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

Summary Report

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Foreword

The following Summary Report, based on two years of research and some two dozen individual studies by a team of Costa Rican and U.S. experts, offers the first multidimensional analysis of the phenomena that Costa Ricans have dubbed “residential tourism.” While this term has become popular, most Costa Ricans have had little understanding of its dimensions and implications for the country, the country’s Pacific coast, or Costa Rica’s tourism industry. The study traces the origins of this coastal transformation from the 1970s to the present, with particular focus on the real estate and construction boom and bust (caused by the global economic crisis) from 2002 through 2009.

As members of the Advisory Committee that has assisted the research team, we believe that the study’s findings and recommendations can play a constructive role in helping to foment public discussion, civic engagement, and policy reforms to ensure a sustainable economy in coastal and marine tourism.

Over the last decade, Costa Rica’s Pacific coast has become one of the epicenters in the Americas for rapid beach resort and vacation home development closely tied to the U.S. market. Together with cruise ship tourism, residential tourism is transforming swaths of the physical landscape and displacing or competing for resources with many fishing, farming, and ranching communities in the coastal zone. Sun-and-sand resort and cruise tourism has the potential to conflict with Costa Rica’s well-deserved international reputation for high-value, nature-based tourism, commonly known as ecotourism.

Indeed, Costa Rica’s Pacific coast has been a kind of “laboratory” in which an experiment with different models of tourism -- residential tourism (all-inclusive resort and vacation home developments), cruise tourism, and ecotourism/sustainable tourism have, in effect, been run. We concur with the Summary Report’s finding of abundant and strong evidence favoring one model -- ecotourism/sustainable tourism -- over the others, as the most overall beneficial for Costa Rica. While resort, residential, and cruise tourism will, of course, continue to be slices of Costa Rica’s tourism offerings, they need to be demarked with careful planning and clear limitations, just as does any other kind of development. We believe that Costa Rica is best served by redoubling its efforts to support and promote high-value, nature-based tourism grounded in sound environmental and social principles and practices.

Signed:

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Preface

The Center for Responsible Travel (CREST), a U.S. nongovernmental organization (NGO) based at Stanford University and in Washington, DC, together with a team of Costa Rican researchers and advisors, has conducted a two-year research project examining the impacts of tourism development along the country’s Pacific coast. This Summary Report contains the most significant findings and conclusions from the study, as well its ten most important policy recommendations.

The study focused only on tourism impacts on Costa Rica’s Pacific coast. It is not a comprehensive assessment of Costa Rica’s tourism industry or of government tourism policies. Although the study spans the full length of the Pacific coast and the years 1980 to 2010, it pays particular attention to those areas where tourism and residential real estate development experienced the most rapid growth, particularly between 2002 and 2008.

Our research team included more than a dozen experts in Costa Rica as well as CREST staff and researchers in the United States (see Annex 2). The team examined a wide range of legal, environmental, social, and economic issues surrounding coastal tourism and produced a series of 16 distinct reports on various aspects of coastal tourism. (See chart in Annex 1. The individual reports are posted online at http://www.responsibletravel.org/resources/Coastal-Tourism.html). The research adheres to Stanford University Human Subjects Protocol and this Summary Report is produced in accordance with academic standards. In addition, an Advisory Committee of 11 prominent and knowledgeable people in Costa Rica provided assistance and helped to review various pieces of the research (see Annex 3). In this research, we also collaborated with various Costa Rican institutions and government agencies, including CeNAT-PRIAS, INCAE, Estado de la Nación, Iniciativa Paz con la Naturaleza, the ICT, and MINAET. The project was funded with grants to CREST from the Blue Moon Fund of Charlottesville, Virginia.

While CREST benefitted from the knowledge and resources of leading Costa Rican institutions and experts from various disciplines and across the political spectrum, this Summary Report is the sole responsibility of CREST.

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Executive Summary

In recent years, portions of Costa Rica’s Pacific coast have experienced rapid and often poorly planned growth of tourism-related development. The changes are most pronounced in the northwest of the country but are expanding south along the coast towards the Osa Peninsula, a jewel of biodiversity and ecotourism. This study, prompted by growing public and government concerns within Costa Rica, marks the first comprehensive analysis of large-scale coastal and marine tourism. The project, carried out by a team of Costa Rican and U.S. researchers, began in late 2007 at the height of the economic boom and continued through the depths of the economic recession in 2009/10. This report summarizes the most significant findings and conclusions of the individual studies generated by the project. (Individual studies are available at: http://www.responsibletravel.org/resources/Coastal-Tourism.html).

This new form of coastal tourism development – large-scale and mass market in orientation -- is distinct from the high-value, nature-based ecotourism, for which Costa Rica has earned a well-deserved international reputation. Ecotourism in Costa Rica took off after 1987 when President Oscar Arias received the Nobel Peace Prize for negotiating an end to the wars in Central America. The country’s ecotourism is largely homegrown, centered on an outstanding network of public and private parks, relatively good infrastructure; large middle class; well-educated and healthy work force; and stable, democratic government. These ingredients, plus peace and close proximity to the North American market, made it possible for Costa Rica to move rapidly into ecotourism, then the global tourism industry’s hottest sector. By the early 1990s, Costa Rica was already being hailed as world’s number one ecotourism destination and tourism had surpassed bananas and coffee to become the country’s leading foreign exchange earner.

In subsequent years, Costa Rica’s ecotourism sector has, with creativity and dynamism, grown to meet changing consumer preferences and trends, as well as evolving concepts of sustainability. It has also expanded beyond small ecolodges to encompass a broad range of activities, attractions, and accommodations. Size and even location are not the ultimate determinants. Rather it is that tourism businesses – hotels, tour operators, transportation, attractions, etc – adhere to environmental and social standards designed to ensure long term sustainability as well as economic benefits for the destination. The government has fostered the growth of this ecotourism and sustainable tourism through tools such as the Certification for Sustainable Tourism (CST), the voluntary certification program for hotel operations and tour operators and the Ecological Blue Flag, a certification program to measure safety and water quality conditions on beaches.

In contrast, the trajectory of Costa Rica’s Pacific coast sun-and-sand resort tourism is different. These plans date from the 1960s and 1970s when the government first undertook two closely linked projects: a new international airport outside Liberia and the Gulf of Papagayo Tourism Pole (Polo Turistico Golfo de Papagayo, PTGP) designed to attract private investment for European-style resort development on the Papagayo Peninsula. However, these ambitious twin projects languished for decades because of the region’s political instabilities, lack of government
expertise and resources, and a failure to attract foreign investment. It wasn’t until the late-1990s, and most significantly after 2002 with the start of direct flights from the U.S. to Liberia, that resort and residential tourism centered in northern Guanacaste took off. By combining a resort property with vacation homes, real estate investors could more easily finance all-inclusive resort complexes with restaurants, golf courses, marinas, spas, shops, and other amenities. In addition to “residential tourism”, some areas along Costa Rica’s Pacific coast have experienced what is dubbed “ant-like development” (desarrollo hormiga) -- intense and chaotic construction of small and medium hotels mixed with individual vacation homes, apartment towers, condos, and gated communities. Between about 2002 and 2008, Costa Rica, particularly the Guanacaste region, became an epicenter for coastal tourism-related development closely tied to the U.S. market. Since late 2008, development has been greatly slowed by the current economic crisis. This hiatus, plus the inauguration of a new government, offer an opportunity to assess coastal tourism development and to chart a new course.

Key findings and conclusions from our two-year study of these dynamics include:

**Role of International Airports:** The launch of regularly scheduled international flights to the Liberia Airport gave a clear signal to national and international investors that Guanacaste was a mature, investment-grade, tourism destination. Based on an industry rule of thumb that resorts must be located within one to two hours of an international airport, in 2002 a small group of private resort owners put up a $3 million trust fund to convince the first international carrier, Delta Airlines, to begin regular service from the U.S. to Liberia. By 2009, over a dozen international carriers were flying to the Liberia Airport. Without direct flights, international beach resorts would have been impossible, and the growth of tourism-linked development on the North Pacific coast would have been much slower.

Understanding the impacts of the Liberia Airport is important as the government plans a second international airport at Palmar Sur, to promote tourism to the Pacific coast’s southern zone. A number of experts argue that a better strategy is to upgrade Palmar Sur for expanded domestic and regional flights, rather than international carriers, to help strengthen nature and culture based ecotourism in the Osa Peninsula. Our study found that this latter style of tourism has provided the greatest benefits to Costa Rican communities and to the environment, and was largely sacrificed in the Guanacaste development experiment.

**The Gulf of Papagayo Tourism Pole (PTGP or Papagayo Project)** is the only major investment by the central government, via the ICT, in a large-scale resort development project. The government bought the land and gave ICT the responsibility to lease concession blocks to private developers. The government has also provided infrastructure and set the terms for development via a series of Master Plans. By 2010, 32 concessions had been granted, of which 15 had completed or nearly completed their resort projects. While the model was not used elsewhere in Costa Rica, the PTGP has played a critical role in creating the climate for resort and residential development along much of the Pacific coast. When, for instance, the largest
concession, Peninsula Papagayo, opened a Four Seasons Resort in late 2003, this project quickly helped to attract both high-end tourists and other 5-star resort projects to Guanacaste.

However, from the early 1990s when construction of the first hotels began, the Papagayo Project has been hampered by mistakes and mired in controversy. In a series of legal cases, some government officials, as well as private concessionaires and developers, have been accused of corruption, violations of environmental and labor laws, and damage to archeological sites. Despite projections that the PTGP would generate employment for tens of thousands of local people, by 2008, the facilities in operation were recorded as producing only about 1400 jobs.

Two presidents – Miguel Angel Rodriguez in 1999 and Oscar Arias in 2006 – took the unusual step of issuing Declarations of National Convenience, first for the Peninsula Papagayo concession and then for the entire PTGP. These Declarations granted developers the right to seek permission from the government to change the land use by cutting trees in forested areas. (Only two other tourism projects, Marriott Los Suenos and Cacique owned by the American billionaire Steve Case, have been granted such Declarations.) The precise implications of this Declaration, like many other aspects of the PTGP project, have not been fully disclosed. There is a need for a full public accounting of the real value and costs to the government of the PTGP. In addition, this study suggests that the ICT should strive to turn the PTGP into a showcase for sustainable tourism by requiring all concessionaires to adhere to high environmental and social practices. To date, only the Peninsula Papagayo concession has voluntarily implemented a number of environmental practices and social programs. Its Four Seasons resort, for instance, has received a high rating (4 green leaves) under the CST certification program.

**Dynamics of the Real Estate Market on the Pacific Coast:** The twin government projects — the Liberia International Airport and the Gulf of Papagayo Tourism Pole — paved the way for the enormous boom in resort and residential tourism that has taken place in recent years along the Pacific coast. However, it has been the private sector, particularly North American developers, investors, vacationers, and real estate buyers, who have been the main drivers behind and beneficiaries of the fast paced coastal development.

From 2004-2006, tourism represented about one quarter of Costa Rica’s total foreign direct investment (FDI). However, beginning in 2002, investments in residential real estate accelerated rapidly, surpassing the rate of tourism development. In 2007, residential construction totaled 74% of all new construction along the Pacific coast. Between 2005 and 2007, 22 of the 26 districts with the most dynamic housing construction were also tourism destinations.

This rapid development brought unanticipated demands for government services and resources, while apparently bringing scant long term benefits in terms of employment, taxes, or sales of goods and services. Many of these vacation homes sit on prime coastal real estate and are used only occasionally, generating few jobs beyond the construction stage. Rental properties also create competition with hotels, something tourism officials in government apparently did not anticipate and much of the tourism industry does not like. In fact, the growth of new residential
developments surpassed the ICT’s projection for the number of hotel rooms required. And FDI in residential real estate and tourism development has proved to be highly vulnerable to the global market: by early 2008, investment and construction had begun to slow in Guanacaste and Puntarenas, and by 2009, it had virtually ground to a halt with no clear indication that it will resume.

Legal and Institutional Framework: The coastline, which is divided into 1) the Maritime Terrestrial Zone (Zona Maritimo-Terrestre, ZMT) or the first 200 meters above the high tide line, and 2) the rest of the coastal zone, is overseen by at least 23 national institutions and 15 municipalities that have responsibilities related to tourism development. This existing legal framework suffers from internal deficiencies and inconsistencies, overlapping authorities, and a heavy reliance on weak and ill-equipped municipal governments. As a result, enforcement of legislation has been ad hoc, at least until recently when on occasion government institutions have collaborated in responding to illegalities, often reported by the media, NGOs, or communities. Integrated planning is urgent in order to improve land use and the compatibility of different human activities with sustainable development principles.

Profiles of International Tourists using Liberia and Juan Santamaria Airports: Based on analysis of ICT’s airport surveys, we find considerably different profiles of international travelers arriving through the Liberia and Juan Santamaria airports. Liberia arrivals are overwhelmingly North Americans, first time visitors who are seeking sun and beach activities, and who spend their holidays exclusively in northern Guanacaste. In contrast, those using Juan Santamaria airport are a mix of nationalities, more experienced travelers who engage in a variety of nature-based activities, visit national parks and various parts of the country, and stay longer than those entering through the Liberia airport. Although more research is needed to better understand these distinctions and the dollar flow, travelers through Juan Santamaria appear to be more valuable to Costa Rica because their spending is spread more widely around the country and more enters and stays in the local economy; in contrast, all-inclusive resorts – like cruise ships – are designed to capture and keep the tourism dollars inside the business.

