

THE FINCA ESPERANZA VERDE¹

San Ramón, Nicaragua

The last six months have been a wild ride for Yelba Valenzuela, the Director of the Finca Esperanza Verde (FEV), an eco-lodge based in San Ramón, Nicaragua. Just last week, she made her first trip to Europe to accept the award of the 2004 “TO DO! Contest for Socially Responsible Tourism,” an award given annually by a German non-profit organization, the Institute for Tourism and Development, to organizations, projects and initiatives that promote the sustainable development of tourism by improving the economic well-being of area residents while protecting the environment. Her palms sweating, her heart pounding, she had stepped up to the microphone to accept the award, addressing the audience in her native Spanish:

It is a pleasure to be in Germany for this ceremony. I am happy to represent my municipality and my country at this wonderful event.... To speak of Finca Esperanza Verde Ecolodge is to describe a “school” for economic development for the community of San Ramón. The local people are thrilled to have the opportunity to create small businesses which serve tourists, such as cooking classes, music groups, crafts, guest houses and guide club. In addition, 10 percent of the income from tourism at FEV helps the rural communities of San Ramón build schools and water projects. I would like to thank TO DO! for giving this type of award. It gives developing countries such as Nicaragua the opportunity to demonstrate that poor countries have resources appreciated by the international community and that the world is more interrelated and interdependent as a result. Our Nicaragua needs this kind of award to show the world that we have advanced, that we have overcome the negative

image we once had and that we are working hard to develop our country as a destination for sustainable tourism.²

Yelba’s speech was touching. For Nicaragua, a country more accustomed to international intervention than accolade, FEV’s success was a national treasure, a fact captured by the tears of joy running down the face of the very proud Nicaraguan Ambassador to Germany.

But that was last week. Now, safely back in Nicaragua, Yelba was racing around FEV trying to get the farm ready from the next tour group which was scheduled to come up this weekend. Torrential rains arrived after a prolonged dry season and washed away part of the road leading to the lodge from Yucul (see map of Nicaragua in [Exhibit 1](#)). As Yelba sloshed down the dirt road with a couple of staff members, the trip to Berlin seemed a distant memory. Sure, FEV had been successful, but there were still issues to be addressed: the infrastructure leading to the lodge was treacherous; there were rumblings among employees for higher wages even though FEV was currently paying above market rates; the lodge was still struggling to break even; and plans to pass total control of FEV to Yelba and her local team were moving slowly. Current owners were far away in North Carolina – a non-profit organization called Durham-San Ramón Sister Communities (D-SRSC). Yelba was convinced, however, that if FEV could capitalize on its recent international recognition and attract more visitors, many of her problems would become more manageable. She was just not sure how to reach them.

Nicaragua

War, natural disaster and foreign interference have shaped Nicaragua’s history. The Spaniards arrived in 1522 and founded Granada and León. While Granada and León grew, Nicaragua was not a priority for Spain and very little changed until 1821 when Spanish authority collapsed across Latin America. After a brief stint in the Central American Federation, Nicaragua achieved full

independence in 1838. With Spain gone, the U.S. was now free to exert its influence. Cornelius Vanderbilt was the first to arrive in 1849 with exclusive rights to build a canal linking the Atlantic and Pacific. In 1855, liberal León invited American adventurer William Walker to help conquer conservative Granada. Walker defeated Granada, declared himself President, legalized slavery and made English the country's first language. Vanderbilt and other Central American states viewed Walker as a threat and united to drive him out of Nicaragua in 1857 under U.S. Marine escort.

U.S. meddling resumed around the turn of the century. In 1904, 400 U.S. Marines and their conservative Nicaraguan allies forced President José Santos Zelaya to resign after he invited Germany and Japan to Nicaragua to construct a canal. The U.S. military presence remained for the next several decades and became a major irritant to Nicaraguan liberals and guerilla leader Augusto César Sandino. To combat an increasingly successful Sandino, the U.S. took over control of Nicaragua's military and formed the Nicaraguan National Guard, the institution that would maintain order for the next several decades.

In 1934, General Anastasio "Tacho" Somoza García,³ head of the National Guard, ordered the assassination of Sandino, the leading liberal candidate in the upcoming presidential elections. With Sandino dead, Somoza was elected president in 1937. Various Somozas would serve as President for the next forty years, rigging elections, consolidating control and supporting the National Guard. In 1972, a massive earthquake virtually destroyed downtown Managua killing 10,000 people and leaving 50,000 families homeless. National Guardsmen looted downtown businesses. Anastasio "Tachito" Somoza Debayle,⁴ General Somoza's son and now President, ordered the National Guard to intercept and sell foreign aid to people in the street and the Somoza-controlled insurance industry refused to recognize damaged property claims. With his personal wealth now estimated at \$400 million, Somoza became a symbol of greed and cynicism forcing businessmen and conservatives – the Somoza family's traditional allies – to abandon their support.

The chaos following the earthquake brought new support to the Frente Sandinista de Liberación Nacional (FSLN), a Marxist-Leninist organization formed in León in the 1950s. Support for the Sandinistas was galvanized in 1978 following the assassination of Pedro Joaquín Chamorro, editor of Nicaragua's leading newspaper, *La Prensa*, and a vocal Somoza critic. Enraged by Chamorro's murder, former moderates joined Sandinistas in the streets in violent protests leading to a brief civil war before the FSLN marched victoriously through the streets of Managua on July 19, 1979.

