



STANFORD

GRADUATE SCHOOL OF BUSINESS

CASE NUMBER: XX-#
AUTHOR: AMANDA STRONZA

THE KAPAWI INDIGENOUS-CORPORATE PARTNERSHIP FOR ECOTOURISM IN ECUADOR

“The Kapawi Ec lodge and Reserve has set the standards for integrating a high-end ecotourism operation into an indigenous community in a way that benefits both visitors and the local people” — Conde Nast Traveler

Kapawi has been called “Ecuador’s closest approach to the perfect ecolodge.” In other corners of the world, such an accolade might not seem like a big deal, but in Ecuador, ecolodges are nearly as common as Econlodges in the U.S. The 2002 Lonely Planet Guide to Ecuador has dozens of pages devoted just to ecotourism, and in 1999, two authors found enough material just about *community-based* ecotourism in the Ecuadorian Amazon--a subtopic in a sub region--to write a whole 217-page book.¹

Kapawi Ec lodge stands out in the crowd for at least a couple of reasons: one is its commitment to environmental and social sustainability, and second is the fact that economic benefits from Kapawi are shared by a private tour company, CANODROS, and an entire federation of 5,000 Achuar Indians in the Ecuadorian Amazon. Among conservationists, Kapawi has received much acclaim. In 1998, the operation won a British Airways “Tourism for Tomorrow” for “protecting the environment for tourism in the future,” and, in 2000, it took home Conservation International’s “Ecotourism Excellence Award.” Kapawi has also been the subject of glowing articles in National Geographic Traveler, Wildlife Conservation, and Audubon Magazine, among others. Justifiably proud of his team’s accomplishments, Arnaldo Rodriguez, biologist and Operations Manager for Kapawi, wrote in a 1999 ecotourism edition of *Cultural Survival Quarterly*, “Kapawi provides a model of how private capital investments can be integrated with local community goals, with minimal cultural and environmental impacts, even in areas where local cultures still function with primarily non-monetized economies.”²

¹ R. Wesche and A. Drumm. (1999) Defending Our Rainforest: A Guide to Community-based Ecotourism in the Ecuadorian Amazon. Acción Amazonia. Quito, Ecuador.

² A. Rodriguez (1999) Kapawi: A Model of Sustainable Development in Ecuadorian Amazonia. *Cultural Survival Quarterly* 23:43-44.

Amanda Stronza prepared this case for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

Copyright © 2002 by the Board of Trustees of the Leland Stanford Junior University. All rights reserved. To order copies or request permission to reproduce materials, e-mail the Case Writing Office at: cwo@gsb.stanford.edu or write: Case Writing Office, Stanford Graduate School of Business, 518 Memorial Way, Stanford University, Stanford, CA 94305-5015. No part of this publication may be reproduced, stored in a retrieval system, used in a spreadsheet, or transmitted in any form or by any means — electronic, mechanical, photocopying, recording, or otherwise — without the permission of the Stanford Graduate School of Business.

Yet, despite the awards, Kapawi has had to struggle to sustain profits and keep the tourists coming. “It’s definitely not easy to run Kapawi,” conceded Andre Barona, General Manager for CANODROS. “You have to be committed in at least two senses: for the impact you want to make and the bottom line. No one gets stock options for lessening impact.” It seems no one gets a bigger market for lessening impact either. So far, Kapawi’s ability to operate sustainably in its cultural and natural environment has done little to attract added attention to the lodge, at least in the way investors hoped it would. From his office at the CANODROS headquarters in Guayaquil, Barona elaborated, “It’s difficult to market Kapawi. I can sit down with someone, tell them everything we’re doing to minimize cultural and environmental impact, and then it takes five years to get them to put it in their brochure. In Ecuador, there’s nothing like Kapawi, and it should have pre-eminent space.” Echoing the sentiment from his desk in Quito, Rodriguez pointed out, “The problem is tour agencies get the same commission, whether or not we’re sustainable. As long as tour operators do not support this type of enterprise, we will have a hard time.”

TOURISM, FROM GALAPAGOS TO THE AMAZON

Explorers and naturalists navigated the rivers of southeastern Ecuador throughout the nineteenth century, but few had ventured beyond the river edges until decades later. For the Achuar Indians, this was a good thing. Years of isolation certainly helped shelter them from the newer wave of outsiders--missionaries, rubber barons, oil companies, and the like--who descended upon the Amazon in the twentieth century. As late as the 1970s, Westerners knew very little about the Achuar or the land in which they lived. Formerly semi-nomadic hunters and gatherers, most contemporary Achuar now live in sedentary communities, and subsist through a combination of swidden fallow agriculture, hunting, fishing, and forest extraction. Though now more integrated with the western world, their faces often gracing the covers of travel brochures and websites, the Achuar remain nearly self-sufficient in their territory. And in an era of internet shopping and genetically engineered foods, the majority of Achuar families continue to obtain most of what they need from the forest.

When the Achuar began to open their forests to the world in 1980s and 90s, mostly through their participation in a federation with another indigenous group, the Shuar, Daniel Koupermann was there to witness and learn. Koupermann, now an executive at CANODROS, had been working as an Amazon guide for years with a company called EcoTrek. He had a background in business, a family involved in tourism, and lots of experience in the rainforest. During his expeditions to the rainforest, Koupermann had spent considerable time with the Achuar, and for this, had gained a measure of their trust.

After repeated visits to the Amazon, Koupermann began to note a disturbing trend: “The indigenous people of the Amazon were losing their identity, their territory, and their resources because Western culture insisted that the only way to bridge with the Western economy was through cattle ranching or intensive agricultural plantations, or colonization or harvesting timber or drilling for oil, and it was a disaster,” Koupermann explained. “We were losing 70 percent of

our beautiful resources and the identity of our native cultures.”³ In considering how ecotourism could help curb the tide, Koupermann conjured up a new kind of association, one that would link the Achuar people with a tour company.