Cruise Tourism on the Pacific Coast: Although a relatively small and often an overlooked component of the tourism market, accounting for about 16% of tourist arrivals, cruise tourism has developed without much critical assessment and today a number of expansion plans are under consideration. While most cruise ships dock at the country’s Atlantic ports (Limon and Moin) as part of the Caribbean circuit, some 80 cruise ships per year dock in the Pacific ports of Puntarenas and Caldera.

While Costa Rican officials have envisioned that cruise tourism would help to revitalize these coastal ports, in practice, economic benefits are scant. The vast majority of disembarking passengers immediately board buses supplied by 2 or 3 large, San Jose-base tour operators to visit natural and cultural attractions outside the ports. The cruise lines receive a hefty commission – often 50% of the price – for selling these tours to passengers onboard the ship. In addition, the head tax paid by cruise lines docking on the Pacific coast is very low. At the Pacific ports, the cruise lines pay $2.50 per passenger at Caldera and $4.00 for passengers at
whether they stay on the ship or disembark – compared with the Caribbean average of $8.66 per passenger. (It is even lower -- $2.09/n -- in Limon.) In addition, cruise ships are given priority over cargo ships, even though they pay less in docking fees: a cruise ship pays an estimated $11,000, while a cargo ship pays an estimated $52,000 in docking fees. According to a 2005 CREST-INCAE study, stayover visitors spent an average of 18 times more in Costa Rica than cruise passengers and the country took in $18.9 million from cruise tourism and $2.1 billion or 111 times more from overnight tourism. Given this, it is recommended that cruise tourism in Costa Rica should remain a small part of the overall tourism sector, especially on the Pacific Coast.

**Sustainable Coastal Tourism:** Unlike many countries, Costa Rica has two well respected ‘green’ certification programs – Ecological Blue Flag (BAE) and Certification for Sustainable Tourism (CST) -- that can help to ensure that coastal tourism adheres to recognized criteria for social, environmental, and economic sustainability. Both are voluntary and both are run by the government. Based on our research, we propose that CST or some similar program should be used at the hotel design and construction – not just the operational – stages and that CST should be expanded to include vacation home complexes. We also suggest that CST be strengthened by either making it mandatory for hotels and vacation home developments, or, at a minimum, that the government provide more incentives -- tax credits, low interest loans, and duty-free imports for ‘green’ products -- to help encourage more coastal hotels to voluntarily become certified.

**Changing Media Images and Tourism Industry Perspectives:** Over the last two decades, Costa Rica’s overall image and tourism reputation has undergone changes as its tourism offerings and international market have expanded, diversified, and matured. While in the early 1990s, Costa Rica gained an international reputation as a leading ecotourism destination, in the new millennium its reputation has been shaped in part by the trends discussed here -- namely, growth of resort and residential tourism along the Pacific coast. For instance, in interviews, editors and writers of some leading guidebooks lamented chaotic and uncontrolled tourism developments and several said they have stopped including in their guidebooks the more notorious Pacific coast resorts and overdeveloped beach towns. In terms of Costa Rica’s international position, tourism professionals interviewed in both Costa Rica and the United States said that while Costa Rica remains a very popular tourism destination, there are some reasons for concern. For instance, in *National Geographic Traveler* magazine polls with tourism experts in 2004 and 2009, Costa Rica’s ranking fell from 64 to 62 out of 100 points. The magazine said Costa Rica’s “middle-of-the-road showing” in both these surveys was “unexpected” and was attributed in part to large-scale Pacific coast resorts and the rise in crime, including against tourists.

**Environmental, Social, and Economic Impacts:** This study has found ample evidence that rapid and often poorly planned tourism-related coastal development has taken place at the expense of sustainable use of natural resources. Illegal and uncontrolled development has caused shortages of fresh water, pollution of ocean waters and beaches, illegal destruction of forests and mangroves, and, in some cases, stopping of public access to beaches. This process
is damaging Costa Rica’s international image as a green and sustainable destination, eroding the tourist experience, and causing a decline in quality of life for residents in a number of coastal communities. Media and NGO exposés, government interventions, legal cases, and local conflicts around natural resources and environmental issues have become more frequent in recent years. While there is more public awareness of environmental problems, the ability to prevent damage remains weak. Actions and rulings by government institutions are often poorly coordinated, sometimes contradictory, and typically after-the-fact of environmental damage. However, a number of government agencies have demonstrated, in specific instances, their capacity to collaborate and enforce environmental regulations in order to stop damaging practices.

In terms of employment, coastal tourism has created jobs in both construction and ongoing operations, as well as in the informal sector, but the long term impacts on poverty alleviation are less clear. Between 2003 and 2008, the high demand for construction jobs on the Pacific coast were met by Costa Ricans from other parts of the country and by temporary immigrants, mainly from Nicaragua. Direct and indirect jobs in tourism-related businesses – estimated to total 66,000 in Guanacaste province in 2006 – increased during the years of economic boom. However, better paying jobs which require a level of education and proficiency in English often went to foreigners or Costa Ricans from the Central Valley, and not to coastal residents. Extreme poverty fell along the coast during the tourism boom between 2003 and 2007, but it again rose in 2008 and 2009, as the economic crisis hit. Overall poverty levels (extreme and non-extreme) between 2003 and 2009 – the timeframe of the boom and bust – shows no significant change for the Central Pacific, beginning and ending at 26%. Guanacaste, however, shows a 6% drop in overall poverty, while Brunca (which includes the Southern Pacific) dropped 12% from 2003 to 2009. However, a number of variables – such as labor migrations and government investment in infrastructure and social service projects -- make it difficult to draw firm conclusions about the relationship between tourism development and reduction of poverty.

This study recommends that the government take advantage of the construction and investment hiatus brought on by the global economic crisis to examine the impacts of coastal tourism development to date, as well as the costs and benefits of different models of tourism: all-inclusive resorts, vacation home developments, cruise, sustainable tourism, and ecotourism. We conclude by offering our Top Ten Policy Recommendations. Put succinctly, they are:

1. Turn the Papagayo Project into a showcase for environmental and social best practices.
2. Abandon plans for another international airport and instead upgrade Palmar Sur as a regional airport, while providing investment and incentives to support nature-based ecotourism.
3. Expand the CST certification program to cover design and construction of hotels as well as vacation homes.
4. Do not increase large scale cruise tourism on the Pacific; instead focus on attracting smaller “pocket” cruises.
5. Ensure that local communities have clean, dependable, and sufficient portable water as part of any coastal tourism project.
6. Critically examine the costs and benefits of coastal vacation home developments.
7. Support new legislation that guarantees a sustainable and integrated development of the Maritime Terrestrial Zone (ZMT).
8. Endorse the “Programa de Regularización de Catastro y Registro” as a valuable step towards land use planning along the Pacific coast.
10. Support high value, nature tourism where Costa Rica has a proven record of success and a clear competitive advantage. Resort, residential, and cruise tourism should be limited geographically and in terms of their importance within the country’s tourism industry.
Impact of Tourism Related Development Along

Costa Rica’s Pacific Coast

Over the last two decades, Costa Rica has earned an international reputation as a leader in high value, small-scale, nature based tourism or ecotourism and, more broadly, as a leader in environmentalism. With the launch of the Peace with Nature Initiative, Costa Rica has pledged to become "carbon neutral" by 2021, the country’s bicentennial year. Costa Rica has also long been a leader in non-militarism, having abolished its army in 1948. In 1987, President Oscar Arias won the Nobel Peace Prize for promulgating the Central American Peace Plan that brought negotiated settlements to the region’s civil wars. And over the last year, Costa Rica has been proclaimed in various polls as the “happiest” country in the world--one where average personal happiness ranks higher than in any other country.1

These are remarkable achievements, worth celebrating, protecting, and strengthening. But, like all countries, Costa Rica also faces problems and challenges that should not be ignored. In recent years, portions of Costa Rica’s Pacific coast have experienced a rapid and often poorly planned growth of tourism and residential development. The growth includes all-inclusive resorts,2 other types of beach hotels, vacation home complexes, high rise condos, cruise ship tourism, and a wide range of auxiliary businesses and infrastructures, with development moving south along the coast towards the Osa Peninsula, a jewel of biodiversity and ecotourism. This study, prompted by growing public and government concern within Costa Rica about the environmental, social, and economic consequences of unplanned and unsustainable coastal and marine tourism, marks the first comprehensive and multi-dimensional analysis based on field research, interviews, surveys, official documents, independent studies, and media reports.

Research began in late 2007 at the height of rapid resort and residential tourism development and continued through the depths of the economic recession in 2009/10. The economic crisis has brought a severe slowdown to the pace of coastal development. The slowdown, however, provides an opportunity now for the country to examine the impacts of recent development and, if desired, take steps to make policy changes. The inauguration of a new government in 2010 offers a further opportunity for fresh beginnings. But the window for action is likely to be narrow: aggressive real estate and resort development will likely resume as the global – most importantly, the U.S. – economy revives. Costa Rica finds itself at a critical stage – an inflection point – where a more profound and informed debate must form part of any advanced stage of tourism development, particularly in coastal areas. If a new course is desired, now is the time to chart it.
Global Trends in Coastal and Marine Tourism

The growth of all-inclusive resorts, vacation homes, and cruise tourism along Costa Rica’s Pacific coast is part of a global pattern of development of coastlines and islands for international tourism. Tourism based on sun, sand, and sea is among the fastest growing and most lucrative sectors of the tourism industry. Since 1970, for instance, the number of people taking cruises globally has jumped over 24-fold, to about 12 million per year – and the number is projected to double again by 2020. In Europe, 63% of holidaymakers prefer the coast as compared to 25% favoring mountains, 25% preferring cities and 23% the countryside. Globally, 12 of the 15 world’s top destinations were countries with coastlines, and in the U.S., three coastal states (New York, Florida, and California) hosted 74% of total overseas visitors. In the Caribbean and Central America, coastal resort and residential tourism is closely tied to the U.S. market and is thus characterized by destinations that are within a few hours flight from key U.S. cities. Costa Rica’s Pacific coast, particularly the northwestern region, has been, since the beginning of direct flights from the U.S. to the Liberia airport in 2002, a virtual “epicenter” for coastal development.

While there are variations in the way coastal resort development occurs from one world region to another, it is possible to discern overall patterns and trends. One is the tendency to combine coastal resorts with vacation home development into what Costa Ricans’ call “residential tourism.” By combining a resort property with vacation homes, investors first build and sell the homes and then use the proceeds to finance resort construction. The fact that these all-inclusive resort complexes are typically designed to include restaurants, golf courses, marinas, spas, shops, and other amenities, means that the vacation home properties can command a higher price. Within this model, all components help add value to one another. While this makes internal financial sense, can be very lucrative, and can quicken the return on investment, the impacts on the host country are far more questionable. As with cruise tourism, most of the activities and earnings stay within these resort complexes that typically require large investment and imports, not to mention major infrastructure and services (roads, international airports, electricity, police, hospitals, etc.)

Local communities are sometimes threatened by larger resort and residential developments that use vital resources, particularly fresh water, which are perceived to be scarce. A typical U.S. style golf course, for instance, uses as much water per day as a town of 5000 to 10,000 persons. There are a range of social issues as well – displacement of local residents, cut off of access to beaches, rise in cost of land and living, and most fundamentally, a loss of sovereignty as coastlines are increasingly sold off to foreigners.

In addition to all-inclusive resorts, some areas along Costa Rica’s Pacific coast – including Tamarindo, Manuel Antonio, Jacó, and El Coco-Ocotal – have experienced intense and chaotic development of small and medium hotels with a mix of individual vacation homes, apartment towers, condos, and gated communities. Costa Ricans have given the name “ant development” (desarrollo hormiga) to this pattern which, when taken as a whole, may cause environmental and aesthetical deterioration of a destination. Another reality of today’s coastal tourism development is that it is often more about real estate speculation than long term investment.
Many investors plan to get in and out of projects within a few years. In the past, the life cycle of coastal tourism resorts was typically 25 years, but nowadays, properties ‘flip’ or change owners much sooner. This serves to drive many decisions. For instance, the growth of golf courses and marinas is not based solely on market demand for these activities but rather is linked to the fact that they increase the value of vacation homes located within the complex. According to Ministry of Tourism (ICT) surveys for 2007, in Costa Rica slightly over 2% of international tourists play golf, but the rule of thumb is that houses built around a golf course can sell for 20% more. So golf courses are being built not to meet tourist demand, but to increase the value of condos and vacation homes. The speculative nature of much coastal development also has implications for the social and environmental impacts of this development. Because ownership of coastal tourism and vacation home properties is dominated by foreigners, frequently change hands, and involve multiple layers of investors and managers, and because vacationers and home buyers are often only on site for brief periods, the result is a highly unstable situation, with little commitment to the long-term well being of the region. It may be said that there are many owners at a mass tourism destination, but not enough of them ‘take ownership.’

In many countries the ability of governments to independently make and enforce coastal tourism land use and development policies is often undermined by weak municipal or national government institutions, a multitude of agencies, complex and sometimes conflicting regulations, and illegal business deals and practices. Politically well-connected elites have sometimes managed to gain control of prime coastal land (displacing the local owners), while developers are often willing to pay (usually modest) fines for violations rather than work through cumbersome legal regulations and bureaucratic channels. Corruption and cronyism, although difficult to document, are said to play an important role in coastal and cruise tourism decision making.

