

## **The challenges of a success story**

### **Posada Amazonas, Peru: A joint venture between a Tour Operator and a local Community**

By Nicole Häusler, mascontour, Tourism Consulting and Regional Planning,  
Berlin/Germany, haeusler@mascontour.info

#### **Introduction**

Worldwide Community-based Tourism (CBT) projects became in the past years extremely popular among the international donor agencies and NGOs as the implementation of such tourism projects has been expected to yield direct benefits for the local population, including:

- Creation of direct jobs as well as additional income for the local population
- Education and further training opportunities (language, service, guiding)
- Strengthening of the cultural identity through appreciation by tourists
- Strengthening of social or organisational structures within a community
- Protection of local resources

In this context especially ecolodges have been constructed in the past years without giving the local communities a clear picture about the threats and problems which can arise by running such a tourism project in their villages. For many CBT projects worldwide managing a lodge becomes too much to handle after only a few years for the communities (see Häusler 2006), since it involves various and complex tasks requiring highly specialised knowledge, not only to remain competitive internationally but also to meet the everyday challenges of hotel management. One of the core reasons of failures was the missing link to the private sector that has the professional skills to sale the product to the national and international market.

The project Posada Amazonas in Peru has another approach - it is a joint venture project between Peruvian tour operator Rainforest Expeditions and the local community of Infierno (English: "Hell"). The basic idea behind the project is to establish a joint venture between a private tour operator and an indigenous community in the Amazon region of Peru, which is capable of preparing the community, in cooperation with the business partner, to manage the complex operation of the lodge independently after the end of the regular project duration of 20 years.

The project is currently in its eleventh year of existence. The article will describe the challenges this project has to face in the mid-term of its contractual relationship. Interestingly the current problems are not due to insufficient financial receipts (which CBT projects quite often have to struggle with), but to severe conflicts at both institutional and organisational levels between the private company Rainforest Expedition and the community of "Infierno", as well as within the community itself<sup>1</sup>.

## **2 The Posada Amazonas Project: A General Overview**

The Posada Amazonas lodge is located in the community area of "Infierno", a two-hour boat ride away from Puerto Maldonado in the tributary area of the Amazon near the borders of Brazil and Bolivia. The lodge has 24 large and comfortable bedrooms, each with a private bathroom, as well as a fully open outer wall which allows the tourists to be in constant, direct contact with the surrounding nature. During the two to four-day standard tours, travellers can not only visit several different attractions, including Lake Tres Chimbas, parrot and macaw clay licks, the Canopy Tower (35m) and a garden displaying indigenous medical plants, but they can also go on an ethno-botanical hike among forest plants which are used as staple food but may also serve as medicine.

The regular all-inclusive price of a stay at the lodge is US\$90 per day. The lodge welcomed 6,158 guests in the year 2004 with a total of 14,441 overnight stays, which represents an average utilisation rate of 70%. In 2005 the lodge received even 6,550 guests.

The Posada Amazonas lodge is owned by Rainforest Expeditions, a company based in Lima, and the community of Infierno.

Although Infierno is generally referred to as "comunidad nativa" or "comunidad indigena", at least half of its population are settlers and mestizos<sup>2</sup> from the Andean region and other rural areas in Peru or Bolivia. The other – indigenous – half is made up of members of the Ese'jeja ethnic group. The community is currently inhabited by 130 to 150 families representing a total of approximately 500 people. Today, they make a living by combining farming, animal

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<sup>1</sup> During the stay at the lodge in April 2007, the author had the opportunity to conduct several interviews and make many "snapshot" observations. But due to the brevity of the stay, this analysis naturally remains a purely subjective assessment and focuses especially on the situational analysis.

<sup>2</sup> This group also includes *riberenos*, settlers who originally came from the High Andes and are now second and third generation inhabitants of the region.

husbandry, small-scale tree-felling and the harvesting of Brazil nuts with other subsistence activities, such as hunting, fishing and collecting forest plant and animal products.

### **3 History**

In the early 1990s, Rainforest Expeditions began its ecotourism and research activities at its first lodge in the region, the Tambopata Research Centre lodge<sup>3</sup>. Few years later the tour operator was looking for a location to build a lodge that could serve as a stopover for more than 500 tourists per year on their eight-hour boat ride from Puerto Maldonado to the Tambopata Research Centre. The community's location was ideal for these purposes.

After months of consulting, convincing and negotiating the contractual terms, the community of Infierno and the company Rainforest Expeditions signed an agreement in 1996 which contained all the terms and conditions necessary to establish a joint venture in the form of the investment company Asociación Ke'eway de Ecoturismo, which would assume full management of the Posada Amazonas lodge.