In the early 1990s, and CANODROS had become a well-known tour operator in the Galapagos by then, doing well with their ship Explorer. “There were always passengers on board [occupancy rates were high], and as it was a good business. So, the directors began to wonder, why not expand?” Rodriguez remembered. “We had originally picked an area in the highlands, and started looking for people to associate with.” The directors and Koupermann were intrigued by the idea of exploring the lowlands, especially because visitor interest in the rainforest seemed to be on the rise. In fact, they hoped that 40% (2,800 passengers per year) from the Galapagos operation might have an interest in visiting the Amazon, and they began imagining an Achuar ecolodge as an add-on to Galapagos.

But the idea of associating with the indigenous group that Koupermann was representing was difficult to accept, at least at first. Many Ecuadorian entrepreneurs at the time saw indigenous people as untrustworthy and indolent, not the best attributes for potential business partners. Such concerns were not merely racist—sadly, many indigenous federations had become notorious for their corruption and general ineffectiveness. The idea of a partnership with CANODROS wasn’t readily accepted by the Achuar either because they were generally reluctant to sign any agreement with companies. “Most indigenous organizations saw private enterprises as abusive, eager to exploit indigenous culture and resources,” explained Megan Epler Wood, former president of The International Ecotourism Society. “Further, many people from indigenous and *mestizo* communities were antagonistic to the development of nature tourism in their regions because enterprises were developed without local involvement.” Concurring, Rodriguez noted, “Kapawi was heavily criticized by other indigenous federations. They predicted it would destroy the pristine culture of the Achuar.” This is with good reasons, observed Rodriguez. “A number of ecotourism projects in the Amazon [had] been based on the same model oil companies and rubber merchants used in the past: give Indians the least possible, obtain the most, and do not teach them too much, lest they become hard to control.”

Staring history in the face, Koupermann persisted with the idea. He went to Achuar communities and participated in several meetings with their federation, FINAE, (*Federación Interprovincial de Nacionalidades Achuar del Ecuador*). Created in 1991, FINAE comprises eight Achuar associations, which altogether represent 58 Achuar communities of 5,000 people in an area of 7,000 square kilometers. When Koupermann began talking with federation leaders, FINAE was one of the few indigenous organizations in the entire Amazon producing annual reports of their economic activities. Essentially, the leaders of FINAE had set themselves apart from other indigenous federations, and that impressed CANODROS. “Here was a young organization with character and with attitude; they weren’t submissive and servile Indians, weakened by 500 years of colonization,” said Koupermann. “They were completely integrated, and that was their strength. It was a great pleasure to work with them.”⁴

³ Paul Bennett (2001) *The Kapawi Experiment Adventure* May/June: 38-42.

⁴ *Ibid.*

The Achuar territory governed by FINAE was the favored choice for CANODROS also because the area had great ecological integrity and beauty. “We were looking for a natural resource that was as pristine as possible and without roads,” related Koupermann. The population density of Achuar territory was a low 0.71 persons per square kilometer, and remained one of the few zones in the Ecuadorian Amazon that had successively evaded colonization, oil, or extensive oil palm plantations.

THE KAPAWI AGREEMENT

Assuming the role of cultural broker, Koupermann persuaded both sides to strike an agreement. CANODROS would finance Kapawi, and the Achuar would participate fully in the operation, and management. Koupermann was promptly hired to help promote the new joint venture with the Achuar, and he started going to trade shows in the U.S. and Europe, blue prints in hand and promising to open within a year. He offered four main selling points: Kapawi would be located in a very isolated and near-pristine lowland tropical rainforest, CANODROS had initiated an innovative and socially responsible partnership with the Achuar, the lodge would be environmentally friendly, and CANODROS already had a proven track record with tourism in Galapagos.

In 1993, CANODROS and FINAE signed the agreement in which CANODROS agreed to co-design, construct and operate a luxury lodge for forty guests in the remote Achuar territory of the Ecuadorian Amazon. The terms of the 15-year agreement stipulated a monthly rent to the Achuar Federation of \$2,000, with an increase of seven percent per year, based on banks’ interest rate on the dollar that year. (In 2002, this was renegotiated with FINAE at slightly higher and fixed rent). By the year 2011, the lodge would pass entirely to the Achuar. In addition, a \$10 fee would be charged to every visitor for the exclusive benefit of the Achuar community.

Also agreed was that Achuar participation would be emphasized in every step of the process. CANODROS promised to employ a majority of Achuar people, and to purchase supplies for the lodge, including food, wood, palms, and fibers, from the Achuar. More broadly, CANODROS agreed to pass know-how to the Achuar co-owners through apprenticeship and training in all aspects of lodge management and operation. The company also committed to improve health and education conditions in Achuar territory while at the same time researching other sustainable economic options for the Achuar. In exchange, the Achuar agreed to provide knowledge about their culture and environment, materials and traditional techniques for building the lodge, and access to their existing airstrip. They also assented to restrict hunting in the areas within the ecotourism zone. Meanwhile, CANODROS’ financial goal was to ensure a recovery on their investment and obtain a profit.

THE “HOTSPOT” MARKET FOR ECOTOURISM IN ECUADOR

If cultural and biological diversity were currency, the Ecuadorian Amazon would be the wealthiest area of the country, if not the world. In fact, *El Oriente*, as Ecuador’s rainforest region is called, is a known “hotspot” for biodiversity. Here, unusually high levels of biological diversity are coupled with dire social and economic need. Hotspots pack a double whammy for

conservationists—the social problems are confounding, but what’s at stake for nature is virtually immeasurable. Typical of hotspots around the world, most of the biological diversity in *El Oriente* flourishes in indigenous territories, areas rich in cultural heritage and traditional knowledge, but undeniably poor by any standard economic measure.