The Sandinistas consolidated their power under Daniel Ortega and instituted widespread reforms. The new leaders reduced illiteracy from 50% to 13% according to some figures, eradicated polio and cut infant mortality

rates to one third their prior levels. Ortega nationalized businesses and formed cooperatives, driving thousands of Nicaraguan elites into exile. The Reagan Administration, suspicious of Nicaragua's new ties to Cuba, the U.S.S.R. and leftist rebels in Central America, armed a group of counterrevolutionaries, the "Contras," and adopted a trade embargo to battle the Sandinistas. Poor economic policy, brain drain, the Contra war and U.S. embargo overwhelmed the revolution. As inflation neared 13,500%, many Nicaraguans grew disgruntled with the FSLN. The Sandinistas banned media opposition, including *La Prensa*, and outlawed rival parties, further fueling the crisis. A cease fire in 1988 sponsored by Costa Rica brought peace to Nicaragua. The revolution came to an end in 1990 when center right candidate Violeta Chamorro, the widow of the slain editor, shocked a nation and defeated Daniel Ortega in presidential elections.

Chamorro inherited a country in shambles. While Chamorro could not revive Nicaragua's economy, she did keep the country together in time for democratic elections in 1996. Ortega once again ran for the Sandinistas and lost to staunch anticommunist Arnoldo Alemán. In 1998, Ortega disappeared briefly from the national scene to battle accusations of rape and sexual abuse made by his stepdaughter (charges that were never proven, but persist today). Later that year, Hurricane Mitch killed 2,500 people, damaged 500,000 homes and cost Nicaragua billions. Foreign aid flowed in, but large chunks failed to reach intended recipients, raising questions about the Alemán Administration.

Alemán presided over two major bank failures, an earthquake that damaged over 4,000 homes and another hurricane before his vice-president, Enrique Bolaños, defeated the Sandinistas favorite son, Daniel Ortega, in the 2001 presidential elections. Bolaños pledged to clean up Nicaraguan politics and started by going after his former boss. Alemán, now one of *Newsweek's* "Super-Corrupt", was sentenced to 20 years in jail and fined \$17 million for fraud. Bolaños' crusade and adherences to Nicaragua's IMF plan earned him the international community's support and over \$4 billion in debt forgiveness in 2004. Nevertheless, Bolaños was not popular at home. A "pact" formed by Ortega and his Sandinistas and Alemán and his Liberals aligned the National Assembly and Supreme Court against the Bolaños Administration. The National Assembly passed constitutional amendments usurping Bolaños' power, Alemán was out of jail, under house arrest and seeking a pardon and Ortega was running for President in 2006.

The tense political situation, combined with raising energy prices, put the entire country on edge. The U.S. State Department issued a warning to Americans living or traveling in Nicaragua to maintain their vigilance when students starting burning government vehicles and clashing with police to protest rising bus fares. The Organization of America States issued a statement expressing its concern with the tenuous state of

Nicaraguan democracy and dispatched its Secretary General to help broker a solution to the constitutional crisis between Bolaños and the “pactistas.”

Economic Conditions

Given its history, it is not surprising that Nicaragua is one of the Western Hemisphere’s poorest countries. Nicaragua’s 2004 GDP was equal to \$4.6 billion, less than what companies like Citigroup and ExxonMobil earn in three months. On a per capita basis, Nicaraguans earned about \$810 per year.⁵ While UNICEF states that 45% of the nation’s wealth goes to the richest 10% of the population, a recent report by the Nicaraguan National Institute of Statistics and Census revealed that 53% of *working* Nicaraguans feel that they did not earn enough to purchase the basic monthly basket of 53 goods needed to sustain a healthy household.⁶ In the 2005 Global Competitiveness Report issued by the World Economic Forum, Nicaragua was ranked 95th out of 105 countries in terms of its technological preparedness, macroeconomic environment and state of public institutions.⁷ Using Michael Porter’s Business Competitiveness Index to measure national competitiveness at a microeconomic level, Nicaragua finished 100th, ahead of only Bolivia, Chad and Angola.⁸

There is, however, some hope. Nicaragua’s economy grew 5.1% in 2004, the fastest rate in Central America.⁹ After coffee sales slumped from \$161 million in 2000 to \$77 million in 2003, coffee exports rose to \$126 million in 2004 as Nicaraguan producers began aiming for niche markets. The manufacturing sector also has seen solid growth. Five companies operated in the free trade zones established under Chamorro in Nicaragua in 1992. By mid 2005, there were approximately 100 companies, mainly in the textile and apparel industries. Exports from these countries from 1998 through 1994 increased 70%.¹⁰ Tourism, meanwhile, has been growing gangbusters. To support the development of the nation’s tourist infrastructure, Nicaragua offered ten-year exemptions on real estate taxes, 80% to 90% of income taxes and import and value-added taxes on the purchase of accessories, furniture or equipment. At the time of property purchase, investors received exemptions from value-added taxes on design/engineering and construction services and exonerations of import duties and taxes for the local purchase of construction materials and accessories. These incentives led to over 300 different tourism-related projects since 1999.¹¹

The Nicaraguan Tourism Institute (INTUR) was established to promote a country that many still associated with guns, violence and the Contra war. Despite this reputation, Nicaragua was the safest country in Central America. There are volcanoes, mountains, lakes, deserted beaches, colonial towns, wonderful handcrafts, monkeys and fresh water sharks. Nicaragua was also CHEAP. The most fickle “mochileros” (backpackers) could and did get by on

\$10 a day. A beer cost less than a \$1, a quick lunch with chicken, rice beans and salad \$1.50, and a night in the dorm at Granada’s infamous Hospedaje Central \$3 to \$4. More upscale accommodations were also available in wonderfully restored colonial buildings for \$70 double occupancy including breakfast and taxes. Tourism, however, was a tough business. Costa Rica virtually invented eco-tourism. Its natural beauty, relatively good infrastructure, political stability and excellent hotel network made it the Central American destination of choice for many Americans and Europeans. Costa Rica became so popular that prices soared beyond the means of many travelers and available beds were scarce. Belize and Honduras enticed visitors with world-class snorkeling and SCUBA-diving, stunning ruins and reasonable prices. Guatemala offered perhaps the region’s most beautiful colonial cities and ruins as well as a vibrant indigenous population. Panama had Central America’s most cosmopolitan city, the world famous canal and the ease of a dollarized economy.