This study documents how some of these global trends are playing out along Costa Rica’s Pacific coast. All of the problems experienced in other coastal tourism destinations are found in Costa Rica. However, Costa Rica’s tourism sector has a clear advantage over virtually all other sun, sand and sea destinations: developed over several decades, Costa Rica already has a successful and sustainable model based on small-scale nature-based tourism and thus enjoys a strong international reputation as a leading ecotourism destination. However, as this study has found, Costa Rica’s sustainable ecotourism “brand” is being challenged and undermined by the rapid growth of large scale coastal resort, residential, and cruise tourism.
Overview of Pacific Coast Tourism in Costa Rica

Discussion of Pacific coast tourism in Costa Rica properly begins with Guanacaste Province, where plans to develop international sun-and-sand tourism date back four decades. In the early 1970s, the Costa Rican government, with the support of the Central American Bank for Economic Integration (Banco Centroamericano de Integración Económica – BCIE), set out to move Guanacaste, one of the two poorest regions in the country, away from agriculture and ranching and into international tourism modeled after resort tourism along the Spanish and French coasts. The centerpieces of this ambitious development scheme were two government financed projects: a new international airport outside Liberia and the Gulf of Papagayo Tourism Pole (GPTP) in which the government would purchase the land, supply some infrastructure, and lease the land on fixed term concessions to international resort developers. In this era before the concept of ecotourism had been born, the World Bank, USAID, and other development agencies were promoting large international resorts as a development tool for poor countries in Latin America, Asia and Africa. Interestingly, however, in the late 1970s, both the World Bank and the Inter-American Development Bank (IDB) were forced to close their tourism departments, largely because developing countries protested that foreign owned resort tourism had proved a poor development model because most of the profits “leaked out” of the host country, typically leaving behind social and environmental problems and only low paying jobs.7

In Costa Rica, these early plans for international resort tourism were stillborn -- but not because they were perceived as a bad development model. Rather, the wars in Central America, in which Costa Rica was peripherally involved, prevented international investors, airlines and tourists from coming to Costa Rica. In fact, in the first half of the 1980s, international tourism actually declined in Costa Rica.

It wasn’t until after 1987 when, as mentioned earlier, President Oscar Arias won the Nobel Peace Prize for the Central American Peace Plan, that Costa Rica’s international reputation and tourism prospects quickly changed. Between 1989 and 1994, international tourism more than doubled, from 376,000 to 761,000. This growth was predominantly in ecotourism, not the resort tourism for which the government had scoped out Guanacaste. Costa Rica’s style of ecotourism was largely homegrown, based on its outstanding network of public and private parks, as well as its relatively good infrastructure, large middle class, well educated and healthy work force, and stable, democratic government. These ingredients, plus close proximity to the North American market, made it possible for Costa Rica to move rapidly into the travel industry’s hottest new sector, ecotourism. By 1992, Costa Rica was already being hailed as “the number one ecotourism destination in the world” and ICT airport surveys were showing that most tourists were coming to Costa Rica for ecotourism-related reasons.8

In contrast, Pacific coast resort and residential tourism did not really take off for another decade. The boom between 2002 and 2008 was brought on by substantial foreign investment, international brands, and government financed infrastructure -- most importantly the Liberia airport and the Papagayo Project (PTGP) concessions. As described in more detail below, this was an era of fast-paced land speculation, poorly planned construction, and loose government
oversight. The bust, beginning in late 2008, was caused by the U.S.-led global economic crisis and it quickly brought most construction to a halt.

The following is a brief summary of the main findings, conclusions, and recommendations from the individual reports that were produced for this project.

Figure 1: Map of Costa Rica

Source: http://geology.com/world/costa-rica-map.gif
Key Findings and Conclusions:

Changes in Land Use

During the first half of the 20th century, Costa Rica’s Pacific coast was characterized by small rural towns based primarily on agriculture, livestock, and fishing. Many communities along the coast were isolated, with poor connections to main roads and other towns. The banana plantations exported through the ports of Quepos and Golfito, with Puntarenas as the main Pacific port for other exports and imports. Early in the century, central valley residents were able to reach Puntarenas by railroad and, later on, roads and motor vehicles extended access to a bigger stretch of the coastal zone. In the 1960s and 1970s, some Costa Ricans built vacation homes in Pacific coast communities. However, for many coastal towns, access remained a challenge. For example, Tárcoles and Jacó could only be reached by ferry since there was no bridge on the Grande de Tárcoles River at the time.

Conditions began to change in the 1970s, as the new Pan American Highway and improved local road networks made it easier to reach Guanacaste beach communities like Playa Hermosa, El Coco, Conchal, and Brasilito. In 1978, the first section of the Southern Coastal Highway (Costanera Sur) opened to Jacó and Quepos. In fits and starts, more sections of highway were paved and bridges constructed over the coming decades. (The fully paved Southern Coastal Highway to just beyond Dominical is expected to finally be completed in 2010.) This highway gave Costa Rican families of various social strata access to beaches for holiday and weekend recreation. During the late 1970s as well, the government initiated the Gulf of Papagayo Tourism Pole (PTGP), together with the Liberia airport, as part of a strategy to bring economic benefits to Guanacaste through international resort tourism. As discussed below, these twin projects largely languished until this current decade.

Other events contributed to the transformation of land use along the Pacific coast. Creation of the national park system, beginning in the late 1960s, put large chunks of territory under protection. From North to South, major coastal parks and reserves include Santa Rosa National Park, Las Baulas National Marine Park, Tamarindo Wildlife Refuge, Camaronal Wildlife Refuge, Ostional Wildlife Refuge, Carara National Park, Cabo Blanco Nature Reserve, Manuel Antonio National Park, Ballena National Marine Park, and Corcovado National Park. In the early 1980s, the United Fruit Company withdrew from Golfito, ending banana production and uprooting many working families who migrated elsewhere in search of employment. In the 1980s and 1990s, Guanacaste’s cattle industry declined sharply because of falling beef prices. While agribusiness remained dominant, these changes facilitated a shift from pasture lands back into tree cover and forests.

In the final decade of the 20th century, Guanacaste experienced a rapid transition from agribusiness to an economy centered around services, particularly tourism. The Estado de la Nacion report in 2000 predicted that, with the increasing flow of international investment into large-scale tourism projects, the coast could also become a zone for residential real estate investment. The report noted that the most common new model was the all-inclusive resort, with
golf courses and vacation homes as central attractions, a model that was incentivized by the Special Law of the Gulf of Papagayo Tourism Pole (PTGP).  

In order to better understand these changes and their impact on land use, we took a bird’s eye view of the coast using aerial photos from 1980, 1998, and 2005. The photos show that land use for human settlement and tourism along the Pacific coast has grown primarily at the expense of agricultural and grazing lands, not forest cover. In fact, in some places, tree cover has increased through forest conservation and tree planting, in some instances supported by sustainable tourism practices. We also carried out field studies and household surveys to provide more current data and observations. Taken together, the photos and field research permitted a comparative analysis of changes in each of the ICT’s five tourism planning units along the Pacific coast: Northern Guanacaste, Southern Guanacaste, Puntarenas and the Gulf Islands, Central Pacific, and South Pacific.

Figure 2: Map of Case Studies along Pacific Coast


For more detailed analysis of land use changes, we selected twelve different locations within the five tourism planning units on the basis of their tourism and residential real estate development to date or expected growth. The information generated provides an understanding of the main changes and trends over the last three decades and reveals widely varying levels of land use
linked to tourism and residential real estate development. As Figure 3 shows, the growth in human settlements and tourism development ranges from major changes in locations like Playa Grande-Tamarindo, Puntarenas-Caldera and Herradura-Jacó to relatively little change in Malpais-Montezuma, Dominical-Tortuga, and Golfito. Experts interviewed note that the areas of greatest change in the Pacific coast have not only experienced a rapid influx of foreign investment, but also more than average public investment in economic infrastructure (roads, airport, energy, water, etc.) and social investment (housing, police, education, health) by successive governments in order to prevent crime problems and provide a welcoming atmosphere for international investors, developers, and tourists.

**Figure 3: Land Dedicated to Human Settlements & Tourism on the Pacific Coast, 1980 – 2005**

<table>
<thead>
<tr>
<th>Case study locations</th>
<th>1980 (ha)</th>
<th>% of area</th>
<th>1998 (ha)</th>
<th>% of area</th>
<th>2005 (ha)</th>
<th>% of area</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Northern Guanacaste</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Papagayo-El Coco</td>
<td>62.38</td>
<td>1.18</td>
<td>434.85</td>
<td>8.27</td>
<td>726.79</td>
<td>13.83</td>
</tr>
<tr>
<td>Potrero-Flamingo-Brasilito</td>
<td>31.05</td>
<td>0.51</td>
<td>266.67</td>
<td>7.98</td>
<td>418.24</td>
<td>12.42</td>
</tr>
<tr>
<td>Playa Grande-Tamarindo</td>
<td>22.47</td>
<td>0.74</td>
<td>246.85</td>
<td>8.1</td>
<td>837.61</td>
<td>27.5</td>
</tr>
<tr>
<td><strong>Southern Guanacaste</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Samara-Punta Islita</td>
<td>56.94</td>
<td>0.97</td>
<td>224.77</td>
<td>3.84</td>
<td>544.34</td>
<td>9.27</td>
</tr>
<tr>
<td>Malpais-Montezuma</td>
<td>13.15</td>
<td>0.29</td>
<td>7.52</td>
<td>0.42</td>
<td>32.24</td>
<td>1.73</td>
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<tr>
<td>Paquera</td>
<td>11.77</td>
<td>0.46</td>
<td>11.23</td>
<td>0.45</td>
<td>23.16</td>
<td>0.92</td>
</tr>
<tr>
<td><strong>Puntarenas and Golf Islands</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Puntarenas—Caldera</td>
<td>726.38</td>
<td>9.7</td>
<td>1,291.03</td>
<td>17.05</td>
<td>1,724.84</td>
<td>22.63</td>
</tr>
<tr>
<td><strong>Central Pacific</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Herradura-Jacó</td>
<td>78.98</td>
<td>3.97</td>
<td>268.34</td>
<td>13.33</td>
<td>415.92</td>
<td>20.67</td>
</tr>
<tr>
<td>Quepos-Manuel Antonio</td>
<td>190.98</td>
<td>8.62</td>
<td>301.5</td>
<td>13.73</td>
<td>297.46</td>
<td>12.99</td>
</tr>
<tr>
<td><strong>South Pacific</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dominical-Tortuga</td>
<td>10.56</td>
<td>0.63</td>
<td>50.08</td>
<td>2.76</td>
<td>43.98</td>
<td>2.91</td>
</tr>
<tr>
<td>Golfito</td>
<td>184.43</td>
<td>6.26</td>
<td>200.05</td>
<td>6.84</td>
<td>215.52</td>
<td>7.31</td>
</tr>
<tr>
<td>Puerto Jiménez</td>
<td>25.67</td>
<td>1.37</td>
<td>88.54</td>
<td>4.84</td>
<td>101.96</td>
<td>5.45</td>
</tr>
</tbody>
</table>

Source: Based on research by TT Argos.

In Tamarindo-Playa Grande, for instance, land dedicated to human settlement and tourism grew dramatically, from less than 1% at the beginning of the 1980s to 27.5% in 2005. A good part of this change came from growth in hotels, vacation homes and condos, and tourism-related
businesses. In the 1970s and 1980s, there was only one main hotel, Tamarindo Diria, on the beach within the maritime zone. This comfortable but simple Costa Rican owned hotel catered to both nationals and foreigners. Today the hotel, like the rest of the area, has been transformed. It is now the 4-star, 183-room Tamarindo Diria Beach & Golf Resort which includes residential condominiums, a spa, and casino, and is owned by a U.S. company, CB Richard Ellis Hotel Group. By 2005, the real estate market for associated residential properties was also growing rapidly.

One of the largest tourism projects near Tamarindo is Hacienda Pinilla, owned by H.G. (Pat) Patillo, a developer from Atlanta, Georgia. Covering approximately 4500 acres (about 2000 hectares), the property is one of the largest beach resort and gated residential communities in the country. Built on a cattle ranch, it is “situated within a dry tropical forest and a vast wildlife refuge” and “buttressed against three miles of pristine shoreline.” In early 2009, the 310-room JW Marriot Guanacaste Resort & Spa opened within this complex.

In contrast, the Osa Peninsula which is highly valued for its natural ecosystems, has been largely unaffected because much of the land -- almost 70% of its 2,000 km² -- is under protection and the peninsula so far lacks the infrastructure (paved roads, international airport, rural electric service, etc) required for large-scale tourism and residential developments. Instead, tourism has been characterized by small scale nature-based land and marine activities and, in the last decade, a growth of largely foreign owned properties with vacation homes. Between 1980 and 2005, land used for human settlement and tourism around Puerto Jimenez, the Osa’s largest town, increased modestly, from 1.5% to 5.5%, while forest cover more than doubled, from 22% to 48%; at the same time, the photos reveal that pastureland declined dramatically, from 63% to 28%.

- Conclusions regarding land use

Our study confirms that land use changes along the Pacific coast -- from the banana company pullout and falling beef prices to the recent boom and bust in tourism and residential real estate investment -- have been heavily determined by economic forces from outside Costa Rica. The notable exception was Costa Rica’s home grown decision to create the national park system. While the government has targeted priority areas for infrastructure and social services, land use planning for tourism and residential development is generally focused on specific projects rather than on boarder destination or landscape management in coastal areas. (The PTGP is the only instance of large scale government tourism planning—it is discussed separately below.) One consequence is that although national parks, wildlife refuges, and mangroves are protected by law, Las Baulas National Park, Tamarindo Wildlife Refuge, Camaronal Wildlife Refuge, Manuel Antonio National Park, Carara National Park, and other protected areas are straining under the pressure of urban expansion and tourism growth.