There are many options for combating poverty in the Ecuadorian Amazon. Oil drilling, mining, timber harvesting, commercial agriculture and cattle ranching come immediately to mind. But few alternatives are either ecologically or socially sustainable over time. Ecotourism has emerged as one possible exception because it promises the possibility of generating economic development through indirect, and thus hopefully more benign, uses of biological and cultural resources in an area. The idea is to let people take pictures and hikes rather than timber and oil; to encourage people to earn income from showcasing their lands and their heritage rather than clearing it for agriculture or cattle. Gabriel Jaramillo, a longtime administrator at Kapawi, explained the philosophy in this way: “Being in a capitalistic society as we are, most companies are focusing on using natural resources as capital. What ecotourism is doing is using the interest of the capital, not the capital itself. And that makes it more sustainable.”

Of course, the goals of ecotourism will work only so long as tourists are eager to see the hotspots of the world. Ecuador has been a well-known tourism destination for over 20 years because of the popularity of the Galapagos Islands. Among Ecuador’s third top-earning exports, tourism brings in \$430 million a year and ranks third behind petroleum (\$1,772 million/year) and bananas (\$827 million/year). Tourism directly employs 60,000 people and at least double the number indirectly through related industries.

Yet, the visitor numbers are relatively low in Ecuador compared to other Latin American countries. Costa Rica attracts 1,106,000 tourists a year and generates 1,101 million (\$996/tourist), and Peru hosts 1,027,000 tourists per year and brings in 1,001 million (\$975/tourist). But Ecuador attracts just half of the numbers with 615,000 tourists per year and 430 million (\$699/tourist). “And that number includes all people crossing the border, including refugees,” clarified Rodriguez, “The ‘high value’ tourists total only 60,000 to 80,000—roughly the number who go to Galapagos. The rest are backpackers who spend \$15-20 per day, less than what a normal Ecuadorian spends!” (Though, in their numbers, backpackers support a large hostel/small hotel industry in both Quito and Guayaquil).

“Peru does a better job of promoting itself,” Andre Barona granted, “Ecuador is not known, but it has all the room in the world to grow.” With the goal of illustrating tourism’s potential for bolstering Ecuador’s chronically faltering economy, Barona crunched some numbers and helped put tourism on the agenda for the 2002 presidential debates. With figures from the World Tourism Organization, Barona projected 190 million tourist arrivals to destinations around the world in 2010. If Ecuador could attract just 950,000 of those travelers, or 0.5 percent, --and if each tourist were to spend the average \$699 per visit--the country could expect \$644 million/year (an increase of \$214 million from current earnings), without any extra marketing efforts. But with just an extra push--either by attracting more tourists or getting them to spend more while they’re in Ecuador--this could ultimately make tourism the top earner for the country, on par with current earnings from petroleum.

Barona suggested that making this jump would require a three-pronged approach. The first would be a push to increase international air access. The relatively small number of flights to Ecuador causes a persistent bottleneck in the flow of tourists, especially those coming from Europe. A second strategy of tax reform would include creating various tax incentives, including lowering the tax rate for tourism projects to help attract foreign investment), eliminating the tariffs on payments made overseas for promotion and advertising, and allowing a credit against other value-added taxes for tourism services. Third, a new promotion and publicity campaign could help put Ecuador on the map. By Barona's calculations, ten million dollars per year invested in marketing would be enough to produce the target rise in earnings by 2010. "Just a small amount invested in marketing has a multiplicative effect on tourism, and a jumpstart to the economy," Barona insisted. "Tourism earnings could generate more employment and spark increased consumer spending and investment within Ecuador. What other export option has a growth potential like this?"

Fortunately, increasing numbers of tourists have been attracted to the Amazon in recent years. Between 1987 and 1990, the number of visitors to protected areas in the Amazon increased by 50 percent and the lodging capacity rose by 40 percent. For this rise, Epler Wood of The International Ecotourism Society called Ecuador, "a living laboratory of ecotourism and community development issues."⁵ In 1997, the sociologist, Rolf Wesche, counted 30 community-owned ecotourism projects in just the Amazonian region of Ecuador. These village-base operations vary in lots of ways. Some cater to backpackers in search of a rustic hut in the rainforest with a swinging hammock, candlelight by night, and the chance to engage in conversation with a local family. Others appeal to high-end ecotourists wanting a rainforest vacation complete with buffet dining, hot water, and English-speaking guides.

AN ECOTOURISM MANAGEMENT PLAN

When Koupermann began development of the CANODROS Amazon ecotourism project in 1993, he needed someone to create a management plan for what would become the "Kapawi Ecological Reserve." Arnaldo Rodriguez, who had worked as a naturalist guide for some time seemed the well-suited for the job. Rodriguez's management plan included descriptions of the area's archaeological and geological history, a pH analysis of the soils, and the amount of solar energy in calories available per square centimeter. In assessing risk factors, Rodriguez took into account all kinds of limitations, including the amount of available sunlight and rainfall. He found, for example, that the dry season lasted just four months, and during the rest of the year, an average of three hours of rain occurred daily, between six o'clock in the morning and evening. This meant an average of 720 hours of rain (an annual limitation of 16 percent). Rodriguez also calculated the average number of hours of intense sunlight per year. Other limitations included nesting activity of birds that may be susceptible to human disturbance (i.e., hoatzins nest from June to December, calling for the limitation of tourist activities near hoatzin habitats 58 percent of the year), the gradual erosion of soils, and the relative navigability of rivers during different times of the year. More obvious limitations were the size of tour groups per guide and the number of groups per attraction.⁶ "Eventually, the management goal is to zone the entire area,

⁵ M. Epler Wood (1998) Meeting the Global Challenge of Community Participation in Ecotourism: Case Studies and Lessons from Ecuador. Working Paper No. 2. The Nature Conservancy, Washington, DC.