The agreement requires that the revenues derived from the lodge be divided between the two parties so that the community receives 60% and the company 40%. Decisions are made on an equal basis.

The entire infrastructure is the property of the community of Infierno. As holder of the tourism licence, Rainforest Expeditions has the exclusive right of use to the lodge for a period of 20 years. After this period, the community may choose whether to continue the joint venture, seek a new business partner, or to assume full responsibility of a wholly owned business. In addition, the agreement stipulates all the community members' obligations, particularly with regard to environmental protection (prohibition of hunting and tree-felling).

With regard to staff training, the two parties confirmed five levels of training:

1. Lodge construction workers
2. Lodge staff (service, kitchen, restaurant, guest rooms)
3. Leaders and positions in middle management
4. Lodge administrators and office staff in Puerto Maldonado
5. Leadership positions in senior management

The joint venture Posada Amazonas established a "participation mechanism", which means that decisions should be made on an equal basis. Every two years, the community elects ten of its

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<sup>3</sup> The company is as well owner of the lodge Refugio Amazonas, which was opened two years ago as well in this area.

members to work in the Comité de Control/Supervisory Committee, their only payment being an expense allowance.

This committee is in charge of monitoring, evaluating and auditing compliance with contractual requirements. It may also audit any and all activities and business operating results, always with the greater good of the community in mind.

### **Staff Training and Income**

All hotel staff and tour guides undergo extensive in-depth training. While other tourism companies in that region chiefly recruit highly qualified staff from outside the community, Rainforest Expeditions wanted to make a difference from the outset hiring only locals to work at his lodges. As of 2005, 64 waiters, 64 boatmen, 52 room attendants, 41 cooks and other kitchen personnel, 21 laundry attendants, 8 bakers, 11 bartenders and one chief of maintenance had been trained (Source: Adler, 2006).

This rotation system does not apply to the guides, since their multi-level training is not only time-consuming but, most importantly, also more cost-intensive. Applicants must be at least 18 years of age and come from Infierno as well. So far 28 applicants successfully finished training as Spanish-speaking guides, and 7 of them completed all levels of training and have become bilingual guides. The training costs for local guides are high, averaging US\$4700. The training is provided on a loan basis: upon successful completion of training, employees are required to repay half of the loan in instalments out of their income, while Rainforest Expeditions covers the other half.

The salary structure at the lodge is as follows: 13 of the 14 permanent employees at Posada Amazonas are members of the community. Laundry attendants, kitchen assistants, waiters and room attendants earn about US\$250 per month, the cook receives a monthly salary of about US\$430. Working hours and holiday periods are agreed on in a contract. The guides earn more, depending on length of employment. Accordingly, senior guides may earn as much as US\$1000 per month. All employees are provided with free board and lodging as well as free transport.

For the sake of comparison, workers in this region earn between US\$125 and US\$190 per month; Teachers earn between US\$220 and US\$280 per month (Source: Adler, 2006 and own interviews).

### **Economic Revenues of the Community**

According to a report released by Rainforest Expeditions, the community has yielded considerable revenues. The table below gives an overview of the revenues generated between 1997 and 2005.