Despite the competition, tourists seemed to like what they have heard from INTUR. INTUR representatives traveled all over the Americas and Europe promoting the country at tourism conventions and meeting with tour agencies. INTUR’s website (www.visit-nicaragua.com) attracted 308,000 visitors in its first two years. The “Nicaragua: It’s Hot” ad campaign appeared on CNN en Español. In the last ten years, income rose over 300% to \$167 million in 2004, making tourism Nicaragua’s top source of income.¹² The average tourist in 2004 spent \$75 per day and stayed 3.6 days.¹³ **Exhibit 2** and **Exhibit 3** contain information on recent tourist activity in Nicaragua.

Durham–San Ramón Sister Communities

The humble municipality of San Ramón was nestled in the mountains 90 miles northeast of Managua in the Matagalpa region of Nicaragua. San Ramón was home to 30,000 people, 26,000 of whom lived in remote hamlets. The other 4,000 inhabitants lived near the health clinic, library, school and municipal offices of the town center. Life in San Ramón was not easy. The sun burned strong during the day, driving temperatures well into the 90s during the height of summer. Dust from unpaved roads that went without rain for months made breathing and travel along secondary roads unpleasant. While torrential rains cooled things off briefly during the “winter” and painted the surrounding mountains green, they also washed out roads, making reaching more remote areas of town next to impossible. Economic activity in the community as in much of Nicaragua was limited. The people of San Ramón lived largely by cultivating cash crops such as coffee, corn and beans, by raising cattle and/or by practicing subsistence agriculture. Unemployment and malnutrition were widespread and only 20% of school-aged children attended school.

Durham–San Ramón Sister Communities (D-SRSC) was the brain child of Lonna and Richard Harkrader, former

U.S. Peace Corp volunteers who met in Africa in the 1960s and first came to Nicaragua in 1980 to help support the reforms launched by the new Sandinista government. Even though the Sandinistas were removed from power ten years later and the Harkraders ultimately returned to the U.S., the Harkraders' commitment to improving the lives of poor Nicaraguans remained strong. D-SRSC was formed in 1993 with the following mission:

We seek to strengthen our partnership of awareness, friendship, and cooperation between San Ramón, Nicaragua and Durham and other areas of North Carolina through people-to-people exchanges and through social and economic development projects which support justice and our belief in an interdependent, one-world family.¹⁴

D-SRSC was a Durham, North Carolina-based 501(c)(3) non-profit organization. The Board of Directors consisted of eight members: a Chair (Lonna), Vice Chair, Secretary, Treasurer (Richard) and four general Board members. A dedicated group of volunteers staffed various D-SRSC committees ranging from the Education, Coffee Sales and Land Conversation to Grant Writing and the Finca Esperanza Verde. Meetings were held the 4th Monday of each month January through October at a local church in Durham. An annual meeting was held in November to evaluate progress and establish goals and objectives for the coming year, covering various initiatives ranging from school supply drives to donations and eco-tours.

The Durham volunteers directly supported a number of activities to improve the lives of San Ramón's residents. Each year, over 3½ tons of certified organic, shade grown coffee was shipped to the U.S. and roasted by Durham's Counter Culture Coffee (CCC). "Café San Ramón" was now widely available under CCC's *Sanctuary* label at specialty retailers and coffee shops in the Carolinas and many Whole Foods Market stores in Eastern United States. Since Café San Ramón and other purchases made by CCC in the San Ramón community were made at fair trade prices, local farmers received a price that guaranteed them a fair standard of living.

Other projects supported by D-SRSC over the past several years included:

- The construction of a new elementary school so that 52 children would not need to move away from home to attend school.
- Teacher and librarian salaries and school supplies.
- A local water project designed to bring clean drinking water to area residents.
- STD and teen pregnancy prevention programs
- Youth baseball, a Nicaraguan passion.
- The Finca Esperanza Verde (Green Hope Farm), a critically acclaimed eco-lodge owned by D-SRSC.

The Finca Esperanza Verde

D-SRSC purchased the Finca Esperanza Verde (FEV) in 1997 to use the abandoned farm to produce organic coffee. Since the property belonged to D-SRSC, all major decisions such as land purchases were subject to a Board vote. The Board of Directors appointed Lonna and Richard to run the project. Upon assuming control, Lonna and Richard quickly realized that the land could not only lure coffee connoisseurs to San Ramón, but also tourists interested in exploring the area's natural wonders and local culture. FEV was founded in 1998 to stimulate the local economy and teach people to conserve the land and its natural vegetation.

Reaching FEV was not for the faint of heart. The 18 km trip from San Ramón took approximately 40 minutes by car (preferably in a four wheel drive vehicle with considerable clearance above the ground) rising from an elevation of 2,500 feet in the town center to 4,000 feet at the farm. A dirt road leaves San Ramón and follows the mountains through some of the area's poorest communities until reaching the tiny hamlet of Yucul. From Yucul, one turned left onto a "road" consisting of dirt, gravel and small boulders leading to the farm. If taking the bus from Matagalpa, the walk from the bus stop in Yucul to FEV was a solid 45 minutes up-hill, often in brutal Nicaraguan heat.

The sheer challenge of getting to FEV made arriving there that much more rewarding. As the access road led visitors to the farm's tiny center, the mountains opened up, offering a spectacular view of the surrounding countryside and exposing the central lodge and three main cabins for the first time. FEV's elevation and resulting "semi-wet tropical" climate meant that the area was lush and alive with plant and animal life year-round, in contrast to San Ramón ("semi-dry tropical") and Matagalpa ("dry tropical") which became browned-out during the dry season. Rocking chairs and hammocks welcomed travelers eager to relax and soak-in their new surroundings.