⁶ A. Rodriguez (1995) Plan de Manejo del Proyecto Ecoturistico Kapawi. Quito, Ecuador.

but that will take more time,” explained Rodriguez. “But anyway, a majority of the original ideas in the plan are now reflected in Kapawi, including programs, trails, and rules for respecting the Achuar culture.”

In addition to writing the management plan, Rodriguez’s work involved talking with communities and explaining what tourism was all about (and reassuring the Achuar that tourists, generally speaking, were not cannibals). “When Kapawi first began, there was a misconception about what Kapawi was,” remembered Rodriguez. “The company assumed the role of an NGO, and people from the communities went for books and medicines.” But the CANODROS’ plan was never to create a charity for the Achuar. In fact, Koupermann, Rodriguez and others were concerned that charity could destroy the indigenous gift economy. “Giving a gift without expecting a favor in return,” Koupermann argued, “can damage the entire social network of indigenous groups in Amazonia.” With this in mind, CANODROS emphasized Achuar participation in every step of the process of creating and managing Kapawi.

When it was time to build the lodge, all of the capital came from CANODROS, and all of the traditional architectural standards, materials, and labor, came from the Achuar. All materials, including palm and thatch, were purchased from FINAE communities, and CANODROS paid one million *suces* (equivalent to US\$300, in 1995) per month to maintain the Achuar office in Puyo during the period of construction. Altogether, CANODROS spent two million dollars and two years to build Kapawi. “It took two years because there were delays in the construction,” recounted Rodriguez. “First was the war with Peru, and then the loss of the Galapagos Explorer when it hit a reef. CANODROS had to make layoffs and start looking for new vessels. It was a harsh time for the company.” Much of the financing in the down time came from the pocket of the company’s owner, Carlos Perez, also the owner of *El Universo*, Ecuador’s largest newspaper. “Really,” Rodriguez laughed with reflection, “it’s a miracle Kapawi exists.”

Debating as the ecotourism project with the highest capital investment in the Ecuadorian Amazon, Kapawi opened for operation in April 1996. By 2002, the number of personnel in Kapawi totaled between 55 and 60, including sales, reservations, and logistics assistants based in offices in Quito, Guayaquil, and Shell (a small town in the Amazon), cooks, administrators, guides, boat drivers, waiters, maintenance workers, housekeepers. Tourists per year averaged 1,000.

THE “PERFECT ECOLODGE”

Kapawi prides itself on being the most remote, and yet one of the most accessible of ecotourism lodges in Ecuador. This is saying quite a lot in a country dominated both by remote areas and ecotourism. To reach the Kapawi Ecolodge, tourists must first fly east 240 kilometers from the capital city of Quito for two hours in a single-engine plane, up over the snow-capped peaks and volcanoes of Ecuador’s central region, and down the eastern slope of the Andes. After landing on a dirt airstrip in one of the Achuar communities on the Capahuari River, guests board a six-

passenger motorized dugout canoe (with 4-stroke outboard engine, to minimize noise and pollution) for a two-hour ride downstream to the lodge. Once reaching the Kapawi dock, tourists walk along a raised boardwalk that weaves through the forest. Other ecolodges in the Amazon also require canoe-rides and short hikes through the forest, but Kapawi is especially out-of-reach because its nearest river is connected neither to roads or paved airstrips.

Kapawi's picturesque complex of thatched huts shoulders a small lagoon by the same name on the north side of the Capahuari River, four kilometers from the mouth of the Pastaza River, 100 kilometers from the eastern foothills of the Andes, 320 meters above sea level, and in a humid tropical rainforest that showers 3,000 mm of rain per year. The habitats surrounding Kapawi are diverse and include terre firme and upland terre firme forests, lowland swamps, oxbow lakes and rivers.

The lodge consists of 21 cabins that accommodate a maximum of seventy people, including guests and staff—not coincidentally, it's about the size of a typical Achuar village. "Flying over Kapawi in a small aircraft," Rodriguez explained, "it is difficult to differentiate the lodge from local communities." Each cabin contains a double bedroom with private bath, sun-heated showers, electricity (provided by a photovoltaic system), and a private balcony with hammocks hung for optimal viewing of the wading birds, squawking macaws, and other resident wildlife. Like Achuar homes, Kapawi's cabins are built with local materials and thatched roofing on an east-west coordinate, following the route of the sun, and thus allowing for cooler temperatures. "This type of architecture is the most suitable for tropical climates," Arnaldo Rodriguez noted. "The heat of the sun on the thatched roof produces connective currents of fresh air that force the warm air to pass through the thatch of the roofing."

Beyond the cabins, the Kapawi complex includes a kitchen, dining room, bar, a lobby with library and locally made handicrafts and games (including a three-dimensional tic-tac-toe made of *tagua* nuts from a local palm), various houses to accommodate staff, storage rooms for food, camping equipment and fuel, a workshop, two docks, and shelter for backup generators. Sediment-free water is supplied to the lodge by a well and pumped by solar power into five plastic reservoirs of 2,000 liters each, and then carbon-filtered to kill microorganisms. Throughout the day, guests can tap unlimited amounts of cold water, and by the end of sunny days, each room is privy to five gallons of warm solar-shower water. The company makes extra effort to keep the groundwater clean too. All soaps, detergents, and shampoos are biodegradable; sewage goes through a three-step drainage process; and, waste is disposed of using a variety of mechanisms. Plastic, glass, and metal wastes are packed and flown to the city, paper waste is burned, biodegradable garbage is composted, and batteries are collected by visitors and brought back to countries with recycling facilities.