Our study also revealed great variation by municipality in the record of land use change from 1980 to present. This finding highlights the need for more consistency among municipalities to ensure that all development projects approved are designed and constructed with the minimum
possible impact on the county’s natural resources, in coordination with the Technical Environmental Secretariat (Secretaría Técnica Ambiental or SETANA), Environmental Administrative Tribunal (Tribunal Ambiental Administrativo or TAA), and National System of Conservation Areas (Sistema Nacional de Áreas de Conservación or SINAC). In addition, coastal communities should be viewed as part of the country’s social and cultural heritage and priority should be given to ways of blending new tourism and residential developments with functioning coastal towns and villages. Land use planning should include areas for local housing, social services, and infrastructure to provide quality of life for local residents and should promote the use of clean technologies as well as accessible and friendly urban infrastructure. Further, we recommend that all norms, regulations, and responsibilities relating to coastal land use planning should be consolidated in a single national handbook as part of a new general law for coastal development.

Governmental initiatives such as the “Programa de Regularización de Catastro y Registro,” financed by the InterAmerican Development Bank and expected to be completed by late 2010, can be very valuable in organizing land use along the coast. This Program’s component 2.3, “Planes reguladores costeros en el Pacífico de Costa Rica,” is expected to offer a broad zoning system for the North and Central Pacific coast with land use plans for the ZMT (excluding protected areas or those parts of the ZMT with plans already approved by the ICT). Zoning categories and uniform rules are to apply throughout the region. This zoning system is intended to help municipalities, the ICT, and investors to make better decisions concerning concessions within the ZMT. It is important that zoning also takes into consideration local needs for housing, public services, and infrastructure.

Legal and Institutional Framework and Oversight

Coastal tourism and real estate development are regulated by a complex network of laws and government agencies that cover such topics as land use planning, conservation, construction, and environmental impact and control. The Maritime Terrestrial Zone Law 6043 passed in 1977 divided the coastline into two main areas: 1) the Maritime Terrestrial Zone (Zona Marítimo-Terrestre, ZMT) or the first 200 meters above the high tide line, and 2) the rest of the coastal zone. The ZMT, in turn, includes two subzones: the public subzone which is the first fifty meters above high tide and the restricted subzone which includes the next 150 meters. A fundamental distinction is that the ZMT is public domain – with the exception of historically registered private lands within it – and its use is conditioned upon the granting of concessions and “use permits” (permisos de uso) as well as the fulfillment of multiple requirements established in the legislation. In contrast, the coastal zone located beyond the ZMT includes both public and private land and a range of diverse regulations, decrees, and instruments govern its use. In both the ZMT and the coastal zone, land use planning and preventive mechanisms related to construction and the environmental impact assessment are intended to play an important role in moving towards sustainable development along the Pacific coast.
However, this has not been the case to date, as the rapid development of coastal tourism projects, vacation homes, and auxiliary businesses and infrastructures over the last decade demonstrates. The existing legal framework suffers from internal deficiencies and inconsistencies, overlapping authorities, and a heavy reliance on weak and ill-equipped municipal governments. Legal procedures have often been ignored or partially applied, allowing private developers to step into the void and direct land use planning and other procedures that should be handled by public institutions. Municipalities have been both inefficient and irresponsible in the planning of their ZMT, and existing plans are disconnected from each other. At the same time, the Costa Rican Tourism Institute or ICT has failed to adequately interpret and carry out its responsibilities for “superior vigilance” (superior control y vigilancia) over the ZMT. Tools used by ICT to approve coastal land use plans are outdated and urgently need to be revised, and civil society lacks ways to effectively participate in the process. The role of the Technical Environmental Secretariat or SETENA (Secretaría Técnica Ambiental) has been limited to approving the environmental feasibility of proposed projects, but it lacks capacity to oversee implementation. As a result, enforcement of environmental legislation has been ad hoc until recently. In the last several years, the Environmental Administrative Tribunal or TAA (Tribunal Ambiental Administrativo) and the Ministry of Health, often responding to illegalities discovered by citizens, NGOs, and the media, have been the government agencies that have most effectively enforced existing environmental regulations.

- Legislation related to the Coastal Zone

The following highlights the most important legislation related to activities in the coastal zone, including the ZMT:

- **Land use planning (ordenamiento territorial):** This includes the Urban Planning Law (Ley de Planificación Urbana) and scores of other related regulations, mostly at the municipal level. It is estimated that at least 45 laws, regulations, and decrees contain provisions related to the planning and control of land use; another 32 contain aspects directly related to urban development; 7 relate to infrastructure; 6 to the ZMT; 21 to rules for water management, sanitation and public health; 17 to the protection and management of natural resources; and 36 to municipal government responsibility for land management. In addition, 15 have provisions related to preventing or responding to national emergencies and catastrophes (earthquakes, hurricanes, flooding, others); 22 contain clauses related to expropriations and easements (servidumbres); and 8 refer to the management of water basins.\(^\text{16}\)

**Construction:** There are 34 basic legal instruments regulating construction in the country, plus some special rules for the coastal zone. These include the Construction Law 833 (1949) and its guidelines (INVU 1983, plus amendments in 1987 and 1988) which define the conditions necessary for construction permits (Article 74), and municipality responsibilities (Articles 1 and 52). Law 1788 of the National Housing and Urban Institute (Instituto Nacional de Vivienda y Urbanismo, INVU) which requires formal
approval of land use plans and blueprints. In 1966, Law 3663 created the Federated College of Architects and Engineers (Colegio Federado de Ingenieros y Arquitectos, CFIA) which must work with public and private entities in setting construction standards. CFIA is responsible for drafting guidelines for the construction sector, approving blueprints, and inspecting 30% of projects per year in order to verify that they comply with the approved plans.

- **Natural Protected Areas and the State’s Natural Patrimony:** National parks and reserves fall under the Ministry of Environment, Energy and Telecommunications (MINAET). They are guided by their own sets of laws and are not affected by either municipal regulations or the ZMT Law 6043. Protected areas, including national wildlife refuges, national parks, biological reserves, forest reserves, protected zones, natural monuments, and wetlands are considered to be part of the State’s natural patrimony (Patrimonio Natural del Estado). They are covered by a range of specific laws including the Forestry Law, General Environmental Law 7554 of 1995 (Ley Orgánica del Ambiente), Wildlife Law, and Biodiversity Law. They must also comply with various international laws such as Law 7224, passed by Costa Rica in 1991, which was adopted by the International Convention on Wetlands in 1991.17

If a forest reserve falls within the bounds of the maritime terrestrial zone, it will automatically become part of the State’s natural patrimony to be administered by MINAET. The practical consequence of this is that the municipalities cannot legally administer or grant concessions in forest reserves located within the maritime zone. Any research, training and ecotourism businesses carried out within the State’s natural patrimony must be approved by MINAET which often requires environmental impact evaluations. MINAET can only authorize activities in forest reserves that do not require the use of forest resources and do not have any impact on the ecosystems, wildlife, soils, wetlands, and aquifer systems, except for activities specifically permitted by the Wildlife Conservation Law and the National Park Service Law.

- **Environmental impact:** A significant number of rules and regulations deal with the environmental impacts of human activities in the country as a whole, including the coastal zone and the ZMT. The main regulations can be found in the General Environmental Law, which created SETENA as a division of MINAET in charge of approving the environmental feasibility (viabilidad ambiental) for all activities and projects, based on environmental impact assessments or studies. The environmental feasibility is a permit or license that approves development plans based on the assumption that developers will implement a series of specific measures to minimize or mitigate environmental impact. SETENA has issued numerous regulations or mandatory guidelines regarding how to carry out environmental impact assessments.

**Permits for the use of natural resources:** Another important component of regulation covering the coastal zone relates to legislation on the use of natural resources. MINAET’s Water Department provides permits or concessions for the use of water. For
example, any hotel or urban development needing a well for water supply requires a water concession and digging permits. MINAET’s Geology and Mining Department provides concessions for the extraction of sand and rocks for construction projects from river banks. Another section of MINAET, the National System of Conservation Areas (Sistema Nacional de Áreas de Conservación, SINAC), grants forestry, hunting, and fishing permits, in accordance with legal prohibitions and restrictions.

**Environmental control:** Finally, there are laws related to the environmental control of activities that are applicable to the coastal zone, including ZMT. Among the most relevant institutions responsible for law enforcement are the Environmental Administrative Tribunal (a body of the MINAET), the Ministry of Health, and SETENA. Legislation grants them legal intervention powers, for instance, to stop illegal actions, close down illegal activities, and demand payment for environmental damages. There are also several judicial bodies with the power to rule on environmental matters. These are the Constitutional Court, the Environmental Prosecutor’s Office of the Public Ministry and, more recently, ordinary tribunals (tribunals contencioso administrativos) which handle complaints.

**Legal and Institutional Authorities in the Coastal Zones**

At least 23 national institutions, 19 municipalities (15 on the Pacific and four on the Caribbean), and 4 district councils (Paquera, Lepanto, Cóbano and Colorado de Abangares) have roles in overseeing the enforcement of the ZMT law and have responsibilities related to tourism development in the coastal zone. Most of these institutions carry out their duties throughout the entire country, although some have specific rules and functions pertaining to the ZMT. The most important of these authorities are:

- **Municipalities:** The 15 municipalities along the Pacific coast have responsibility for the design and approval of land use plans within the ZMT and the rest of the coastal zone. They enforce laws and environmental regulations related to construction, issue building permits for projects, and must inspect construction sites to make sure that developments comply with what has been authorized in the permits. They can stop or demolish construction that is illegal or does not follow approved plans. Municipalities also have major responsibilities for enforcing the provisions of the ZMT Law 6043, including, among other functions, conserving its natural resources, approving infrastructure and construction projects, granting concessions and collecting fees within the restricted zone, and guaranteeing free public access.

- **Attorney General’s Office (PGR):** Through issuing, mostly binding opinions, the Attorney General’s Office has exercises legal control over all public entities involved in the ZMT and can take action, including cancelling concessions contracts, against those who violate or infringe the zone’s regulations. The PGR is also part of any legal procedures involving criminal infractions of the ZMT Law.
• **Constitutional Court (Sala IV):** According to article 1 of the Law of the Constitutional Court, by which the proceedings are governed, the purpose of the Constitutional Court is to “guarantee the supremacy of the constitutional norms and principles and of international law in force in the Country, its uniform interpretation and application as well as the fundamental rights and liberties established in the Constitution or in international instruments of human rights in force in Costa Rica. Through the Amparo (a proceeding to guarantee fundamental rights and liberties other than those protected by the habeas corpus proceeding) and the unconstitutional actions the Court can guarantee the basic rights such as the right to health (article 21) or the right to a healthy environment (article 50). The Court has issued several-binding-resolutions to protect the right for a healthy environment and the right to health related to coastal developments.

• **Ombudsman’s Office (Defensoría de los Habitantes):** The Ombudsman Office was established by Law No. 7319 of 1992. The Ombudsman has a broad mandate to protect and promote the rights and interests of the country inhabitants and to review the proper functioning of the public sector. The Office is authorized to, among other things, investigate through its own initiative or based on complaints, the public sector’s failure to enforce or comply with laws (including environmental laws). The resolutions of the Office are non-binding. The Ombudsman has issued different resolutions related to the public sector roles and responsibilities regarding coastal tourism development.

• **Comptroller General of the Republic (CGR):** This office, which is responsible for oversight and management of public resources, can demand more efficiency from and collaboration among public institutions and can request that municipalities be more efficient in the use of their financial resources. It also supervises the application of environmental law as an integral part of its management of public resources. It has issued numerous supervision reports regarding enforcement of ZMT-related responsibilities by the municipalities, ICT, and INVU. The Comptroller is currently leading a process to enact new legislation pertaining to the ZMT. The stated purpose is to organize the use of the ZMT and its interactions with the marine areas and the rest of the coastal territory with the aim of protecting its natural and cultural heritage and guaranteeing public access and enjoyment. There is a need to eliminate ambiguities in responsibilities related to the strategic development of the ZMT, in areas such as land use plan approval, implementation of infrastructure, equipment and services, and granting concessions.

• **Costa Rican Tourism Board (ICT):** This autonomous government institution, created to promote tourism, exercises its wide-ranging responsibilities guided exclusively by its Board of Directors. The Board, in turn, must follow the national development plan and other government laws and instruments. The ICT’s Planning Department has a range of responsibilities, including exercising ICT “superior control and vigilance” over the ZMT, declaring whether areas are for tourism or not and formulating integral tourism development plans, approving applications for concessions as well as cancelling
concessions, and dictating measures necessary for conservation of natural resources within the ZMT. In addition, the ICT has responsibility for developing the Gulf of Papagayo Tourism Pole, including approving or modifying the Master Plan and approving concessions. ICT is also responsible for promoting and developing tourism in the rest of the coastal zone. And it is responsible, as well, for running the two main certification programs covering tourism businesses: the innovative Certification for Tourism Sustainability (CST) that classifies accommodations, tour operators, and car rental agencies based on environmental, social, and economic criteria and the traditional 5-Star-Program that classifies tourism accommodations based on specific quality, service, and price criteria.