The tourist facilities at FEV were modest, comfortable and environmentally friendly. The lodge with its kitchen and seating area sat in the middle of a tiny clearing on the side of a mountain with one guest cabin just below it and the other two less than a minute walk uphill behind it. The lodge and three cabins were made by hand from brick and other local materials and could accommodate up to 22 people. All buildings were equipped with solar powered electricity (FEV was far removed from the energy grid), flush toilets, sinks and showers with water from large plastic bags left to warm in the sun. TVs, telephone and internet service, however, were not available. While the majority of visitors slept in bunks in shared rooms, three private double rooms with shared bath and three campsites with covered shelter were also available.

Breakfast, lunch and dinner made from fresh local meats, fruits and vegetables were provided (vegetarian food was available with advance notice) provided guests had made reservations. FEV's remote location made it difficult to provide food to large numbers of unanticipated, hungry travelers. Guests also enjoyed cold soft drinks, home-made fruit juices, cold beer, tea and organic coffee. Hard liquor was neither available nor allowed at FEV.

FEV employed a staff of 16 people year round and daily operations were managed for Lonna and Richard and the D-SRSC Board by Yelba Valenzuela. Yelba dedicated two-thirds of her time directly to FEV and one-third to other D-SRSC activities. While Yelba received \$350 per month, the rest of the staff was paid between \$75 and \$150, depending on experience. FEV paid aguinaldo (a Christmas bonus equal to one month's salary, a local tradition) and its share of employees' health and social security costs.¹⁵ Guests were also encouraged to leave a \$20 to \$40 tip upon leaving which was divided equally among staff members. Employees greeted visitors, cooked, cleaned, maintained the premises, led hiking, bird watching, organic coffee and butterfly farm tours and provided night security (despite the fact that FEV was located in a poor community, FEV had never had a problem with crime). They also learned how to protect the environment and a little bit about foreign cultures. Ernesto Morales, a guide at FEV, explained what working at the lodge meant to him:

When I first started working at Finca Esperanza Verde, I was like other farmers around here in my lack of appreciation for the natural world. I would whack into trees with my machete as I walked along to pass the time just like all the rest. Now I have changed. The tourists and natural scientists that have come to San Ramón have shown so much respect and fascination for the natural world I used to take for granted that now I, too, value the wildlife and plants around me. It is like a new world before my eyes. And the income I make as a naturalist guide, which I have been trained to be thanks to this project, helps my family have a better life.¹⁶

FEV also indirectly employed another 35 people. Guests could hire local residents to play music at night by the campfire, teach them to make tortillas and other traditional Nicaraguan dishes and lead visits to schools and baseball games. Guests could also arrange to stay with Nicaraguan families in San Ramón.

FEV Guests

FEV's guests came mainly from Central America, the U.S. and Western Europe. Some came up for a day, others spent a night or two. While many came alone or in very

tiny groups, visitors were also now arriving with tours. FEV attracted groups of scientists from the North Carolina Museum of Natural Sciences, members of the North Carolina Audubon Society, returned Peace Corps volunteers, Southwest Durham Rotary Club members and Durham Academy, Raleigh Charter High School and East Chapel Hill High School students. In truth, however, FEV did not track its guests. D-SRSC was clamoring for "someone to keep...statistics so we can create a marketing plan based on some solid background information." Yelba could not agree more, but it was not easy to find people with decent analytical skills in the rural mountain towns of Nicaragua.

Prices at FEV depended on whether one came alone or as part of a package tour. Guests were expected to pay cash; credit cards were not accepted. Prices for individuals are shown in [Exhibit 4](#). FEV charged tour groups \$750 per person for seven days excluding air fare, which cost \$635 to \$750 round trip from the U.S. East Coast. The fee included meals, lodging, transportation (including airport transfers on public buses from Managua to immediately immerse guests in the local culture) and all activities.¹⁷ Tour groups generally spent four days at FEV and three days in San Ramón living with local families. FEV offered itineraries geared to groups interested in high school exchanges, cultural immersion, community service, coffee production, herbal medicine, birding, reforestation (May–August) and family reunions and retreats. FEV donated 10% of the \$750 fee to local projects to support the San Ramón community. To provide an incentive to form groups, FEV offered tour group leaders a free trip along with a \$600 plane voucher when they formed groups of ten people or more. Leaders of groups of seven to nine people received a 50% discount.

FEV did experience some seasonality. Guests tended to come during the Nicaraguan dry season between November and the end of May or beginning of June. During the Nicaraguan "winter" from June through November, the rain discouraged people from visiting.

International Acclaim

In 2001, *Smithsonian* magazine created the Sustainable Tourism Awards to encourage and promote model tourism projects around the world. Two awards were now given annually: one for historic preservation, and the other for environmental conservation. To qualify, applicants "must demonstrate a clear connection between their endeavors and tourism." A panel of judges assembled from publishing, tourism and scientific fields selected three finalists for each award. *Smithsonian* readers then voted on-line for the winner.