THE KAPAWI EXPERIENCE

Kapawi caters to various types of ecotourists. Their main clientele includes people who love nature and spend a lot of time outdoors; many are avid photographers and keen backyard birdwatchers. Wildlife writer, Gerald Durrell, has called these the "amateur naturalists." A second category includes the "specialists." These are the ornithologists, botanists, and other scientists who carry out field research—and occasional time off—in places like Kapawi. A third

category is comprised of the “novices” who may know nothing about the rainforest or any aspect of it, but want a relaxing, if enlightening and out of the ordinary vacation.

Kapawi also distinguishes between difficult, moderate, and easy itineraries. “Difficult” programs include hikes that last several hours or even days, either on rugged trails, or through primary forest, carrying equipment and sleeping in tents, and eating basic food. “Moderate” programs include hikes that last up to four hours, with canoe rides and a basic box lunch, usually returning to the lodge by nightfall to sleep in cabins, but sometimes camping overnight in tents. “Easy” programs typically feature hikes of no longer than two hours on well-marked trails, canoe rides, returning to the lodge for meals and overnight sleep. Most tourists at Kapawi are “novices” seeking easy to moderate levels of activity, and most tourists come from the U.S. (55%), and the rest from Europe (35%), Asia (5%), and Ecuador (5%).

Kapawi also offers customized programs according to guests’ interests. A typical program includes an “academic talk” twice a week, focusing on some aspect of rainforest ecology or Achuar culture, at least one river boat trip, some culturally-oriented activity in the lodge (i.e., learning to make handicrafts with Achuar men and women, or learning about the Achuar calendar), a visit to one of the Achuar communities, and at least one hike everyday. Prices per person vary between \$300 and \$600 for three nights/four days, depending on origin of guest (reduced rates for Ecuadorians), and between \$550 and \$1100 for seven nights/eight days. An additional \$150 is required for air transportation between Quito and the Amazon and a \$10 fee for the Achuar.

There’s a lot to see and do at Kapawi, but certain things capture tourists the most. “If people haven’t experienced the Amazon, they always leave with a new idea,” said Gabriel Jaramillo. “The flight is very impressive to them—the green ocean and endless carpet. Also, they love the rivers . . . they love to drift down. They do nothing, and there’s nothing between them and the forests and the dolphins and the otters. It’s the most direct and quiet contact they have.” Tourists at Kapawi are also often taken aback by the sheer five-star luxury of place. Spotless rooms, hot showers, gourmet buffets, a fully-stocked bar, and a sizable library are not the kinds of amenities generally found on an “adventure tour” to the remote Amazon.

For wildlife lovers, Kapawi is especially popular among birdwatchers, for the local avian diversity is nearly unparalleled in the world. The diversity of insect, plant, and amphibian species is also impressive. And like other hotspots, Kapawi harbors a high number of mammal species, though these tend to be more elusive to tourists. Compounding the fact that rainforest animals are exceptionally good at camouflage is the fact that Achuar hunting continues near the lodge, despite efforts to keep certain zones off limits. The fauna is certainly abundant around Kapawi, but hunting pressure has made it all the more difficult to get near wildlife. Tracks and sounds of mammals, including howler monkeys imitating the sound of wind at dawn and dusk, are often the closest tourists can get to animals. Unfortunately, such limited interaction with wildlife is quite common among tour operations in the Amazon. “The Nature Company” posters aside, the rainforest simply does not offer the kind of wildlife viewing or safari experiences that are so well-known in places like Africa or the Brazilian Pantanal.

In part because wildlife in the Amazon is often so difficult to see, Kapawi guides fulfill an especially important role. Every guest at Kapawi is privy to both the scientific expertise and traditional knowledge of two guides—one a native Achuar guide and the other, an Ecuadorian naturalist guide. CANODROS' expectations of guides at Kapawi are especially high. According to requirements specified in the Manual of Operations, guides must be able to identify and point out the native flora and fauna, detect signs of rarer species, identify bird calls and other animal sounds, respond to guests' questions about flora and fauna, be informed of ecological concepts (including theories of Pleistocene refuge, evolutionary and co-evolutionary mechanisms, etc.), and discuss a range of cultural and archaeological matters (including the customs, traditions, cosmovision, and contemporary challenges of the Achuar). Guides should also ensure that their tourists are well informed of environmental problems, and the relations between economic growth, deforestation, and ecotourism as an alternative. In this vein, they should be able to explain how and why Kapawi is a pioneering example of sustainability in community-based ecotourism.

Of course, creating such an impressive team of guides requires significant investment in capacity-building. One part of this investment involves a one-month training course Kapawi sponsors every year. "The best Achuar guides, 'the really Achuar ones,' are usually from the most distant communities," observed Maria Isabel Endara, a guide and environmental educator at Kapawi. "It's a great source of pride in Kapawi to be Achuar, and those who are 'pure Achuar' really boast it," she said. "Every Achuar is a great naturalist, and they know all about plants and animals. They only miss scientific names and some principles of ecology, but in one year, they learn it all. We learn from them too," Jaramillo said.