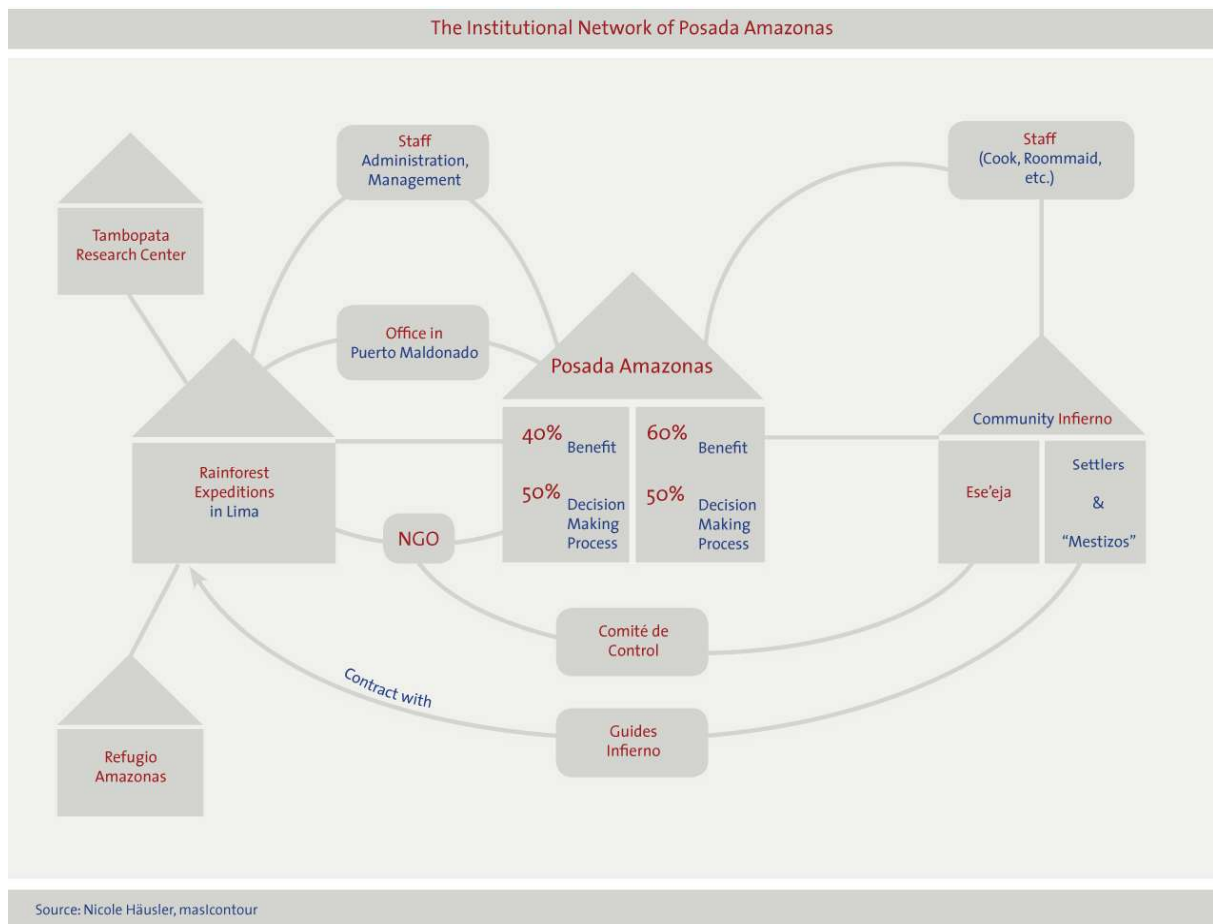
#### Economic revenues of the community

Item		1997-2002 (US\$)	2003 (US\$)	2004 (US\$)	2005 (US\$)
1	Revenues, invested in the lodge	260,851	6,500	20,000	5,000
2	Building materials	215,000	n/a	n/a	n/a
3	Net profit	133,212	84,500	125,760	126,540
4	Guides	6,000	17,044	18,494	19,573
5	Employees	47,092	12,688	9,037	20,115
6	Fixed salaries	227,829	45,112	45,447	55,806
7	Handicrafts	29,228	6,000	7,600	6,025
8	Food suppliers	13,743	4,546	4,600	3,857
9	Ethno-botanic programme	12,100	9,918	7,984	11,484

Of the US\$120,000 in net revenues earned in 2005, the community spent about US\$30,000 on community projects, including drinking water, community port, community latrine, social support, football team (transport fares, clothing) etc. The general income of all the families in the community has increased by about 70% over the last years, which represents US\$500 to US\$600 per year. On the average, a family in the community of Infierno spends US\$90 per month in cash.

#### **4 The Current Situation – Strong and critical aspects of the project**

In order to undertake an analysis of the company, it is first necessary to visualise the actors involved and the relationships between them, to obtain an overview of the connections among the actors.



The *strong points* of the projects and thus the most significant aspects of the current situation include;

**Economy:** Unlike the majority of community-based tourism projects worldwide, Posada Amazonas has shown strong profitability. As of today, every household has experienced an average income increase of 70%!

**Ecology:** As a result of the construction of Posada Amazonas and its two neighbouring lodges, as well as the purchase of the associated land, a corridor was created which serves as an important buffer against the environmental impact of the Interoceanic Highway in the region. Also, the community members reportedly display considerably greater awareness of environmental issues than before the construction of the lodge.

**Training:** A large number of community members have received professional training in the different work areas of the hotel (kitchen, restaurant, room service) and are thus adequately qualified to work not only at the lodge but with other hotel companies as well. The high-quality training has opened up a whole new series of career options for the community members, which would not have been possible without the Posada Amazonas project.