Richard, Lonna and Yelba assembled FEV's application for the Sustainable Tourism Award. In 2004, FEV, recently declared Nicaragua's top eco-lodge by INTUR, was named one of the three finalists for the Conservation Sustainable Tourism Award – along with Ngomongo Village in Kenya

and the Kapawi Ecolodge in Ecuador – beating out contestants from more than 100 different countries. On November 22nd, the final votes were cast and FEV, with 55,000 of 81,000 votes cast, was declared the 2004 winner and was given a \$20,000 prize. Nicaraguans were thrilled. The Nicaraguan Minister of Tourism, Lucía Salazar, explained what the award meant:

It is the first time Nicaragua is the winner in a world wide competition... This is an excellent opportunity to let people know about our country. The award will help to change the negative image that we have, it will attract more tourism which will permit the creation of more employment. It is an immense [source of] pride for Nicaragua.¹⁸

The *Smithsonian* award, however, was just the beginning. In early 2005, FEV won the TO DO! 2005 Contest for Socially Responsible Tourism, mentioned above. Yelba braved the cold in Berlin to accept the award with its cash prizes – 5,000 Swiss francs from Swiss Foundation for Solidarity in Tourism (SST) and 2,000 euros from the firm of Europäische Reiseversicherung AG ([Exhibit 5](#)), financial gifts given to the winner by the award sponsors.

Capitalizing on Success

Despite FEV's stunning success, Yelba faced a number of challenges. There were infrastructure concerns which were only exacerbated by the recent torrential rains, employees were beginning to grumble for higher pay and the farm's profitability remained a goal rather than a reality. Yelba was convinced, however, that if she could figure out how to capitalize on FEV's recent positive publicity, her challenges would become more manageable. Yelba took a look at numbers for 2005 and saw that visits were up following a strong 2004, despite the U.S. Embassy travel warning and the unsettled political situation. Year-to-date numbers for 2005 appear below and numbers for 2003 and 2004 appear in [Exhibit 6](#).

Tourists Visits to FEV in 2005

Month	Day Visits	Night Visits	Total
Jan-05	202	251	453
Feb-05	66	124	190
Mar-05	194	231	425
Apr-05	88	138	226
May-05	17	120	137
Total Jan-May	567	864	1431

While the numbers were good, even at January's 251 night visits, FEV was only operating at about 37% of capacity assuming a 31 day month and now that the rainy

season had arrived, things were not going to improve any time soon.

While FEV historically relied on word of mouth and the D-SCSC and FEV web-sites to attract visitors, international acclaim had generated increased media exposure. *La Prensa* ran a number of articles about the farm and declared Yelba one of "Los Buenos" in Nicaragua in 2004. FEV was now recommended in *Moon Handbooks*, listed as one of Matagalpa's hotels on INTUR's website and had been referenced in *National Geographic Traveler* and *Outside* magazines. Unlike many of the more popular destinations in Nicaragua, though, FEV did not appear in some of the guidebooks most popular with Central American travelers like *Lonely Planet*, *Let's Go* and *Fodor's* (

[Exhibit 7](#)).

FEV faced some stiff competition. There was Managua, which may not be Paris, but was still Nicaragua's political, business and transportation hub and home to fine restaurants and hotels. Expatriates and investment dollars were flocking to Granada and Leon enchanted by restored colonial buildings, timeless churches, horse-drawn carriages and easy access to other destinations. The beach town of San Juan del Sur was a very popular destination, attracting not just surfers, but also Managua's new rich and American retirees looking for cheap beachfront property. The island of Ometepe offered hiking on active and dormant volcanoes, coffee farming, beaches, flora and fauna, ancient stone structures and some of the friendliest hosts in Nicaragua. The Selva Negra lodge and restaurant, meanwhile, nestled in the mountains not too far from FEV, was critically acclaimed in all the major tour guides and offered everything from \$10 hostel bunks to five bedroom private chalets for \$150 a night.

Eco-tourism was catching on. The Iniciativa Centroamericana Verde (ICV) sought to identify and support eco-tourism practitioners throughout Central America that contributed to the conservation of natural resources and the economical, social and cultural development of their communities. In Nicaragua, ICV had recognized FEV in addition to the following other parks and lodges for their efforts:

- The Sabalos Lodge located deep in the Nicaraguan rainforest along the San Juan River.
- The Biological Station atop Mombacho, an extinct volcano near Granada often hidden by clouds and blessed with exotic flora and fauna.
- The Montibelli Private Wildlife Reserve located a short drive from Managua.
- The Masaya Volcano National Park, Nicaragua's most frequented national park located just outside Managua that allows

visitors to peer into the crater of an active volcano.

Morgan's Rock Hacienda and Eco-Lodge located near San Juan del Sur, while not awarded the ICV distinction, offered the most luxurious "eco-tourism" experience in Nicaragua with kayaking, a pool, private beach and three meals starting at \$151 per night per person ([Exhibit 8](#)).

There was now an abundance of tour operators in Nicaragua. INTUR's website alone listed 12 different companies offering a variety of packages ([Exhibit 9](#)). Most offered some sort of "Best of Nicaragua" tour which usually lasted four or five days and included stops in Managua, Granada, the market town of Masaya and León. Longer trips might mix in a couple days in Ometepe, the Corns Islands off Nicaragua's Caribbean Coast or perhaps Montelimar, the five star all-inclusive beach resort operated by the Spanish chain Barceló. A couple of groups also had packages including stays at Selva Negra. Dealing with the tour operators, however, could be difficult for an organization like FEV. Since the tour operator corresponded with customers, FEV lost the ability to communicate directly with guests. The tour operator therefore controlled tourist expectations. Tour operators also set the price for the tour, marking up the original price offered by the hotel. This allowed the tour operator rather than the hotel to essentially pre-screen guests. While FEV did not have much experience dealing with tour group operators, Yelba had received a number of calls recently from different organizations interested in bring groups to San Ramón.