- **Ministry of Environment, Energy, and Telecommunications (MINAET):** This multidimensional ministry oversees protected areas and includes several departments with key responsibilities over tourism developments within the coastal zones. These include:

  - **National System for Conservation Areas (SINAC):** This body of MINAET oversees protection of parks and other protected areas, wildlife, and state and private forests, including implementing management plans and enforcing rules for public use. It administers forests within the ZMT that are part of the State’s natural patrimony.

  - **National Technical Environmental Secretariat (SETENA):** Created in 1995, SETENA is responsible for approving the environmental feasibility, issuing permits, and ensuring compliance for all projects, including in the ZMT and coastal zone, as well as for marinas. Developers must, in turn, implement a series of specific measures to minimize or mitigate environmental impact. SETENA’s decisions are binding for both private and public entities. Although strengthened during the Arias administration, SETENA suffers from insufficient technical and administrative staff and limited resources, and its permits have not served as effective tools for environmental impact control.

  - **Environmental Administrative Tribunal (TAA):** Also created in 1995, TAA serves as a remarkably independent body within MINAET whose decisions cannot be appealed before the Minister. Its responsibilities include resolving complaints for infractions of environmental and natural resources laws by companies and other government agencies and establishing compensation for damages. In recent years, the TAA has issued important decisions regarding coastal development projects that have not respected environmental laws.

  - **Geology and Mining Department:** This department has the authority to grant and cancel concessions for extraction of rocks, sand, and other materials from rivers and underground in compliance with environmental and other laws.

  - **Water Department:** It grants water concessions, including permits for well digging for hotels and vacation homes, and controls extraction of water from aquifers.
• **Ministry of Health (MINSA):** This Ministry has the authority to close hotels and other facilities that violate health regulations, ensure they have proper water treatment and waste disposal systems, and grant sanitary permits for activities in the coastal zone. Under the Arias government, this Ministry was active in closing several hotels.

• **Water and Sewage Institute (ICAA or AyA) and Communal and Rural Aqueduct Associations (ASADAS):** AYA is responsible for providing water and sewage services; ensuring water quality; and administering Ecological Blue Flag, the voluntary beach and water quality and safety certification program that has been effective in decertifying a number of polluted coastal beaches. ASADAS administers communal aqueducts and providing water services to the public.

Other government bodies with specific responsibilities regarding tourism and vacation home development in the coastal zone include the Legislative Assembly, National Geographical Institute (IGN), Institute for Agricultural Development (IDA), Ministry of Public Works and Transportation (MOPT), Internal Revenue Service of the Treasury Department, National Service for Irrigation and Drainage (SENARA), National Commission on Emergencies and Risk Prevention, Housing and Urban Institute (INVU), and National Registry of the Ministry of Justice.

In addition, the President has certain powers that can affect tourism development in the coastal zone. In April 2008, the Presidency, together with ICT and several other ministries, enacted an Executive Decree 34456 to help bring order to tourism and residential development in Guanacaste and to prohibit construction of buildings more than three storey’s high in the zone adjacent to beaches. Known as the Chorotega Decree, the executive order established a methodology and general directives for the territorial planning of the Chorotega Region in the absence of regulatory instruments such as zoning plans or specific tourist development plans for this region. Specifically, the Decree limits the density, height, and lot size of construction in three zones: The Maritime Terrestrial Zone (ZMT, starting at 50 meters from the high tide line to 200 meters inland), the Intermediate Zone (from the ZMT to 1 kilometer inland), and the Internal Zone (from 1 kilometer to 3 kilometers inland). While a significant step in the right direction, it lacks environmental standards and is by itself inadequate to control land use and tourism development in the coastal zone.

The President can also declare specific projects to be “of national convenience” (*Declaratoria de Conveniencia Nacional*). Under Forestry Law 7575, the government may authorize changes in land use, understood as cutting of forest cover, for public or private projects deemed to be in the national interest. The Forestry Law says that the cutting must be “limited, proportional, and reasonable.” While this power was intended to be used for roads and other infrastructure projects deemed of national importance, this study has found that four of the highest profile coastal tourism projects were granted Declarations of National Convenience. In 1998 and 1999, President Miguel Ángel Rodríguez issued such Declarations for the Los Sueños Resort and Marina in Puntaranes and for Ecodesarrollo Papagayo, the largest concessioner in the government’s PTGP or Papagayo Project in Guanacaste. During his second presidency, Oscar...
Arias also issued two Declarations of National Convenience for resort projects, one for the entire Gulf of Papagayo Tourism Pole and the other for Cacique Costa Rica owned by AOL co-founder Steve Case, even though this project had failed its first environmental impact assessment with SETENA. This Declaration allows MINAET to provide permits for construction on forested land which ordinarily would not be allow under the Forestry Law. This was not a carte blanche permit to sidestep all environmental laws, but only those concerning the cutting of forests. However, since the language is vague and on the ground oversight appears limited, there is reason for concern that the Declaration of National Convenience might be stretched by developers to bypass other environmental regulations and legal procedures. Clearly use of this Declaration for large resort projects violates the intent of the Declaration and undermines already inadequate procedures: it should not be permitted for tourism projects.

- **Conclusions regarding the Legal Framework**

Management of the ZMT has suffered from weaknesses within both municipal and central government institutions. Since 2004, a litany of management weaknesses have been identified in numerous studies, including Comptroller (CGR) reports (Informes de Fiscalización) and State of the Nation (Estado de la Nación) reports, among others. These documents describe how illegal construction, non compliance with legal procedures, failures to fulfill land use plans, weak enforcement, and poor tax and fee collection and control practices have contributed to poorly planned development along the Pacific coast.

The existence of different institutions operating along and overseeing the Pacific coast does not itself constitute a constraint if they can rely on well-defined responsibilities and solid coordination, planning, and management mechanisms. The primary problem is the lack of clarity about each institution’s responsibilities which has generated conflicts, uncertainty, and difficulties. For example, the scope of the “superior vigilance” responsibility of the ICT is not clear, nor is the relationship between ICT planning and that of the municipalities or, in certain cases, the legal responsibilities of MINAET and those of the municipalities.

Current legislation that is applicable to the entire coastal zone or to the ZMT specifically has been poorly applied for a range of reasons. These include a lack of sufficient economic resources, both technological and human; lack of knowledge; the absence of adequate land use planning tools or their improper implementation; little or no environmental control; and lack of will from administrative bodies which translates into a tolerance of illegal actions.

The State of the Nation XIV Report (2007) indicates that “the majority of the conflicts and problems observed in the ZMT can be attributed to procedural omissions and failures related to its technical, political, and administrative management.” This situation is worsened by “weak land use planning by all of the institutions involved, the absence of clear and effective policies, and little understanding of the strategic importance of an integrated and sustainable management from social, economic, political and environmental perspectives.”23
Despite the legal gaps, existing laws, if correctly applied in terms of land use planning, environmental controls, and construction permits, would have allowed for better management in the coastal zone. It should be noted that due to new interpretations of the regulations by, for instance, the Attorney General’s Office (PGR) and the Comptroller (CGR), important adjustments have been made, even without expressly changing the letter of the law. For example, in referring to a concession in the ZMT of Playa Pará, Manuel Antonio, the Comptroller General indicated in a 2008 legally binding interpretation of the Forestry Law that public lands covered by forests are part of the State’s natural patrimony and, therefore, could not be given in concession. This changed the previous administrative practice of including forested areas within the ZMT as part of concessions, which had been based on erroneous legal interpretation.

Inter-institutional coordination can be accomplished when there is an interest and will by public officials and the government as a whole. The TAA offers a positive example of the use of available control tools to stop some illegal tourist developments and operations along the coast. TAA has also coordinated with other MINAET divisions (Water Department, SINAC, SETENA), and with other government agencies (SENARA, municipalities), academic institutions (UCR, UNA), and even NGOs and the media to improve effectiveness in enforcement of environmental regulations and improve logistical, technical and scientific support. Decision making processes can also be strengthened through technical and scientific information available in different public entities (SENARA, AyA, SINAC with GRUAS and its monitoring program, among others), academic institutions (UCR, UNA), research institutions (INBio) and conservation NGOs (MarViva, PROMAR, among others). The Ministry of Health has also been proactive in stopping illegal dumping of waste by the Alegro Papagayo Hotel and a series of irregularities in Tamarindo. These actions received the support of ICT, MINAET, and the President’s office.

**Recommendations**

Among the principal recommendations for reform of the legal system are the following:

- **The Legislative Assembly**: ZMT related legislation has proven, through rulings by the Attorney General’s Office (PGR) and the Comptroller (CGR), to contain serious gaps and weaknesses. Reform to this law is necessary to improve the legal tools and institutional responsibilities for ensuring sound and sustainable coastal management.

Several noteworthy reform initiatives exist today, including the Law for Community Coastal Territories project (Ley de Territorios Comunitarios Costeros), the Comptroller General's initiative to develop new legislation, and the Registry Regularization Program’s efforts, including a concrete proposal to organize existing development in the ZMT’s restricted zone. There is, however, a continuing need for broader involvement and consultation with the diverse range of actors involved in the coastal zone to reach agreement on the desired legal framework for land use planning.
As part of these reforms, it is essential to analyze the role of the ICT, including that of "superior vigilance" in the management of the ZMT, to determine if its role should be maintained or modified. Similarly, it is necessary to integrate the new bodies that have emerged such as SETENA and the TAA and determine if it is necessary to maintain the responsibilities of other institutions like IDA.

Illegal residents within portions of the ZMT constitute a serious social problem. Entire communities and constructions housing public services are at risks of being evicted. Although occupation of the public zone should not be tolerated when it risks causing environmental damage, it is important to evaluate the need to organize some of the development within the restricted zone based on sound environmental and social criteria and principles. To do so requires detailed analysis of these illegal structures and activities to determine if they merit regularization and legalization.

Citizen participation in planning processes is crucial. Citizens are being affected by the legal rules as well as the infractions related to land use and they should have the opportunity to be heard. Land use plans should only be adopted after adequate public consultation. Further, it is important that public views be integrated in the proposed reforms of the ZMT Law and the Urban Planning Law. It is equally necessary to seek public input in developing a new Navigation Law to oversee marine transport.

- **Municipalities, ICT, MINAET, and other national other institutions:** A priority is to strengthen municipal capacity to handle construction permits, fee structures, and land use plans in the coastal zone general and for the ZMT in particular. On occasion, the lack of staff and knowledge has led to ill conceived administrative decisions. The Comptroller General reports clearly indicate the legal and administrative weaknesses in ZMT management, and that these are, for the most part, applicable in the rest of the coastal zone. Municipal capacity to employ strategic planning and territory planning tools (coastal and county land use plans) should be strengthened. In addition, it is necessary to analyze the ways in which ZMT fees are currently collected and whether legal modifications to the collection process are required.

Integrated planning is urgent in order to improve land use and the compatibility of different human activities with sustainable development principles. The ICT’s initiative to create integrated land use plans, the Registry Regularization Program’s efforts to make coastal land use plans, and other efforts by municipalities, academic sectors, and NGOs to prepare, adopt, and implement land use plans should be supported and adequately coordinated.

It is equally important to demarcate the natural patrimony of the State so that it is adequately administered. The absence of its proper boundaries is generating legal conflicts, annulments, and court actions that lead to financial and legal penalties.

Recently, there has been renewed attention to coastal problems. The National System for Conservation Areas (SINAC) has increased their interest in marine-coastal issues.
with the launch of the Marine Coastal Program, while the creation of the Commission for the Exclusive Economic Zone (Comisión de la Zona Económica Exclusiva) represents another effort to address coastal issues. Ways to strengthen these initiatives can be explored through appropriate legal support.

- **Environmental control institutions:** Environmental controls and administrative processes should be strengthened so that they fulfill their proper roles in coastal management. This should occur through the strengthening of SETENA so that it can have credibility and the capacity for adequate follow up and monitoring of the environmental feasibility licenses that it grants. In general, the environmental control institutions should have the capacity to act before environmental problems become evident, instead of just reacting when they manifest themselves. Other reforms such as increasing the legal powers of the Environmental Tribunal (TAA) should also be considered.

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### International Airport at Liberia

In an effort to understand more clearly the relationships between tourism, airport infrastructure, and sustainable development, this study provides the first detailed analysis of the impact of the Daniel Oduber International Airport -- commonly known as the Liberia Airport. We examine the role the Liberia Airport has played in the growth of resort and residential tourism in its area of influence. Further, we consider the plans to construct a second Pacific coast international airport at Palmar Sur and use the Liberia experience to better predict the outcomes for sustainable tourism along the Southern Pacific coast, including in the Osa Peninsula.

Government officials involved in planning the Liberia international airport describe it as key to spurring development in Guanacaste, which has historically suffered from high unemployment and poverty. Job creation, through increased tourism investment, was perceived as a good way to improve the local economy and diminish social and economic inequalities. In addition, the Liberia Airport has optimal geographical and weather conditions, permitting it to serve as a backup to Juan Santamaria Airport.

Creation and development of the Liberia Airport were tied from the outset to the development of the PTGP resort project. The North Pacific Coast was first identified as a primary tourism destination in the 1960s, when an international study determined that the Bay of Culebra (Bahía de Culebra or Papagayo Gulf) was an ideal location for the largest resort project in the whole of Central America. According to those interviewed, the government’s PRTG, or Papagayo Pole, created an incentive for the government to build the initial airport which opened in 1975, during the administration of President Daniel Oduber (1974-1978).