IMPACTS AND CHALLENGES

Before ecotourism, the Achuar had very few sources of economic development. Any contact they had with Western goods and the market came by way of the military, missions, and non-governmental organizations. In the 1970s, FINAE promoted the extraction and sale of *kinyuc*, or palm fibers used in making brooms. This idea lasted about as long as the ready supply of the resource. Other development strategies included the commercialization of various agricultural products, including peanuts, beans, corn, cacao, and even cattle. But commercialization attempts failed too, mainly because the Achuar lacked access to markets. In an area with no roads, towns, cities, or commercial activity, ecotourism has become perhaps the most significant link to the global market.

So far, the economic contribution of Kapawi has been fairly significant. According to Rodriguez, 16 out of 52 Achuar communities in FINAE base a key portion of their economy on ecotourism. In these communities, up to 45% of their total income comes from direct employment (22 employees at Kapawi are Achuar). "The young people are in different areas of the hotel, either in the kitchen, the boat, the lounge, or housekeeping. It's there they see the benefits this project has brought to the community," commented Ruben Vargas, an Achuar leader at FINAE. Other income comes from supplying products to the lodge. "Someone has a chicken," Vargas explained, "and he sells the little he has to the hotel; someone has some plantain, he sells it to the hotel; someone has another product, fish, a small catfish he can catch, he goes to sell it at the hotel. The hotel always buys. The only thing they don't buy is game

meat, to discourage the killing of animals.” Handicraft sales alone comprise 21 percent of an average family’s income in participating communities, reported Rodriguez.

Beyond contributing new income to remote communities, Kapawi has also helped FINAE protect Achuar territory from encroachment. One of Kapawi’s brochures includes a quote from Santiago Kawarim, President of FINAE: “We, the Achuar, an indigenous community have maintained our customs, culture and cosmovision for many years. Our main objective is to protect our rights and our land.” Though the forests and rivers of the Pastaza region remain mostly undisturbed by outside forces, the Achuar know change is eminent. Large oil reserves are believed to lie beneath their land, and when the rich oil fields of northern Ecuador are exhausted, the Achuar must be prepared for the pressure and wholesale disruption brought on by multinational oil companies. “This is the last intact forest in *El Oriente*,” Gilberto, the president of an Achuar village and a Kapawi guide told a Conde Nast reporter. “Economic alternatives to oil must be found, but they must be impeccable.”⁷

Kapawi has helped FINAE prepare for such contact with the outside world by linking them to a non-governmental organization (NGO) based in San Francisco that provides technical expertise and funding for a variety of Achuar projects. According to its website, the Pachamama Alliance was created to help “preserve the Earth’s tropical rainforests by empowering the indigenous people who are its natural custodians.” The work of Pachamama builds on the belief that Western peoples should be better connected to indigenous peoples, not only to learn from them, but also to help them protect their lands. Kapawi factors into this philosophy by helping to educate tourists on conservation issues in the Amazon. “Clearly, Kapawi has allowed people to learn what’s going on [in the Amazon],” said the Alliance’s president, Bill Twist. “Out of that experience, comes the motivation to contribute.” Since its inception in 1995, the Pachamama Alliance has raised roughly a million dollars to help revitalize Achuar culture and tradition, defend Achuar lands, and build leadership and capacity in FINAE.

Not all of the changes introduced by Kapawi have been easily assimilated by the Achuar. One challenge has been determining how to divvy up benefits produced by the lodge. “Issues come up, politics are involved, there are struggles for power,” noted Andre Barona. For example, the eight different associations of FINAE receive different amounts of money from tourism, but three of the associations closest to Kapawi generally receive the highest income. One community, Kapawi, receives \$700 per month. Of Kapawi’s (the community’s) eighteen families, five dominant families of Quichua descent control most of the money. FINAE and Achuar leaders are generally intimidated by the more powerful Quichua families and so have done little to reclaim money. CANODROS has tried to help by offering advice, but they’ve stopped short of meddling in what they perceive as community affairs.

Another test for CANODROS has been mixing two very different cultural modes and perspectives, all in one tourism operation. “One of the main challenges of our work is finding a balance between respecting the Achuar culture and way of living, while at the same time having them respect the needs of the business. You have to be patient and have limits,” offered Jaramillo. “Often things come up. Someone comes from community, misses his family, or needs

⁷ J. Kane (2002) Unlocking the Rain Forest *Conde Nast Traveler* 02(12):184-219.

to go hunting. They tell me, ‘You white people need money, but I don’t need it.’ Then they take a machete and just go in the forest. I’ve had cases when I have to go and do a job for them.”

CARVING A SOCIALLY RESPONSIBLE NICHE

In Ecuador, much of what has been labeled community-based ecotourism is equal parts ethnotourism. In some places, tourists are offered the chance to participate in various community activities--things as mundane for local residents as pulling up manioc tubers from the ground or cooking freshly caught catfish over an open fire. Some tours offer more specialized experiences, such as learning about the preparation and use of medicinal plants, drinking a hallucinogenic drink made from the ayahuasca vine, or embarking on vision quests with a shaman. In many parts of the world, this kind of tourism has been accused of putting culture up for sale, transforming it into a commodity, and ultimately robbing it of any local meaning or authenticity.

Kapawi is different from other community-based ecotourism and ethnotourism lodges in Ecuador in various respects. First, the company has been careful to respect the privacy of Achuar families. They do not offer overnight stays in Achuar homes, nor do they promise to create intimate cross-cultural experiences. Rather, visitors are encouraged to seek out and learn about Achuar culture during structured interactions, such as afternoon visits to an Achuar community. “We attempt to get tourists involved,” Barona explained. “We want them to be reflexive about what they’re seeing and doing, not just passive.” Achuar and naturalist guides discuss both what to expect and what to avoid during visits to the communities. Such rules include not entering an Achuar house without invitation and always asking before taking pictures or videos.