The following aspects were identified as *weak points* and possible conflicts:

Social cohesion among the community: Some publications on Posada Amazonas state that ever since the formation of the indigenous community of Infierno, there have been severe, open social conflicts between the Ese'ejas, the settlers and the *ribereños* (mestizos) about cultural, social and economic issues. This was confirmed by many different people the consultant talked to during her stay. One of the reasons for these highly complex conflicts lies in the differing concepts of organisation and planning. While the members of the Colonos y Mestizos, who favour medium and long-term planning, are already expressing concern over the fact that they are expected to assume full responsibility for the lodge in nine years, the Ese'ejas, who tend to plan only from one day to the next, have no such qualms. They are satisfied with the current situation and the extra income they earn from the Posada.

Decision-Making Process: There have been repeated complaints from different parties involved that while, according to the agreement, all decision-making should be based on equal participation by the community and the private businesses, all the major decisions are actually made in Lima. Apparently, the Comité de Control participates equally in decision-making processes only concerning minor, less important issues.

Also, very often the committee eventually makes a decision that is immediately rejected by the community, which can of course have significant impact on the overall management of the lodge. Another problem is that some of the committee members are actually under-qualified for the task, since the majority of the community members only attended school for a maximum of six years and thus have only very limited proficiency in written Spanish.

Another problem is the rotation system. In 2007, an insufficient number of people from among the community applied for a job, which made it necessary to recruit external staff. The contract period of anything between a few months to two years also causes an interruption to people's normal work and might in some cases make it difficult to go back into their old job. Moreover, working within the confines of the Posada and not seeing their families and children for 25 days, with only a few days' time to visit them, is not an attractive option to many members of the community. Therefore, it is particularly difficult to integrate young women and mothers in the project.

Marketing: The lodge is almost exclusively marketed through the Rainforest Expeditions website ([www.perunature.com](http://www.perunature.com)). Different sides have insisted that the lodge should have its own webpage to present the community of Infierno, as well as Posada Amazonas, as an independent lodge.

## **Recommendations**

There is the great expectation that this model will prove that an indigenous community is able to perform the activity of managing a jungle lodge at a consistently high level of quality within 20 years. This means in reality that a whole community of 500 persons has to manage a hotel with about 7,000 guests per year and an estimated turnover of US\$1.5 million at high standards, to maintain these high standards and, at the same time, independently undertake marketing activities.

But managing such a hotel, however, is for no one an easy thing to do, considering the overall picture, including the location, the highly developed logistics, the institutional situation and socio-cultural conditions. Due to inadequate qualifications, however, accountancy alone may be a daunting task for the community members.

Therefore, the project might soon enter a critical stage if these aspects are not appropriately addressed. The following is a set of recommendations, some of which can be implemented directly and immediately, while others require one to two years to develop.

Employment of a mediator/communicator: A neutral person should be hired with an external view who could provide assistance to the project as a communicator both between the community and Rainforest Expeditions and, if possible, within the community itself. Another major task for this person would be to moderate and assist with the community's transformation from joint venture partner to independent owner, as well as Rainforest Expeditions' gradual withdrawal from the project.

The model in itself: Over the next few years, the members of Infierno will have to discuss whether they really want to manage all the areas of the lodge independently after the 20-year "warm-up" period, or whether they would instead prefer outsourcing solutions, as already implemented in the bar and the souvenir shop. In the latter case, they would still be the owners, but outsource areas requiring specialised skills in accounting, management and marketing, among others, to external persons or companies.

Joint venture agreement: In view of the uncertainty regarding the exact contents, all actors involved should discuss the agreement again. Considering that the situation is different now than at the time of its founding eleven years ago, some clauses may have to be modified, adjusted and amended, based on the present situation. Above all, it needs to be discussed which responsibilities the community may govern as soon as the two to five years.

Responsibilities: It should be discussed as soon as possible as to how Rainforest Expeditions could transfer more responsibility to the community of Infierno. At the same time, however,

the community must become aware of its own responsibility for the project. Considering a yearly net income of US\$150,000 for Infierno alone, the community must be willing to make its own self-responsible investments in the areas of further training and marketing (like sending members of the community to trade exhibitions and thus learn and understand the international tourism industry better).

## **Outlook**

This case study demonstrates again that an apparently good idea has to face its challenges especially in the socio-cultural and institutional structures. Nevertheless the achievements so far should be as well appreciated appropriately, because a great number of project goals have actually already been accomplished. But the overall expectation should be lowered by insiders and outsiders. It would be already a great success, if the community would be able in ten years to manage parts of the daily demanding tasks at the Lodge and establish a well functioning platform for outsourcing partners.

All of the parties involved - outsiders as well as insiders - should avoid raising their expectations too high. Perhaps then, Posada Amazonas could become a success story after all.

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