However, Central America’s wars stalled both the Liberia Airport and PTGP resort project. From the mid-1970s through the 1980s, the Liberia Airport was used largely for Guanacaste’s
agricultural exports. In the 1990s, as tourism took off, international chartered flights into Liberia became more frequent. It was not until 2002 when the first scheduled international carrier – Delta Airlines -- began service that airport arrivals really grew. While the government financed the initial land purchase and infrastructure development of this airport, private sector intervention -- particularly a small group of prominent real estate developers -- played a key role after 2002.

Tourism and business officials say that dramatic growth followed from the efforts of a group of investors, led by Pat Patillo, CEO of Hacienda Pinilla and supported by Alan Kelso, CEO of Peninsula Papagayo and other tourism leaders and resort executives. The group persuaded Delta’s CEO to begin regularly scheduled flights to Liberia by guaranteeing the route’s profitability via a $3 million trust fund that Delta could turn to in case not enough tourists flew to Liberia. With this rather unusual deal and other private sector funds provided for roads, airport terminal expansion, and other infrastructure development needed for international tourism, “We put the region on the map,” developer Kelso told the New York Times. By 2005, eight other commercial airlines, almost all U.S. carriers, had established scheduled flights and the Liberia destination had proved so successful that the Delta trust fund was never used. In 2007, 194,853 international tourists arrived through the Liberia Airport, a three-fold increase over 2002. Nevertheless, Juan Santamaria has remained the country’s primary international airport. In 2008, nearly six times more tourists used Juan Santamaria than the Liberia airport: 1,216,180 tourists arrived at Juan Santamaria and 204,318 arrived at the Liberia airport.

There has been a symbiotic relationship between the airport’s expansion and the development of PTGP and other resorts in the coastal areas in the North Pacific. Government and private sector officials see the Liberia Airport as one of the driving forces behind Guanacaste’s tourism and real estate development, facilitating access to tourists and helping position Liberia as a city center that provides legal, medical, and other services to this burgeoning industry.

The development of Liberia as an international airport put northern Guanacaste resorts within a day’s travel from several major U.S. cities. It was no longer necessary for arriving tourists to spend time and money on accommodation in San Jose in order to catch a domestic flight to Liberia on the day following arrival. In fact, real estate consultants report that closeness to a major international airport is one of the key variables that are analyzed when considering the feasibility of a major resort operation. They note that **luxury resort developments must ideally be located within one hour or a maximum of two hours from an international airport.** In contrast, passenger surveys and interviews with tourism professionals show that adventure travelers and ecotourism enthusiasts are willing to travel more time to reach their destination in Costa Rica and are also likely to visit several locations while on holiday.

The launch of regularly scheduled international flights to Liberia gave a clear signal to national and international investors that Guanacaste was a mature, investment-grade, tourism destination. Without Liberia’s airport, international beach resorts would have been impossible, and the growth of tourism-linked development on the North Pacific coast would have been much slower.
However, it is now becoming clear that many local communities were not prepared for the rapid rate of growth that ensued, with attendant impact on life styles and natural resources. They were also not involved in planning decisions or programs to acquire the skills necessary to take advantage of the new opportunities. Understanding the effects of this growth and the lessons learned at national, municipal, and community levels will help other regions to better manage the possible impacts.

- Plans for a New International Airport

The lessons from the Liberia Airport are most immediately relevant in Palmar Sur where the government has announced plans to expand the domestic airport into a new international airport serving the southern zone. At a signing ceremony in July 2007, President Arias declared, "I am very happy to provide this region with an airport that accommodates jets just as in Liberia. The Southern Zone has to imitate Guanacaste."28

In July 2009, President Arias announced that Costa Rica and Panama might seek joint funding to build the Palmar Sur international airport to facilitate tourism expansion in both countries. The airport initiative comes on the heels of the completion in 2010 of the Costanera Coastal Highway from Quepos to Dominical. As the Tico Times blog proclaimed in August 2009, this area "is considered the mainland gateway to the Osa Peninsula and all its jewels."29 Given the interest by international developers and investors in the region, it seems likely that a large international airport at Palmar Sur would serve, like its counterpart in Liberia, as a catalyst for rapid expansion of resort tourism and residential development in the Osa Peninsula.

Despite the government’s stated intentions, the Palmar Sur airport has suffered setbacks and plans have been delayed. Technical studies by the International Civil Aviation Organization (OACI) were twice rejected because they lacked a detailed assessment of the new airport’s environmental impact on the important Terraba-Sierpe Wetlands, the largest mangrove forest in Central America. Most importantly, with the economic recession, prospects for securing private investors and bank loans dried up.

Even if these obstacles are removed, the lessons from the Liberia Airport are sobering. First, a precise imitation of Guanacaste does not appear to be the right approach. The positive and negative experiences of Guanacaste should be carefully weighed in the interest of maximizing benefits and reducing harm with respect to the southern zone.

Second, beginning the process of southern zone tourism development with a large-scale airport may not be a wise long-term strategy. To be successful, an international airport at Palmar Sur would require large-scale resort tourism to attract international airline carriers. Opening a major airport in a region with few rules, limited government resources, and little planning or control could readily lead to the same negative effects that we see in Guanacaste. A number of experts argue that, alternatively, upgrading Palmar Sur for expanded domestic and regional flights, rather than international carriers, would help to strengthen small-scale nature and culture based tourism in both the Osa and northern Panama.30 It is this style of tourism that has provided the
greatest benefits to Costa Rican communities, and which was largely sacrificed in the Guanacaste development experiment.
**Gulf of Papagayo Tourism Pole**

The Gulf of Papagayo Tourism Pole (Polo Turístico Golfo de Papagayo, referred to hereafter as the Papagayo Project or PTGP) was originally conceived in the 1960s and 1970s as part of both national and Central American development strategies to promote international tourism modeled after the European style coastal resort tourism. The original regional master plan recommended the development of several tourism "poles" or centers, preferably one or two in each country. In Costa Rica, it was decided that the Bay of Culebra (known also as the Gulf of Papagayo) in northern Guanacaste was the prime location for resort tourism because of its variety of beaches, sunny climate during most of the year, scenic and cultural richness, and proximity to the main coastal town, Liberia. From the outset, plans included building a new international airport near Liberia to bring tourists to the Papagayo Project and, eventually, other coastal resorts.

The project was strongly backed by President Daniel Oduber (1974-78) who encouraged new types of economic development in his adopted home area of Guanacaste. In 1979, the government passed Law 6370 declaring PTGP to be a public interest project and started expropriating land in Liberia and Carrillo counties to be incorporated into the new tourism project. Through this process land ownership passed from a diverse group of private owners, mostly cattle ranchers, to the Costa Rican national government.

To date, the PTGP has represented the only major investment by the central government, via the ICT, in a large scale resort development project. The general idea was to lease, via concessions, government owned land to private developers, with the government providing the infrastructure and setting some of the terms for development. While the model was not used beyond PTGP in Costa Rica, the Papagayo Project played a critical role in creating the climate for resort and residential development along much of the Pacific coast.

- **First Master Plan, 1978**

The first Master Plan for the Bay of Culebra Tourism Project (later the PTGP or Papagayo Project), drawn up in 1978, called for the development of 3, 4, and 5 star resorts. When completed, the project would include 1235 hotel rooms, 634 residential housing lots, a marina, a golf course, and a social and commercial center. As Costa Rica’s original “residential tourism” complex, it would also encompass beaches around the bay which would include a camping area (primarily for Costa Ricans) as well as recreational facilities. According to this original Master Plan, the total carrying capacity was 11,700 visitors (although the proposed number of rooms and residences stayed below that capacity), making it by far the largest tourism development in Costa Rica -- in fact in all of Central America.

The Master Plan also called for a “reasonable” prevention of environmental and social impact, including buildings no higher than three stories; public access to beaches; construction of only one 9-hole golf course to reduce maintenance costs and water usage; obtaining water from Tempisque and Palmares aquifers; and relatively low density construction compared with
tourism centers in other countries. In 1982, the Law 6758 spelled out that government would create the Papagayo Project by putting in infrastructure and awarding concessions and that ICT would be given the authority to create a special office with maximum administrative independence to run the project.

Despite an enthusiastic start, the government lacked sufficient resources to pay for the expropriated properties, extend the Liberia airport, upgrade highways, or expand water and energy infrastructure, all needed for the Papagayo Project to take off. By the early 1980’s, Costa Rica was not only suffering from an economic crisis but it was also increasingly embroiled in the Central American conflicts. International tourism arrivals actually declined between 1982 and 1986, from 372,000 to 261,000, and the twin mega-projects, the Gulf of Papagayo Project and the Liberia international airport, stagnated.

- **First Master Plan Revision, 1988**

The political climate began to rapidly improve after 1987, with the signing of the Central American Peace Plan. In 1988, the revised Papagayo Project Master Plan took into account both international trends towards more upscale lodging and attractions by proposing only 4 and 5 star hotels, along with 780 apartments, 788 residential lots, two marinas, and an 18-hole golf course. In total, the project was calculated to accommodate 11,700 people, the same capacity as set in the Plan's original version. However, despite the improved political and economic climate, the Papagayo Project did not progress during the first Arias administration (1986-1990) because of internal problems in the ICT and, most importantly, the government’s failure to move forward on the new international airport. In contrast, Central American peace meant that Costa Rica’s ecotourism sector – rather than the resort sector -- quickly took off, with international tourism arrivals more than doubling, from 261,000 in 1986 to 611,000 in 1992. By 1992, the country had been dubbed the world’s leading ecotourism destination.

The first concrete steps towards the Papagayo Project occurred during the Calderon administration (1990-1994) when 12 concessions were approved covering 1030 hectares and involving mainly foreign capital. Concessions ranged from 10 to 49 years and could be renewed by the PTGP’s Board of Directors (Consejo Director), which was also responsible for establishing the concession price. Ecodesarrollo Papagayo (Ecodevelopment Papagayo), a subsidiary of the Mexican firm, Grupo Situr which had been involved in the Cancun resort development, received the largest concession (890 hectares) for the longest period of time (49 years).

The first hotel to break ground in the Papagayo Project, Situr’s 3-star, incongruously named Caribbean Village (overlooking the Pacific Ocean), quickly became mired in conflicts. The local municipality, university scientists, and environmental organizations brought complaints before the newly created Ombudsman’s Office (Defensoría de los Habitantes) charging Situr with illegally cutting down trees, dredging a mangrove swamp, building roads without proper permits, and building within the ZMT. As other companies owned by foreign capital -- U.S., Italian, and Argentine-Israeli – also broke ground, more complaints followed. For instance, in 1993, as construction began on the Malinche Real, Sula-Sula, and Costa Smeralda hotels, residents from
the area and environmental NGOs brought charges to the Ombudsman’s Office of violations of labor and environmental laws, as well as damage to archaeological sites.39

By the end of the Calderon administration, no hotels had been completed and there was public pressure for the government to scrap completely the Papagayo Project and concentrate instead on developing Costa Rica’s nature-based ecotourism. Outspoken critique Michael Kaye, owner of Costa Rica Expeditions, one of the leading ecotourism companies, dubbed Papagayo “yesterday’s resort for tomorrow’s market.”40

- **Second Master Plan Revision: 1994-1995**

When Jose Maria Figueres’ administration (1994-1998) took office in May 1994, it responded to the controversy by ordering a thorough reassessment of the Papagayo Project. In March 1995, former Tourism Minister Luis Manuel Chacon and 11 former officials of the ICT and the PTGP’s Board of Directors were indicted on embezzlement and other charges, including approving concessions without oversight plans, destroying mangrove swamps, and building within the ZMT.41 However, at the same time, after conducting an environmental impact study, reviewing the legal issues, and undertaking a new revision of the Master Plan, the Figueres administration concluded that the Papagayo Project was too far along to stop. As Tourism Minister Carlos Roesch explained, “It would be less damaging for the best interests of the nation to do whatever was necessary to salvage the Project instead of opting to cancel it” because cancellation would have “catastrophic effects.”42

The 1995 revised Master Plan contained a set of clear environmental principles that reflected the ICT’s growing commitment to sustainable tourism. These included: respect for protected areas, adequate management of ground cover, balanced space distribution of buildings, internal roads adapted to the area’s topography, optimum use of panoramic views, reduction and control of potential sources of pollution, use of local materials and native plants, promotion of alternative energy sources, wastewater and solid waste recycling, and free public access to beaches, among others specifications.

In addition, it also permitted construction on no more than 30% of area, maximum building height of three stories or 14 meters, low intensity external lighting, underground electric and phone cables, water treatment plants (and a prohibition on use of septic tanks or dumping waste in the ocean), restrictions to protect archaeological sites, and approval of environmental impact studies. However, the Papagayo Project’s new maximum capacity of 26,450 rooms or, assuming two persons per room, a total of nearly 53,000 persons was four times more than the project’s previous proposed capacity of 11,700 visitors. Despite this increase, the Master Plan described construction as “low density.”

The Figueres administration approved five new concessions, bringing the total to 17 by 1998. As work resumed on a number of hotels within the PTGP concessions, environmental organizations and others lodged new complaints about violations of both the new Master Plan and of the country’s labor laws. These were included in the Ombudsman’s Office 1995-96 and
1996-97 annual reports. This helped, in turn, to influence the ICT and to bring about a series of further changes in the legal framework designed to improve the project's implementation.