Mulling her Options

The question now facing Yelba was how to increase traffic flow. Yelba could try to lure more Nicaraguans to the farm. By law, Nicaraguans had 30 days of vacation a year. Some had four-wheel drive vehicles and were accustomed to being exposed to extreme poverty. She would just need to pull them away from the beach and the isletas near Granada. Despite all the positive publicity, Yelba still had not seen many mochileros at FEV that

inundated other parts of Nicaragua. How could she convince a 21 year-old American to make a stop at the ranch? Was it even worth trying to convince someone who just spent \$4.50 to sleep in a dorm at the very popular Bearded Monkey in Granada or \$3.00 at the equally renowned Vía Vía en León to come to FEV? Maybe package tours were the way to go despite the headaches. If package tours were the future, what strategy should FEV pursue in dealing with tour operators? Would package tourists really be happy spending \$750 plus airfare to stay in a bunk? Yelba could always try to convert bunks into private rooms, but that required money and right now FEV was not profitable. And then there was always the issue of FEV's mission. FEV was created to promote sustainable development and environment conservation in San Ramón. Its success, in fact, was attributable to its ability to translate this mission into action. What effect would tour buses rolling through San Ramón have on FEV's mission? Would hoards of tourists marching through really contribute to the sustainable development of the area? Would it place FEV's fragile eco-system at risk? Yelba had recently heard stories from peers in Costa Rica that tourists were overrunning popular national parks and some parks were now closing part of the week to give park infrastructure and animals a break. Areas frequented by tourists were also seeing an increase in crime and drug use. Could that happen to FEV?

It was getting late, Yelba had been on her feet all day and the rain had stopped. She decided to head back to the main lodge to catch the sunset and chat with the new guests. As she settled into her rocking chair, she picked up a copy of *La Prensa* that a day tripper from Managua had left for the staff. One of the lead articles, "Crisis Freezes Millions in Investment" caught her attention. Apparently the recent political situation and student protests had taken a toll on the Nicaraguan economy. INTUR was reporting that tourist traffic in April was down 10% and some international investors had decided to temporarily freeze tourism-related projects in the country. Yelba put the paper down and sighed. Doing business in Nicaragua definitely was not easy.

Exhibit 1 Map of Nicaragua



Exhibit 2 International Arrivals in Nicaragua¹⁹

*

International Arrivals by Mode of Entry			
Mode of Entry	2004	2003	% Change
Air	204,259	180,219	13%
Water	13,259	21,137	-37%
Land	397,264	324,419	22%
Total	614,782	525,775	17%

International Arrivals by Point of Entry			
Point of Entry	2004	2003	% Change
Managua Airport	204,019	179,800	13%
Peñas Blancas (Costa Rica)	162,154	113,678	43%
El Guasaule (Honduras)	88,472	97,200	-9%
El Espino (Honduras)	78,729	56,311	40%
La Manos (Honduras)	63,672	57,201	11%
Others	17,736	21,585	-18%
Total	614,782	525,775	17%

Exhibit 3

International Visitors to Nicaragua by Nationality

*

International Visitors by Nationality			
Country	2004	2003	% Change
United States	131,865	117,156	13%
Honduras	126,916	107,365	18%
Costa Rica	99,674	76,659	30%
El Salvador	88,103	73,806	19%
Guatemala	48,990	40,132	22%
Canada	15,586	13,124	19%
Panama	13,563	11,988	13%
Spain	9,954	8,857	12%
Mexico	10,331	9,039	14%
Germany	8,549	6,886	24%
England	6,022	6,600	-9%
Holland	4,817	5,417	-11%
Italy	4,632	4,363	6%
France	4,126	3,886	6%
Argentina	2,735	2,672	2%
Swiss	2,655	2,371	12%
Sweden	2,017	1,879	7%
Rest of the world	34,247	33,575	2%
Total	614,782	525,775	17%

* Source: INTUR

Exhibit 4

Individual Prices

<u>Accommodations</u>		<u>Activities</u>	
<i>Colibri</i> Private rooms, private baths	\$30 for 1 person \$45 for 2	<i>Nature Walks</i> Trained guides for flora and fauna (Spanish only)	\$4 per hour
<i>Loro and Tucan Cabins</i> 6 person cabins, share baths	\$60 for 3 \$70 for 4 \$85 for 5 \$100 for 6	<i>All about Coffee</i> Coffee harvesting (December – February) and learn about organic, sustainable coffee (March – November)	\$5 per person
<i>Mariposa Cabin</i> 8 person cabin with shared toilet, sink and shower	\$12 per person	<i>The World of Butterflies</i> Visit conservatory and learn about life cycle of 15 tropical species	\$5 per person
<i>Camping – 3 sites</i>	\$6 per person	<i>Traditional Nicaragua Kitchen</i> Make tortillas and roast coffee over open fire	\$5 per person
<i>Rental of entire farm (max 26 people)</i>	\$400 per night + meals	<i>Horseback Riding</i>	\$5 per person for ½ hour, min 2 persons with guide
<u>Meals</u>		<i>Wabule River and Park</i> Half day excursion to river with swimming, waterfalls and birding. With guide, truck and driver (max 10 people)	\$100 + \$5 per person for picnic
<i>Breakfast</i>	\$5 per person	<i>Bonfire with Musicians</i> Neighboring farmers play traditional songs around bonfire.	\$35 per group
<i>Lunch</i>	\$6 per person	<i>Howler Monkey Treks</i> Trekking near FEV where families of monkeys live	\$25 per group, 2 hours with guide
<i>Dinner</i>	\$5 per person		
<u>Drinks</u>			
<i>Sodas</i>	\$1		
<i>Beers</i>	\$1.50		
<u>Day Visit Entrance Fee</u>	\$3 for foreigners or 25 Córdobas (\$1.50) for Nicaraguans		
<u>Rent Lodge for Meetings</u> (minimum 1 meal, max 60 people)	\$60 for 4 hours		
<u>Truck and Driver</u>	\$80 per day + gas		

