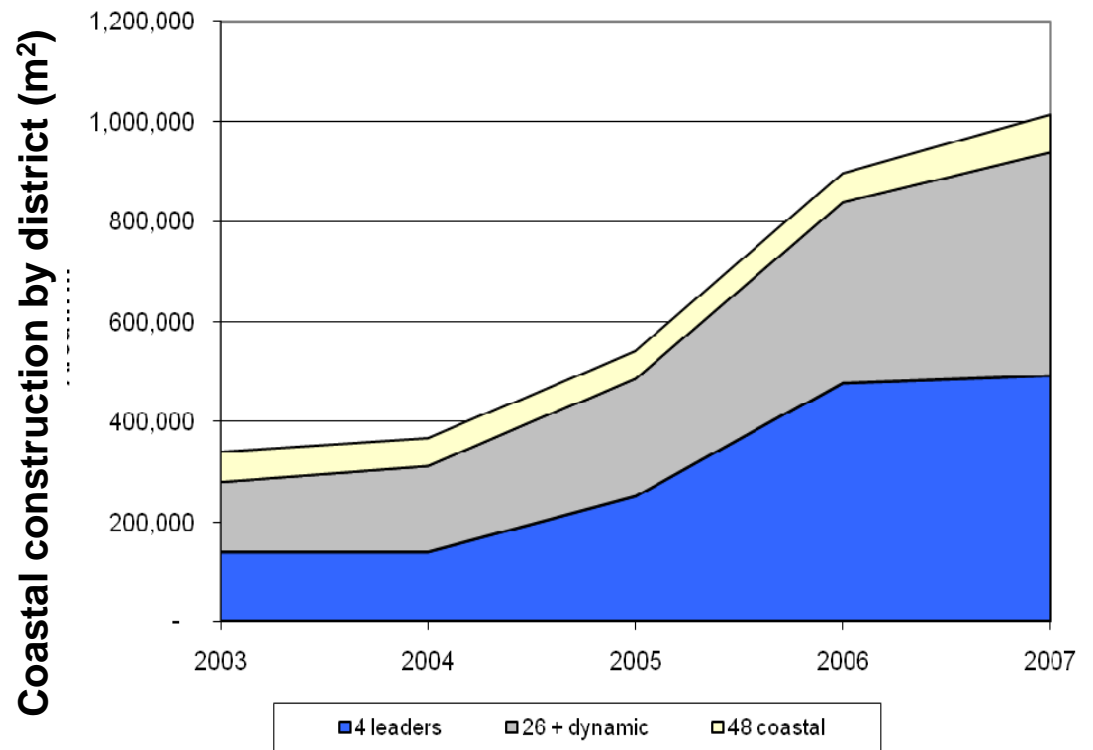
# Cruise vs. Stayover Tourism in Costa Rica

- **Arrivals: (2005):**
  - Cruise Ship visitors: 280,017
  - Stay over visitors: 1,659,165
    - **6 times more**
- **Daily spending per tourist:**
  - Cruise passenger: \$55
  - Stay over visitors: \$120
    - **More than double**
- **Total spending for visit:**
  - Cruise passenger: \$55
  - Stay over visitors: \$1000
    - **18 times more**
- **Contribution to local economy:**
  - Cruise Ships tourism: \$18.9 million
  - Stay over ecotourism: \$2.1 billion
    - **111 times more**



# Boom in Coastal Real Estate: 2003-2007

- 2007: residential housing = 74% of coastal construction  
*highest in country*
- Driven by foreign/US market
- Lack of planning & control
- Shift towards apartments
- Rental homes competing with hotels & puts little into economy



# Bust in “Residential Tourism”: 2008-present

- Majority of 5 star mega-resort projects announced in 2006-2007 have been delayed.
- Vacation homes sales “reduced to a trickle” along “Gold Coast”: Papagayo to Tamarindo.  
(*New York Times*, 2009)
- Guanacaste: unemployment doubled to 10.1% - higher than national average.  
(July 2008-July 2009)
- Future unpredictable because closely tied to global/U.S. market.



# Top Ten Recommendations:

1. Make PTGP 'green' tourism showcase.
2. Expand CST to construction & vacation homes.
3. No international airport in Palmar Sur.
4. Don't increase mass market cruise tourism.
5. Ensure potable water for communities.
6. Examine costs/benefits of vacation home developments.
7. Support new legislation for ZMT.
8. Support land use planning.
9. Strengthen technical capacity of municipalities.
10. Promote high value, not high volume tourism.



# Make Papagayo a showcase for Sustainable Tourism

- Only government run tourism project: land leased on concession & create master development plans
- Since early 1990s controversial, numerous environmental violations; hotel closures
- Granted “Declaration of National Convenience” to change certain land use regarding tree cutting
- Only two CST certified hotels: Four Seasons & Hilton
- Government has power to convert into demonstration project for sustainable coastal tourism



# No International Airport at Palmar Sur

- **2007: Arias announces plans for new international airport**
  - To make southern zone like Guanacaste
  - To service northern Panama
- **Entrance to Osa Peninsula**
  - ‘Crown jewel’ of biodiversity
  - Ecotourism = dominant economic activity
- **Lessons from Liberia: resorts & residential developments follow international airports**
- **Project halted by recession & technical difficulties**
- **Better plan: Upgrade Palmar Sur as domestic airport**
  - Build country’s first ‘green’ airport
  - Invest in infrastructure & incentives for ecotourism in the zone
  - Help distribute tourism spending throughout the country



**Costa Rica's goal should be  
to build and strengthen  
its high *value* tourism  
rather than  
its high *volume* tourism.**





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