- **Third and Fourth Master Plan Revisions: 2004, 2008**

Over the next decade, the Papagayo Project grew more than at any period during its 30 year history. Between 1998 and 2008, 14 new concessions were awarded, bringing the total to 31. Both the governments of Abel Pacheco (2002-2006) and Oscar Arias (2006-2010) further revised the PTGP Master Plan, while keeping the overall density (26,450 rooms) the same. The 2008 Master Plan, the latest revision, sought to increase the overall quality and types of amenities in order to appeal to a more upscale international resort clientele. These changes emphasized luxury sport facilities (now featuring three golf courses and three marinas) and activities (golf, scuba diving, equestrian, yachting, sailing, tennis, and sport fishing), as well as health services (spas, beauty center, yoga, wellness), and sophisticated restaurants, bars, and shops. The Master Plan called for lower density (20 rooms/hectare), higher quality residential developments, with less construction area and more space for secondary forests and biological corridors. Only 30% of the concession’s land can be built upon, with 70% to be kept as open space. However, golf courses are counted as open space, a controversial move in arid Guanacaste where the typical course requires daily as much water as a village, as noted earlier. Industry experts say that because vacation homes on the edge of a green command a higher price, golf courses are considered integral to a resort’s business model.

By 2008, only eleven businesses were in operation within the PTGP and many concessions had not yet begun construction. (Figure 4)

**Figure 4: Tourism Businesses Functioning in PTGP, September 2008**

<table>
<thead>
<tr>
<th>Company</th>
<th>Commercial Name</th>
<th>Number of Rooms</th>
<th>Jobs Generated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marina Rose</td>
<td>Condomotel Costa Blanca</td>
<td>28</td>
<td>ND</td>
</tr>
<tr>
<td>Hotelera Sn. Fco. de Asis</td>
<td>Hotel Sol Papagayo</td>
<td>80</td>
<td>65</td>
</tr>
<tr>
<td>Punta Vista Bahía</td>
<td>Monarch Resort</td>
<td>34</td>
<td>ND</td>
</tr>
<tr>
<td>Grupo Papagayo</td>
<td>Condomotel Giardini di Papagallo</td>
<td>46</td>
<td>51</td>
</tr>
<tr>
<td>Occidental Playa Nacascolo</td>
<td>Hotel Allegro Papagayo</td>
<td>300</td>
<td>220</td>
</tr>
<tr>
<td>Ecodesarrollo Papagayo</td>
<td>Four Seasons</td>
<td>153</td>
<td>652</td>
</tr>
<tr>
<td></td>
<td>Hotel</td>
<td>169</td>
<td>155</td>
</tr>
<tr>
<td>------------------------</td>
<td>--------------------------------</td>
<td>-----</td>
<td>-----</td>
</tr>
<tr>
<td>(Peninsula Papagayo)</td>
<td>Hotel Occidental Grand Papagayo</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hotel Fiesta de Playa SRL</td>
<td>Hotel Hilton Papagayo</td>
<td>202</td>
<td>200</td>
</tr>
<tr>
<td>El Sol Chorotega</td>
<td>Hotel Conde del Mar</td>
<td>26</td>
<td>60</td>
</tr>
<tr>
<td>Chunco</td>
<td>Beach Club Restaurant</td>
<td>---</td>
<td>6</td>
</tr>
<tr>
<td>Maná del Pacífico</td>
<td>Restaurante Maná del Pacífico</td>
<td>---</td>
<td>N.D.</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>1,038</td>
<td>1,409</td>
</tr>
</tbody>
</table>

Source: Compiled by Alberto Salas using data from the ICT’s Department of Tourism Affairs and its Internet site.

By 2010, there were 32 concessions, of which 15 had completed or were near completion of their projects. However, more than half — 17 concessions — were far from completion and some had been idle for a long time due to legal actions, the economic crisis, or other causes. According to concessionaires, the working models as well as the obligations under the Master Plan differ considerably from one concession to another. According to the ICT website, 42.8% of the investment in the PTGP is totally domestic, 33.3% is mixed Costa Rican and foreign capital, and 23.8% is foreign investment.

The largest concession (840 hectares), Ecodesarrollo Papagayo, was acquired from Situr in 1998 by Peninsula Papagayo, a commercial development company owned 30% by Florida Ice and Farm, Costa Rica’s national beer company, and 70% by Marvin Schwan Foundation, an evangelical Lutheran foundation based in St. Louis, Missouri. The concession’s Master Plan calls for construction of nine branded hotels, three branded golf courses, 1580 residential units, a marina, beach clubs, tennis courts, museum, and a village with offices, shopping center, gas stations, and other facilities. By 2010, Peninsula Papagayo was reported to have invited $115 million in three different contracts in the concession. Its most high profile development is the 153-room Four Seasons Hotel which opened with much press coverage in late 2003 and is widely considered the PTGP’s flagship resort. It also generated the most jobs, judging from the data available. In early 2009, Papagayo’s 382-slip marina opened within the same concession. It was more than twice the size of any other marina in Central America.

While Peninsula Papagayo has not been without controversy, it is distinguished from most other concessions by its environmental and social initiatives. They include transportation for
employees to and from work; job training; health education; support of the arts, recreation and sports; environmental awareness; micro-enterprises; and other programs. Many of these are carried out in coordination with public institutions and area universities. Peninsula Papagayo has also created its own sustainability plan based, officials say, on the principles of integrated management of natural resources, continuous research, observance of national legislation, and coordination with local communities. The concession recycles 100% of its water for irrigation; has built a state-of-the-art wastewater treatment facility; maintains a large nursery with indigenous plants; and has an Audubon certified golf course planted with sea grass that is capable of using a mixture of fresh and sea water. In 2007 the Four Seasons Hotel was certified under the CST program with an impressive four green leaves – the next to highest level. In addition, in 2001, Peninsula Papagayo founded a community outreach program, “Growing Together” (Creciendo Juntos) to contribute to “the development of neighboring communities through education” and to facilitate incorporation of local people into the “opportunities generated by tourism.” The program, which involves 19 communities, 18 government ministries and allied institutions, has, by 2009, involved over 360,000 persons in workshops, courses, and seminars and created some 122 small businesses. In 2003, the International Center for Human Development and the newspaper El Financiero called Creciendo Juntos “the most complete program” of Corporate Social Responsibility in the field of education. Peninsula Papagayo has received other awards for its environmental protection and social outreach efforts from the National Chamber of Tourism (CANATUR), American Chamber of Commerce, among others.

- **Changes and evolution of the legal framework**

The Papagayo Project (PTGP) is unique in Costa Rica: not only is it the only tourism project that the Costa Rican government owns, it has its own legal framework based upon a system of concessions and a series of Master Plans. In the four decades since it was first conceived, the government’s lack of experience in managing a large international tourism project led to numerous delays and problems. Among these was a legal framework that proved inadequate to successfully launch and run such a complex project that involved multiple actors in both public and private sectors.

During the 1990s, when the Costa Rican government finally began awarding concessions and issuing permits for development, many mistakes were made and administrative and technical gaps became apparent. As a result, between 1991 and 1998, the government was forced to take a series of corrective measures, approving laws and regulations to fill gaps in the Master Plan and deal with on-the-ground realities. Most of these measures were passed as a reaction to reports, directives, and decisions by the Comptroller General, Ombudsman’s Office, Attorney General, and Constitutional Court, all of which were critical of the PTGP’s execution. These constant legal reforms, modifications, additions, and annulments reveal that the ICT and other agencies involved lacked experience and resorted to improvisation in decision making.

Since 1999, several Decrees, some of them highly controversial, have dealt with various aspects of the project. While Papagayo’s Master Plan includes an explicit commitment to
facilitate free access to beaches within the Peninsula, special regulations and decrees have prescribed public access, fueling complaints that the beaches within the PTGP have been “privatized.” For instance, Decree 30175 of 2002 (Reglamento de Vialidad del PTGP) allows resorts and private residences within the PTGP to control access and use of internal roads. This access is controlled by the largest concessionaire, Ecodesarrollo Papagayo, and its development company, Peninsula Papagayo. Visitors wishing to use beaches within the Peninsula must leave their vehicles in the parking area outside the entrance gate to the concession and board free buses provided by the developer to ride to the various beaches. But some beaches are more accessible than others. For instance, the general public can only reach Virador and Blanca beaches, located by the Four Seasons Hotel, via a long route that goes around the resort’s property.

In December 2003, just after the Four Seasons opened, 150 people associated with FECON (Costa Rican Federation for the Conservation of the Environment) were denied access to these beaches through the hotel’s property, while another group was denied permission to camp on Blanca beach, about 50 meters from the hotel. The ICT has defended the restrictions, saying the hotel’s property is private and that camping is restricted to certain beaches. Environmental activists filed complaints before the Constitutional Court (Sala IV) and the Attorney General’s Office (PGR), but these bodies as well as the ICT ruled that by providing free public transportation, Peninsula Papagayo is complying with the law. Peninsula Papagayo officials maintain that they have even exceeded requirements by providing handicap access ramps at Nacascolo beach, as well as public showers, toilets, drinking water, and other facilities. They note that the number of visitors using their bus system to reach the beaches within the concessions are increasing each year, totaling almost 74,000 in 2009.

Less publicized was Decree 28335 which was signed in December 1999 by President Miguel Ángel Rodríguez (1998-2002). This Decree declared “the development activities of the company Ecodesarrollo Papagayo concession, S.A.” to be “of national convenience” (Declaratoria de Conveniencia Nacional de Ecodesarrollo Papagayo y Reforma a su Plan Maestro). The Declaration was very simple, consisting of only two articles: the Declaration itself and a request for public institutions to provide “all the necessary collaboration with the Peninsula Papagayo Project.” It is signed by the President and the Minister of the Presidency, but, oddly, not the Minister of Tourism who, as head of the ICT, had direct responsibility for administering the entire Papagayo Project. From available data, this appears to be only the second time that a tourism development had been declared to be a project of national interest. According to a company official, Declarations of National Convenience are awarded to projects deemed to have “a high and positive social benefit impact” and Peninsula Papagayo qualified because, when fully operational, it is expected to “generate close to 10,000 direct jobs.” In terms of compliance with the Forestry Law, the official stated that “we have to follow the normal process, with the difference that the office responsible for approving the permits, in our case ACG [Guanacaste Conservation Area] can waive some restrictions. But,” he emphasized, “you also have to remember that by law, and by our own company’s philosophy and conviction, we do have additional restrictions that do not exist in other parts of the country.”
In May 2006, at the beginning of Oscar Arias’ second administration (2006-2010), the President, together with the Minister of the Presidency and the Minister of Tourism, signed Decree 33132 declaring the entire Papagayo Project (PTGP) to be “of national convenience” (Declaratoria de Conveniencia Nacional el desarrollo y ejecución del Proyecto Turístico Golfo de Papagayo). Using similar language to the earlier Declaration, the decree encourages public institutions to provide “all the necessary help and collaboration with the PTGP, from their specific areas of responsibility.” The Declaration did not exempt PTGP concessionaires from all environmental regulations beyond what is established by the Forestry Law. In 2007 and 2008, three Papagayo hotels were cited and two were temporarily closed because they were illegally dumping their untreated waste water.

- **Impact of PTGP on Guanacaste’s Tourism Development**

Beginning in the late-1990s and particularly since 2002, the Papagayo Project or PTGP, together with the Liberia Airport, have served as twin catalysts for resort tourism development in Guanacaste. The opening of the Four Seasons Hotel, as the largest investment to date within the PTGP, has been interpreted as a sign that private international capital had confidence in the Papagayo Peninsula and, more broadly, in Guanacaste as an upscale, five-star resort destination.

As more and more tourists have flown directly to Liberia, Guanacaste acquired its own “brand,” separate from Costa Rica’s general brand. It is, in fact, the only province in Central America with its own tourism trade fair, “Guanacaste Market Place,” which attracts international customers and is organized by ACOPROT (Asociación Costarricense de Profesionales en Turismo), with the support of the other tourism associations and the ICT. Guanacaste, once a remote and little known region, has become an international tourism destination in its own right. It is possible to say that this wouldn’t have been possible without both the PTGP and the Liberia Airport.

- **Conclusions: Pros and Cons of the Papagayo Project**

The Papagayo Project (PTGP), and particularly the Ecodesarrollo Papagayo concession and the Peninsula Papagayo’s Four Seasons Hotel, has played a key role in recent years in stimulating coastal tourism development and projecting an international image as a 5-star resort destination. However, in its earlier decades, the PTGP was virtually at a standstill, while since the early 1990s it has been hampered by mistakes and mired in controversy. The government’s lack of experience in managing a big tourism initiative that combined public and private activities, lead to creating a legal framework which proved to be insufficient for a successful implementation and had to be corrected or modified constantly.

Because of these problems, the PTGP initiative has been unable to raise broad public or media support within the country. The succession of PTGP Master Plans has resulted in higher quality hotels, vacation homes, and amenities and services than originally planned, putting the Papagayo Project beyond the financial reach of most Costa Rican families. The PTGP image is also affected by the persistent perception that its beaches are private and that concessioning companies have received too many privileges. Such special treatment for a government
initiative has created resentment among many Costa Ricans who feel excluded from enjoying the Peninsula’s natural attractions and expensive services.

From the early 1990’s, controversy flared both because the Papagayo Project was seen by many Costa Ricans as anathema to the country’s commitment to ecotourism and sustainable development and because the ICT and other government agencies, together with the private concessionaires, developers, and hotel managers, appeared to have committed a wide range of missteps. According to the *Tico Times*, “As early as 1994, the Ombudsman's Office complained, among other things, that the Costa Rican Tourism Institute was running the project as an ‘exempt zone,’ where local ordinances and laws need not be followed.” According to the Tico Times, “As early as 1994, the Ombudsman’s Office complained, among other things, that the Costa Rican Tourism Institute was running the project as an ‘exempt zone,’ where local ordinances and laws need not be followed.” Subsequently, the Decree declaring first Ecodesarrollo Papagayo and then the entire PTGP project “of national convenience” exempted concessionaires from some pertinent environmental regulations.