Kapawi is different also because it does not encourage “cultural programs” that include dances, theater, staged or real shamanic ceremonies, or ready-made photo ops, as these are perceived as inauthentic to everyday life among the Achuar, and besides, not appropriate for sharing or selling to outsiders. Today, most Achuar associated with Kapawi live in traditional houses, use blowguns for hunting, and maintain traditionally managed swidden farm plots. Visibly, however, Achuar may not appear as traditional as tourists would like. Though they continue to use some of their Achuar necklaces and headbands, and though they paint their faces for special occasions, most often they wear western clothes. Kapawi cultural experiences were described in *Traveler’s Magazine* this way: “There’s no glossing on Achuar villages themselves, which to First World eyes look desolate and poor. The Achuar wear Levi’s and t-shirts with logos . . .”⁸ Elaborating on these differences between what tourists expect and what the Achuar live, Ruben Vargas explained, “The true ecotourism or sustainable ecotourism should avoid the folklore or commodification of culture, or saying to residents, ‘paint yourselves and dress up so that the tourists will come, make chicha.’” Concurring, Rodriguez commented, “This is the worst that can happen. It’s an obsolete model and proven thousands of times to be intrusive and ignorant. Our tourists come to learn from the indigenous communities, of the local culture.”⁹

A third distinguishing characteristic of Kapawi is the fact that it’s not so much a community-based lodge as a federation-based lodge that incorporates over 58 Achuar communities living in

⁸ Bennett, p. 40.

⁹ Rodriguez, p. 44.

7,000 square kilometers of indigenous territory managed by FINAE. Some communities are just an hour's walk from lodge, while others are five days. "One of the most complex things is not working with a single community, because each community has different issues and different perspectives," said Jaramillo. "For that reason," concurred Andre Barona, "by design, our model requires an NGO in middle. We just can't cover so many communities."

In summary, Kapawi has set itself apart from many other community-based ecotourism lodges in the Amazon because it carefully structures cultural programs to protect Achuar privacy, it actively shuns the practice of "dressing up" Achuar culture to please tourists, and it strives to share benefits with a whole federation of 5,000 people. With these socially responsible characteristics to market, in an ideal world, Kapawi would have an edge on its competitors. And yet, so far Kapawi has had little luck gaining a premium in the market for its "good behavior." And it's not for lack of trying. To sell Kapawi, CANODROS maintains a sales office in the U.S., and participates in travel marts around the world, in any given year hosting booths in Brazil, Argentina, Chicago, Berlin, Costa Rica, New York, Chicago, and Geneva.

Sacha Lodge is the main competitor for Kapawi. Like Kapawi, Sacha houses 20 traditional thatched cabins, each with private terraces and private bathroom, shower facilities, and deck hammocks overlooking the rainforest. Also like Kapawi, Sacha Lodge's activities include guided walks and excursions by dugout canoe. A key difference is that Sacha Lodge does not claim to be an ecolodge, nor does it promise to help protect the environment or support an indigenous community (much less a whole federation). Yet, for uninformed tourists, such critical differences between the two lodges are easily missed, at least at the point of purchase.

"If you were to compare two aerial photos, one of Kapawi, one of Sacha, the two would look the same," noted Rodriguez. "Meanwhile, tour agencies are getting the same commission." The "strong recommendation" given by CANODROS is that tour operators who claim to support ecotourism devote more space in marketing materials to companies that promote responsible tourism. As Jaramillo pointed out, "The problem is the agencies. They like to market Kapawi as the most luxurious, rather than community based." The result is that many tourists book tours with Kapawi without realizing the social and environmental implications of their decision. "Tourists may not know, but when they arrive, we always explain Kapawi idea," said Jaramillo. "Marketing doesn't react as much as we would like," agreed Barona, "but we do what we do out of conviction."

A second source of trouble for Kapawi in terms of competing with Sacha is the unreliable and costly transportation to their remote Pastaza site. Rodriguez explained, "Air operations are a major nightmare. We're always depending on private operations that are unpredictable. In the beginning, we used to take passengers by road to Shell (a four-hour drive), and then they would take a two-hour flight to Kapawi. For a weekend trip, that was too much travel time." Also in the early days, brochures for Kapawi alerted guests: "Please remember that because the only way in and out of the area is by air, we are one hundred percent reliant on the weather. We request that you leave an extra day after your stay at Kapawi as a buffer day." The company discovered that the phrase seemed to hurt sales and so they had to remove it. But the cost of getting people and out of Kapawi remains the company's concern.

The cost of transportation by light aircraft raises the overall price of Kapawi by about \$100 per night, making it more expensive in comparison to its more accessible competitors, like Sacha. A four-night stay in Kapawi used to cost \$900, plus \$300 for transportation, whereas a four night stay in Sacha cost \$720, plus \$120 for transportation. “So now we’ve lowered the price to \$720, plus \$150. The change has really boosted sales, but of course, we’re absorbing the costs,” Rodriguez said. CANODROS subsidizes each passenger by \$110, which at 3.5 nights, totals \$31.42. Essentially, Kapawi is a low-profit activity, Rodriguez conceded. “Perhaps its investors could have made a better profit by buying a pesticide factory or building a luxurious hotel on the Caribbean. But despite its apparent low productivity, Kapawi fits within a sustainable framework, while the other options seek to maximize profits.” Besides, noted Rodriguez in another conversation, “The profitability problem with Kapawi is not in the management of Kapawi itself, but rather in the transportation. We just don’t have our own planes, or our own runways. If we did, Kapawi would become a better business.”

