

**Challenges and Lessons in  
Financing Community Based  
Tourism Projects:**

**A business perspective.**

**Case Study by the  
Saint Lucia Heritage Tourism  
Programme**

**Presented by  
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**CANARI**



# SLHTP Mission

- To contribute to the economic development of Saint Lucia through the sustainable development of tourism;
- To promote nature/heritage tourism as a viable and sustainable component of Saint Lucia's tourism product by facilitating a process of education, capacity building, product development, marketing, credit access and the promotion of environmental and cultural protection for the benefits of host communities and Saint Lucians.

# CANARI Mission

- To create avenues for the equitable participation and effective collaboration of Caribbean communities and institutions in managing the use of natural resources critical to development, through:
  - Research and analysis
  - Communication Strategies which include training, technical assistance, information technology and publications

# Study Area

- Heritage tourism sector in Saint Lucia
- Community-based tourism products in Saint Lucia

# What is heritage tourism?

- Often used *interchangeably* with *eco-tourism* and *nature tourism*.
- Often used simultaneously as a *process* to achieve *sustainable development through tourism*
- *Education, social responsibility, environmental mgmt.* are not exclusive to heritage or eco-tourism but should be a fundamental component of all tourism development if sustainability is to be achieved.
- Definition: *“Travel to and enjoyment of places of natural and cultural interest that reflect the heritage of a destination.”*

# What is sustainable development through tourism?

- **Community involvement** in planning and development
- Protection of the resource base through **sustainable use**
- Product enhancement and diversification whilst maintaining **authenticity**
- Providing opportunities for **viable local enterprise and employment**

# Study Objectives

- Criteria for developing heritage tourism sites using CBT approaches
- Problems encountered in obtaining financing
- Finding resolutions to these problems
- Products and services offered by the financial institutions
- Recommendations for moving forward

# Study Objectives

- Problems encountered by the stakeholders in obtaining financing in the CBT/Heritage Tourism Sector.
- Problems faced by the financial institutions in financing proposals from this sector
- Means of resolving these problems



# Demand for Microfinance in the Caribbean

- **Characteristics of Micro and Small Business in the OECS**
  - High proportion in informal sector
  - Dominance of sole proprietorship
  - Large numbers operating from private homes
  - Over 35% owned by women
  - Over 50% started using their own funds
  - Over 40% involved in distributive trade
  - Skilled in more than one trade
  - Relatively high rate of education through high school
  - Heavily dependent directly or indirectly on **tourism trade**

# **Demand for Microfinance in the Caribbean**

- Loan Purpose
  - Stock purchases
  - Equipment / tool purchase
  - Renovation of business space
  - Expansion of business space
  - Family or housing needs
  - Debt

# Demand for Microfinance in the Caribbean

- Terms and Conditions
  - Preference for monthly repayment cycles
  - Lump sum payments for agricultural borrowing
  - Grace periods
  - Repayments in range of EC\$250 - \$450  
(US\$1.00 = EC\$2.67)

# Feedback from the Heritage Tourism Site Owners

- **Subjectivity and Prejudice**
  - Importance of “character” in successful loan application
  - Result of loan application dependent on gut feeling of loans officer
  - Lack of objectivity towards new ideas, new business and first time borrowers
- **Absence of the element of partnership**
  - Confrontational / adversarial relationship (client/banker)
  - Restrictive policies towards small businesses
- **Lack of advice/financial counseling to clients or potential clients**

# Feedback from the Heritage Tourism Site Owners

## Lack of Support

- Marketing knowledge of loans officers - weak
- Lack of knowledge in understanding the seasonality of the industry
- Preference for traditional tourism projects
- Minimum knowledge/experience of culture, history, heritage etc of St. Lucia

## General

- Timeframe for processing loans applications - Too long - delays without proper explanations
- Inflexibility in terms, conditions and rates of interest
- Lack of confidentiality/ethics of bankers

# Feedback from the Financial Sector

- Poor presentations of proposals and business plans
- Lack of financial information
- Lack of management structures
- Marketing plans and strategies are not in place
- Lack of planning
- Lack of capital
- Inexperience in managing business

# Feedback from the Financial Sector

- Collateral security inadequate
- High debt servicing ratio
- Low profit margins
- Lack of statistical data on the CBT/heritage tourism sector
- Lack of familiarity with the CBT/Heritage tourism sector
- The seasonality of the tourism sector

# Recommendations

## Banks and other non-financial institutions

- Develop soft loan packages, with moratorium and creative repayment terms.
- Regular sensitization workshops to be held with the financial lending sector.
- Develop special financial packages to suit the needs of the site owners/investors in the sector.
- Provide fiscal incentives to encourage financial and non-financial institutions to invest in the CBT/heritage tourism sector.



# Recommendations

## Banks and other non-financial institutions

- The National Insurance Corporation or Lottery Organizations seeking to invest large sums of money could be encouraged to initiate a line of credit for the CBT/heritage tourism sector.

# Recommendations

## Site Owners/ Investors/ Borrowers:

- Site owners/ investors must understand the importance of contributing equity to their respective projects.
- Financial data must be accurate and provide a true picture of the viability of the project.
- Ensure that the projects (proposals, feasibility studies, business plans) are thoroughly researched, prepared and professionally presented to financial institutions.
- Incorporation of communities in the design and implementation of development projects

# Recommendations

## Site Owners/ Investors/ Borrowers:

- Additional training for the site owners/ developers in **marketing, advertising and promotion.**
- Recognize the importance of **record keeping.**
  - Utilizing the data to make management decisions as well as to prepare financial projections for further project enhancement .
  - Good record-keeping demonstrates good management practices by investor/ owner/ potential borrow and creates a good impression in the minds of bankers.
- Alignment to large **tour operators / hotels**

# Recommendations

## Governments/State

- Create enabling environment that encourages development of heritage tourism sites using CBT approaches and provide special incentives as a part of the country's national development strategy.
- Greater emphasis on the socio-economic (livelihood) and environmental impacts of tourism business.
- Continue to provide a fund (grant monies) for assisting with the preparation of proposals and business plans for the development of CBT/heritage tourism sector.
- Encourage organizations like the National Insurance; Lottery bodies and or financial institutions to allocate/provide funds for on-lending with special interest rates, terms and conditions to site owners as well as improving the access to credit.

# Recommendations

## Governments/State

- Encourage corporate sector shareholding in CBT/ heritage tourism products in order to allow for greater technical and managerial expertise transfer, synergies and economic alliances.
- Establish a public education programme to increase awareness of the benefits of heritage attractions and CBT approaches to development.
- Encourage Schools and Government Ministries to visit and patronize existing CBT/Heritage products.

# **Role of Government/State in Microfinance**

- Strict state controls on minimum interest rates do not allow MFI's to recoup expenses
- Corporate taxes can also be onerous
- Capitalization requirements can be too high for MFI's
- More innovation in collateral requirements
- Provisions for debt recovery
- Simplification for registration of businesses

## Microfinance – Factors of success

- MFI performance is determined largely by internal rather than external factors
- emphasis on “collateral” should be replaced by assessing the “willingness to pay”.
- Case Study of JN Small Business Loan (JNSBL) Ltd.
  - internal processes of training
  - strict recovery practices

# Useful Microfinance websites

- [www.iadb.org/sds/msm](http://www.iadb.org/sds/msm)
- [www.mixmarket.org](http://www.mixmarket.org)
- [www.iadb.org/res](http://www.iadb.org/res)
- [www.microfinancegateway.com](http://www.microfinancegateway.com)



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