Exhibit 5

International Recognition



Yelba Valenzuela accepting the TO DO! 2004 award in Berlin

Exhibit 6

Tourist Visits to FEV 2003 - 2004

Month	Day Visits	Night Visits	Foreign	Nicaraguan	Total
February-03	37	5	5	37	42
March-03	33	0	29	4	33
April-03	101	18	18	101	119
May-03	17	1	2	16	18
June-03	0	6	6	0	6
July-03	36	0	0	36	36
August-03	65	6	6	65	71
September-03	24	17	4	37	41
October-03	28	6	0	34	34
November-03	8	1	1	8	9
December-03	23	12	0	35	35
Total 2003	372	72	71	373	444
Month	Day Visits	Night Visits	Foreign	Nicaraguan	Total
January-04	36	10	1	45	46
February-04	14	5	5	14	19
March-04	25	26	16	35	51
April-04	72	39	69	42	111
May-04	21	9	7	23	30
June-04	16	38	16	38	54
July-04	2	55	55	2	57
August-04	52	59	59	52	111
September-04	132	68	68	132	200
October-04	105	98	105	98	203
November-04	145	29	29	145	174
December-04	388	77	165	300	465
Total 2004	1,008	513	595	926	1,521

Exhibit 7

FEV Media and Guide Book Coverage

FEV has been mentioned in a number of sources including: *La Prensa*, *El Nuevo Diario*, *National Geographic Traveler*, *Outside*, www.visit-nicaragua.com and *Moon Handbooks*.

Exhibit 8

Sample Rates in Nicaragua

Morgan's Rock Hacienda y Eco-Lodge²⁰

Rates are per person per night, including room, 3 multi-course meals daily, sodas, natural juices and local beer (liqueur and spirits not included), taxes and service charge.

	HOLIDAY SEASON	HIGH SEASON	GREEN SEASON
	15 Dec '05 - 5 Jan '06	1 Nov - 14 Dec '05 06 Jan-15 May '06	16 May '06 - 31 Oct '06
SGL	US \$265.00	US \$240.00	US \$205.00
DBL	US \$220.00	US \$195.00	US \$170.00
TRL	US \$175.00	US \$165.00	US \$145.00
QPL	US \$150.00	US \$145.00	US \$135.00
CHD	US \$110.00	US \$100.00	US \$90.00

Selva Negra²¹

Cabin Type	Capacity	Price
<i>Bungalows</i>		
1 bedroom	2	\$50.00
2 bedrooms	4	\$75.00
4 bedrooms	8	\$125.00
<i>Chalets</i>		
3 bedrooms	6	\$100.00 - \$125.00
5 bedrooms	12	\$150.00
<i>Hotel Room</i>		
Rate for couple	2	\$30.00
Rate for family	Max of 6	\$10 for each additional person
<i>Youth Hostel</i>	20	\$10.00 per bed

Sabalos Lodge²²

Cabin	Description	Price
<i>Tarzan</i>	Private bedroom/bath	\$30
<i>Jane</i>	Private bedroom/bath	\$35
<i>Family</i>	Sleeps up to 9, private bath	\$50
<i>Fish</i>	Double beds/private bath	\$20 to \$35
<i>Adventure</i>	9 beds in 4 rooms	\$12 for double bed, \$6 for single bed

Exhibit 9

Sample Tour Packages

<p>Gray Line Tours: <i>“A Glimpse of Nicaragua: Managua, Matagalpa, León, Granada, Ometepe Island & Montelimar”</i>²³</p> <ul style="list-style-type: none"> • 8 days & 7 nights • Greetings at the airport and transfer to hotel • 3 nights at Holiday Inn Hotel, Managua • 1 night at Selva Negra Mountain Hotel, Matagalpa • 1 night at La Gran Francia Hotel, Granada • 3 nights at Barceló Beach Montelimar (All Inclusive) • Visit to the city of Matagalpa & Excursion to Selva Negra • Excursion to the old city of Leon & Volcanic fields of San Jacinto • Excursion to Granada Colonial City • Boat ride on the small islands of Granada • Excursion to Ometepe Island • Excursion to Managua, Masaya and Masaya Volcano National Park • Daily breakfast, transportation, guide and taxes • \$921 double occupancy 	<p>Frontier Expeditions: <i>“Island of Mystery, History and Volcanoes: Ometepe, Granada and Masaya”</i>²⁴</p> <p>DAY 1 Arrival to Nicaragua. Travel to the biggest island in freshwater formed by two volcanoes, Ometepe.</p> <p>DAY 2 Departure to the San Ramón biological station to explore the exuberant flora and fauna on the volcanoes slope and hike to a waterfall more than 350 ft high in the middle of the forest. Lunch. Mountain bike excursion through the tropical forest. Return to Santo Domingo beach.</p> <p>DAY 3 Visit the pre-Columbian museum in the old town of Altagracia. Departure to the oldest city in America, Granada.</p> <p>DAY 4 Boat trip through the islands and nature sightseeing of Lake Cocibolca. Visit Catarina’s volcanic crater. Visit the towns of San Juan de Oriente, Masatepe where the artisans make their own masterpieces. Visit Masaya Volcano National Park’s active crater. Lodging in Managua.</p> <p>DAY 5 Departure travel.</p> <p>\$523 double occupancy, lodging included only where noted, 5 days & 4 nights</p>
--	--

Exhibit 10

Guest Feedback²⁵

"We had the most amazing time at the lodge, thank you! I am going to send all three of my internship groups there this summer... Thanks for creating a paradise!"

Alicia Robb, Foundation for Sustainable Development, U.S.

"The Finca was beautiful, although the weather was unsettled throughout (each night it would get blustery and rain, then burn off by 9-10 am). Our group enjoyed the folk music, the nacatamales²⁶ and all. We saw a number of great birds including a new species for Nicaragua, seen at the Finca, Streaked Xenops, as well as a great bird called a Pheasant Cuckoo... We located Red-eyed Tree Frogs, and found both species of Sloth, 2-toed and 3-toed, at the Finca - Very Unusual."