A TRANSITION FOR THE FUTURE

Kapawi, the most expensive ecotourism project in the Ecuadorian Amazon, will be given entirely to the Achuar in the year 2011. By that time, CANODROS will have paid \$664,959 in rent and \$150,000 in accumulated tourist fees to the Achuar, along with helping leverage several hundreds of thousands of dollars in NGO contributions. Time will tell whether such efforts were useful either for the idealistic goal of helping the Achuar integrate with the modern world on their own terms, or for the more practical goal of generating a good return on CANODROS’ business investment. “The contract with the Achuar was made for fifteen years because that was the timeframe that made sense for many Achuar” explained Rodriguez. “In retrospect, perhaps it was too short for CANODROS. Maybe 20 years would have been better for us to get a better return on our investments.”

“So far,” Rodriguez continued, “Kapawi has not met the economic goals a typical business might try to make. We still have debts. But what is interesting to look at is the rate of return. And, at least our cash flow has not been interrupted. The profits have yet to come, but at least we’re not *losing* money. Some of the larger hotels in our business, like the Marriot, might take 30 years to recuperate on their investments. By comparison, I think we’re doing well.”

One unexpected return on investments for Kapawi has been an improved image and bigger “green” demand for CANODROS’ operations in Galapagos. The company had initially expected that Kapawi would draw tourists from CANODROS’ ship, *The Explorer*, but, in fact, flow has gone in the opposite direction. “*The Explorer* is so large,” explained Rodriguez, “that it lacked an image of environmental responsibility, even though it was one of the first operations to receive green certification in the Galapagos. So, instead, the image of sustainability that Kapawi has garnered has helped refocus tour agencies’ attention on our other operations. We haven’t measured the differences in numbers, but we’re sure Kapawi is boosting our sales in the Galapagos.”

A big question on everyone’s mind at CANODROS, FINAE, and the Pachamama Alliance is how the transition to Achuar ownership will be made, and how the Achuar will be trained and prepared to assume full control of the lodge. Unfortunately, few examples of exclusively community-owned projects have succeeded. As Rodriguez observed, “The lack of know-how

and experience, plus limited funding and understanding of international marketing strategies, has left most of the small community-based projects out of business.”

To ensure a more successful transition at Kapawi, short term plans will entail making sure Achuar guides are well-trained and able to work alone, that some of the supervisory roles are assumed by Achuar, and that the Achuar are getting more involved in administrative and decision-making matters. Some people in the company have suggested separating the operational aspects of Kapawi from the transfer process, and maybe also getting a third party, like Pachamama, involved. “CANODROS is concerned about getting capital returned, but the Achuar need someone not thinking about budget, without so many limitations,” commented Jaramillo.

Medium term goals will be to get more communities interested in the project. “Twenty or thirty communities have relatively no knowledge of what’s going on in Kapawi,” commented Barona. To improve the numbers, Kapawi administrators have been tasked with the responsibility of making sure relations between the lodge and the communities are good, and that people are participating more and more in the project. “Everyone knows about Kapawi, even if they are receiving few concrete benefits,” affirmed Maria Isabel Endara. “Once a year, FINAE has a big meeting and invites leaders from each of the communities to come. Representatives from CANODROS always attend, and one of the themes always discussed is ‘the hotel.’” Longer term plans will entail empowering FINAE and helping them create a company to market and manage the lodge. “Right now, they don’t feel they own the project. They know it, but don’t feel it,” related Jaramillo. “At this point, if the project loses money, they won’t care. Kapawi has been exerting so much effort while the Federation has been able to sit back.”

Unfortunately, Achuar leaders trained in the short term won’t be the ones managing the project in 15 years; rather, today’s twelve-year-olds will be in charge. With that in mind, Kapawi has helped get materials about tourism and ecotourism added to the regular school curriculum. Meanwhile, an environmental education project funded by a private donor connected with Pachamama offers six weeklong workshops each year to grades one through six. Co-taught by two former Kapawi guides, the themes covered include everything from trash disposal to tropical ecology. Two graduates from the first year’s program will participate as co-instructors in subsequent programs throughout different communities.

The owners of Kapawi have defined “business success” as necessarily including the value of the company’s support for cultural preservation, community development, and conservation in the Ecuadorian Amazon. In this model, contributions to the Achuar and the rainforests should be calculated alongside total profits and assets. “And in this model,” Rodriguez added, “we might lose money. That has been CANODROS’ compromise. Other more conventional tourism operations, the ones that focus solely on profits, might last ten years, but then, nothing stays. There’s no contribution, not even a memory. In Kapawi, we believe that if we do things well, we can leave a contribution that will be long-term.”

And that seems to be a distinguishing factor in Kapawi’s business plan. As Rodriguez explained, “The model of Kapawi is grounded in the recognition that a sustainable sense of success is based on taking pride in the value of our contributions to others rather than taking pride in the value of our possessions. By extension, this means striving for quality in the use of power and capital at

our disposal rather than working to accumulate more money and power over others as primary goals. In this view, profit and wealth may help us to contribute, but they do not themselves constitute business success.”¹⁰

In seeking to make this the new standard for social and environmental responsible tourism, the challenge for CANODROS will be to connect the company’s vision to viable possibilities in the market. So far, the positive publicity in the form of awards and magazine articles in *National Geographic*, *Cultural Survival*, *Conde Nast* and others, praising Kapawi’s standards for sustainability have certainly helped. “It’s like free marketing,” noted Rodriguez. As attention and market demand gradually shift in favor of sustainability, the executives at CANODROS are committed to managing Kapawi under the same guiding philosophy that inspired Koupermann and others years ago. “We are ‘doers’ in the sense of community-based tourism,” Barona stressed. “We actively look for community opportunities because we believe it’s the only way to work. You’ve got to get people involved.”

¹⁰ Rodriguez, p. 44.