John Connors, U.S.

"The trip to Nicaragua was a real eye-opener for me, especially visiting the schools. Some of the schools there were smaller than a classroom at (my high school). It really shows how much we have in the U.S., and visiting a poorer community made me realize how little I appreciated the opportunities I have (at home)."

Amanda Allen, East Chapel Hill High School, North Carolina, U.S.

"It was amazing to experience the results of the hard work of the good people of the Durham-San Ramón Sister Communities. A new school, clean water distribution system, baseball stadium, a fulltime librarian and an award-winning Eco-lodge made quite an impressive list. But the most satisfying part was witnessing the pride the San Ramón community. I had a terrific time too enjoying the natural beauty, tasting different fruit (granadilla is awesome) and making new friends."

Mike Sheffer, U.S.

"I have made 3 ecotour trips to San Ramón, and each time I am powerfully affected and changed for the better by the experience."

Ken Knight, U.S.

ENDNOTES:

¹ This case was written by Tucker Nielsen of Duke University under the supervision of Dr. Richard Linowes of the Kogod School of Business, American University in Washington, D.C. It was developed in conjunction with the Emerging Market Development Advisors Program (EMDAP) funded by U.S. Agency for International Development (USAID) and administered by the Institute of International Education (IIE).

² Carraway, Candace. "Finca Esperanza Verde wins third major tourism awards." *Hermanamiento News* Spring/Summer 2005. 07 March 2006. <http://www.durham-sanRamón.org/docs/Hermanamientospring%202005.pdf>.

³ In Nicaragua, people generally have four names: a first name, a second name and then the last names of that person's father and mother respectively. People will generally introduce themselves, however, by stating their first and then fathers' last names.

⁴ In Spanish, a word ending in "-ito" means something small. Names ending in "ito" therefore connote a son or daughter like "Tachito", the son of Tacho.

⁵ "A Dynamic Economy." ProNicaragua. 08 March 2006
http://www.pronicaragua.org/index.php?option=com_content&task=view&id=25&Itemid=98.

⁶ "Análisis de la Pobreza y la Seguridad Alimentaria Nutricional en Nicaragua." May 2004. Instituto Nacional de Estadísticas y Censos. 08 March 2006. <http://www.inec.gob.ni/bibliovirtual/publicacion/psacap2.pdf>.

⁷ "Growth Competitiveness Index: World Economic Forum ." World Economic Forum. 07 March 2006
http://www.weforum.org/pdf/Gcr/Growth_Competitiveness_Index_2003_Comparisons.

⁸ "Business Competitiveness Index: Michael E. Porter ." World Economic Forum. 07 March 2006
http://www.weforum.org/pdf/Gcr/Business_Competitiveness_Index_Porter.

⁹ "A Dynamic Economy." ProNicaragua. 08 March 2006
http://www.pronicaragua.org/index.php?option=com_content&task=view&id=25&Itemid=98.

¹⁰ "A Dynamic Economy." ProNicaragua. 08 March 2006
http://www.pronicaragua.org/index.php?option=com_content&task=view&id=25&Itemid=98.

¹¹ "Investment Opportunities Tourism." ProNicaragua. 08 March 2006
http://www.pronicaragua.org/index.php?option=com_content&task=view&id=18&Itemid=57.

¹² "A Dynamic Economy." ProNicaragua. 08 March 2006
http://www.pronicaragua.org/index.php?option=com_content&task=view&id=25&Itemid=98.

¹³ "Boletín de Estadísticas de Turismo 2004." www.visitnicaragua.com. El Instituto Nicaragüense de Turismo. 08 March 2006
<http://www.intur.gob.ni/espanol/estadisticas/estadisticas2004.pdf>.

¹⁴ "About Durham-San Ramón Sister Communities." Durham-San Ramón Sister Communities. 07 March 2006 <http://www.durham-sanRamón.org/about.html>.

¹⁵ Total non-salary costs including health and social security costs, transportation, taxes, food, etc. average about \$3,600 per month.

¹⁶ "Testimonials." Finca Esperanza Verde. 07 March 2006. <http://www.fincaesperanzaverde.org/testimonials.html>.

¹⁷ Tour groups have the option to forgo the long, hot walk from the bus stop in Yucul and grab a ride in one of FEV's four wheel drive vehicles.

¹⁸ "Smithsonian Magazine Awards \$20,000 Sustainable Tourism Award to Nicaraguan Eco-Lodge Launched by North Carolina Volunteers." 22 November 2004. Finca Esperanza Verde. 07 March 2006 <http://www.fincaesperanzaverde.org/smithsonian.html>.

¹⁹ INTUR

²⁰ "Rates." Morgan's Rock Hacienda & Ecologicalodge. 07 March 2006. <http://www.morgansrock.com/rates.html>.

²¹ "Selva Negra Lodging Prices." Selva Negra Mountain Resort and Coffee Estate. 07 March 2006
<http://www.selvanegra.com/en/Resort-Lodging.html#priceMap>.

²² "Our Cabins." Sabalos Lodge. 07 Mar. 2006. <http://www.sabaloslodge.com/english/cabins.html>.

²³ "Tours Packages." 2004. Gray Line Tours Nicaragua. 07 Mar. 2006
http://www.graylinenicaragua.com/tours_packages.html#a_glimpse_of_nicaragua.

²⁴ "Adventure." Island of Mystery, History and Volcanoes: Ometepe, Granada and Masaya. Frontier Expeditions. 07 Mar. 2006
http://www.frontierexpeditions.net/english/index_eng.html.

²⁵ "Testimonials." Finca Esperanza Verde. 07 March 2006. <http://www.fincaesperanzaverde.org/testimonials.html>.

²⁶ Nacatamal is a traditional Nicaraguan meal.