Generating social and economic benefits for local communities was one of the main reasons behind the PTGP initiative. This study finds evidence that, after more than 30 years of activity, the positive impact on local communities is still marginal. The one exception is Peninsula Papagayo’s robust community education and social welfare programs. Public investment in roads, electricity, and telephones, aimed at supporting the PTGP, has brought some benefits to the wider community. Yet even though the government is supposed to provide the infrastructure, between 1988 and the present, the ICT has invested 547 million colones (less than $1 million at the current exchange rate) in electrification, roads, and wells for the Papagayo Project. Even though ICT states that “these infrastructure works are considered a great priority by the Government,” public investment in infrastructure has often been extremely slow. For example, the seven kilometer road separating the two sectors of the PTGP (Nacascolo Peninsula and Panama Beach) took 10 years to complete. Well digging also took longer than originally projected in the Master Plan. The Tourism Development National Plan for 2002-2012 does not include any major public infrastructure projects for North Guanacaste where the PTGP is located.

Officials involved say that because PTGP was a government project, the various Master Plans contained environmental regulations higher than those required for tourism developments on private land. Positive environmental impacts within the PTGP include fewer annual man-made fires than there had been with traditional cattle ranching and agriculture, an increase in forest and vegetation cover according to some reports, and a gradual return of native wildlife such as monkeys, raccoons, and iguanas. Peninsula Papagayo officials say they are encouraging natural regeneration through planting native species and the gradual removal of exotic species. Two of the nine operating resorts have become certified under Costa Rica’s rigorous Certification for Sustainable Tourism (CST) program: Four Seasons, with four green leaves and Hilton Papagayo Resort with three. Neither, however, promotes this certification on their websites or in their marketing materials.

But even with its special status as a government project and higher standards in its Master Plans, PTGP tourism developments have also caused a range of environmental damages. For instance, construction of both the Malinche Real and Caribbean Village Hotels caused beach erosion, while the Costa Smeralda and Costa Blanca del Pacífico Hotels were caught illegally
dumping sediments into the sea and the Hotel Giardini di Papagallo cut more trees than were authorized. In 2008, both the Allegro Papagayo and Giardini di Papagallo hotels were closed by the Ministry of the Health for dumping their waste into the ocean in front of the hotels. As a result, coral ecosystems at Culebra Bay, which host 16 different species of coral, have been threatened.

In terms of employment, the Papagayo Project has generated jobs that offer better salaries than traditional agricultural, cattle ranching, and agro-industrial activities. But the number of jobs created appears to be far less than the concessionaires originally projected. In 1994, for instance, an official with Grupo Situr, then the parent company of Ecodesarrollo Papagayo, predicted that when the resorts were fully built they would generate 50,000 jobs. Today, eight of the 11 operating businesses report generating only about 1400 jobs. (See Figure 3 above; Data are not available for three businesses.) Although thousands of temporary jobs are generated during the construction phase, many of these positions are being filled by Nicaraguan immigrants. Similarly, most of the top hotel and tourism positions are taken by foreigners or citizens from the Central Valley, due to a lack of local capacity and training. In spite of INA’s and the ICT’s initiatives to offer training to local people, there are complaints that these programs have largely failed due to a lack of worker interest, poor planning, scheduling problems, and the unwillingness of companies to allow their workers to participate in training. However, officials with Peninsula Papagayo say they have worked successfully with INA in a number of programs. They say they have run nearly 50 different courses benefiting nearly 3000 people who have obtained jobs as a result of the training. While salaries within the Papagayo Project are competitive, the cost of living and prices of goods and services have increased significantly in the neighboring counties. Land prices have also increased, along with construction costs and rent.

In terms of assessing the costs and benefits derived from the Papagayo Project, the municipalities of Liberia and Carrillo have gained increasing revenue from property taxes, commercial licenses, construction permits, licenses to sell alcoholic drinks, and casino licenses, among others. However, they have also been disappointed that the slow development of the project has caused difficulties in collecting municipal taxes from concessionaires. In addition, these municipalities have suffered big losses in tax collection because the actual costs of concessions as well as property sales have been undervalued and therefore underreported. Further, these municipalities have long resented the ICT’s lead role in awarding and receiving payments for the concessions since municipal governments normally give out concessions within the ZMT. In the case of Liberia, the loss has been particularly great since most of its coastline falls within the PTGP.

Details of how much the ICT, the municipalities and other government agencies have earned from PTGP and its concessionaires and how much the government have invested in the project remains protected from public disclosure by business confidentiality. (ICT has released, as stated above, the amount it has investing in infrastructure.) When asked, both the Treasury Department (Ministerio de Hacienda) and the ICT replied that information about how much each company pays in taxes is private and cannot be released. Further, the Treasury Department
was not able to provide details of tax incentives given to tourism companies within the Papagayo Project.

At the municipality level there is also a lack of information. The municipality of Liberia does not have systematic information about the income received from the PTGP companies through taxes. The municipality of Carrillo has some information, but it is incomplete. Once again, company files at the municipalities could not be reviewed because the information is considered private. Therefore, although it is presumed that large sums have been collected through taxes, it was not possible to quantify the amounts.

There is a need for a public accounting of the real value and costs to the government of the PTGP. This could be done by the ICT or Treasury Department, but the results should be publically released in order to permit discussion about whether this model of government managed resort tourism should be pursued in the future. Further, there is need for a cost/benefit analysis of resort complexes within the PTGP, something that proved impossible for this study to do because of business confidentiality. Such an analysis would look at the imports for the construction and operations phases, incentives and tax breaks, payments of taxes and fees, and job creation, both temporary and permanent. It would also trace visitor spending in order to determine how much of the tourist dollar actually stays in Costa Rica. This data could then be compared with similar data generated in other sectors, such as CREST’s studies of cruise tourism and several ecolodges in Costa Rica.

Finally, as a government project, PTGP should conform to high standards of environmental and social sustainability. Of the PTGP concessionaires, Peninsula Papagayo has most proactively embraced a range of good social and environmental practices, including CST and other certifications, its own environmental program, and community engagement and educations initiatives. While all PTGP hotels – including Four Seasons – are described on Internet sites as “all inclusives”, Peninsula Papagayo executives say that “we consciously decided not to be an all inclusive model.” Guests at the Four Seasons are offered opportunities to engage in tours and activities outside the resort. According to an official, 57% of the hotel guests participated in activities outside the resort, spending an estimated $134,000 per year.

The ICT should require any companies granted concessions to adhere to sustainable practices in both their construction and operations phases and to be certified through recognized ‘green’ certification programs. Despite its past problems and setbacks in managing the Papagayo Project, the ICT has the resources and ability to turn the entire project into a showcase example of sustainable coastal development. In doing so, it should build on the positive environment and social practices of Peninsula Papagayo.
Resort and Residential Tourism: Dynamics of the Real Estate Market on the Pacific Coast

The twin government projects discussed above – the Liberia International Airport and the Gulf of Papagayo Tourism Pole – can be said to have paved the way for the enormous boom in resort and residential tourism that has taken place in recent years along the Pacific coast. However, it has been the private sector, particularly North American developers, investors, vacationers, and real estate buyers, who have been the main drivers behind and beneficiaries of the fast paced coastal development.

The Costa Rican Central Bank estimates that in 2004 US$176.6 million in tourism related foreign direct investment (FDI) entered the country. In 2005, it grew 27%, reaching $224.5 million. Estimates for 2006 were even higher, with a 56% increase over 2005 totaling $325 million. Overall, tourism represented approximately a quarter of Costa Rica’s total FDI between 2004 – 2006.

During this same period, a Central Bank study notes the increasing importance of investments in residential tourism. The growth of coastal resorts, including Los Sueños Marriott, Reserva Conchal, Hacienda Pinilla and JW Marriott, Four Seasons, Hilton, and Hyatt, were important catalysts for these investments. According to the Central Bank study, “Traditionally, the main recipients of FDI have been industry and tourism. However, in recent years, there has been a growing tendency towards non-traditional purchases of housing, land, condominiums, villas, and commercial premises owned by foreigners.”

Beginning in 2002, the transformation sped up as residential real estate development aggressively accelerated, surpassing the rate of tourism development, and expanding into non-coastal zones that play critical roles as providers of services to coastal regions. In 2007, residential construction totaled 74% of all new construction along the entire Pacific coast.

Between 2005 and 2007, 26 of the 48 districts along this coast accounted for 92.3% of new coastal construction. Four districts -- Liberia, Tamarindo, Sardinal and Jacó – increased enormously: by 1,223,360 m² or 12.2% of all new construction nationally, and 49.8% of total construction along the Pacific coast. In addition, 22 of the 26 districts with the most dynamic housing construction were also tourism destinations at various stages of development. Aside from protected areas, few areas along the Pacific coast remain untouched by this residential real estate boom.

Construction peaked in 2006, particularly in Guanacaste and Puntarenas, with both residential and non-residential coastal construction more than doubling, from an increase of 165,000 m² in 2005 to an increase of 358,696 m² in 2006. Although in 2003, new residential building in Escazú, outside San Jose, was 1.5 times higher than in the coastal county Garabito, in 2006 and 2007, the ratio had reversed, with Costa Rica’s highest construction taking place in Garabito and another coastal county, Santa Cruz. By the end of 2007, a slowdown was
apparent, as the growth rate of construction in Puntarenas and Guanacaste was less than it had been in 2006 (Figure 5).

According to Central Bank calculations, the total value of real estate properties (land, homes, apartments, condos, farms, commercial centers), acquired by foreigners during 2007 was more than $638 million, or about $460 million more than in 2004, the first year this information was available. This estimated amount for 2007 represents 34% of Costa Rica’s total FDI, and double the amount invested in tourism.

As a consequence of the economic crisis in the United States, the Central Bank of Costa Rica announced that, through the first trimester of 2008, the amount of FDI in Costa Rica had decreased by 28% from the previous year. In the case of the "mega-projects" associated with the 5-star resort complexes (i.e. international chains, golf courses, luxury villas, marinas, and shopping areas), the majority of the projects that had been announced in 2006-2007 have been delayed.

Figure 5: Main Counties receiving Foreign Real Estate Investment 2004-2007

(millions of dollars)

Source: Marcela Román, based on data summarized by the Balance of Payments Department, Central Bank of Costa Rica (BCCR).

Several other trends are observable. One is towards combining residential homes and condos within resort tourism complexes. A second is a dramatic shift towards building of apartments rather than individual homes in the 26 coastal districts where most construction occurred. In 2007, 63% of new construction for residential projects in these districts was for apartments. By
comparison, the ratio was only 1 out of 10 for the rest of the coastal districts. Third, a large percentage of the new housing construction along the coast is aimed at foreign, not local, buyers, according to the National Statistics and Census Institute (Instituto Nacional de Estadisticas y Censos, INEC).

In terms of building costs, the average cost declared in construction permits increased nationally from $249/m² in 2003 to $311/m² in 2007. However, the price along the Pacific coast rose considerably more, to $339/m² in Guanacaste and $384/m² in Puntarenas in 2007. There are, as well, significant differences in price/m² between apartments and homes: in 2007, apartment construction/m² was cheaper than housing in San Jose, while in Guanacaste and Puntarenas the opposite was true. This would appear to indicate that price is driven up not only by real construction costs, but also by accelerating demand from foreign buyers for particular types of housing.

- **Competition between Residential and Resort Tourism**

This study also examined the relationship between residential tourism and the ICT’s five tourism planning units on the Pacific coast in the Sustainable Tourism Development Plan, 2002-2012. The Plan states that “Costa Rica must at all cost avoid the early overcrowding and congestion at destinations and attractions.” It continues, “It is imperative to have the distribution of tourism throughout major portions of the country because this guarantees social distribution of the benefits of tourism.” Despite these goals, the Plan does not discuss the development of “residential tourism” – probably because it was drawn up just before the boom years and perhaps also because vacation homes are not overseen by the ICT.

In the course of this research, we found evidence that the new residential tourism is directly competing for both land and tourism dollars with more traditional tourism activities, in particular lodging. Pacific coastal zone beaches are a major attraction for foreign vacation home buyers, who rarely stay in the country permanently. In addition, we found that it is common for foreign owners to lease their properties while away for part of each year, generating rental income—and thus presenting competition for hotel rooms.

Based on the projected growth of tourist arrivals, the ICT estimated in 2002 that Costa Rica would need to increase the number of hotel rooms by 1,800 per year for 10 years through both expansion of existing hotels and construction of new ones. In fact, the growth in new residential developments surpassed this projection for the number of rooms required. Between 2003 and 2007, in five Pacific coast counties -- Garabito, Puntarenas, Carrillo, Santa Cruz, and Liberia -- 7,920 permits were granted for construction of houses and apartments. If each dwelling has two bedrooms, this would mean a total of 15,840 new bedrooms. Assuming that at least half of these residential properties were offered as tourist lodging, then 45% of the total that the ICT Plan projected as necessary for the entire country by 2012, would have been constructed in just four years, in only five counties.

Although it was not possible to find specific information about the operations of private international banks in the Costa Rican housing market, in the opinion of experts interviewed,
foreign banks entered this segment of the market more aggressively during 2007. As the subprime mortgage crisis intensified in the United States, some U.S. banks began offering special mortgage packages helping Americans finance primary residences and second homes in Costa Rica and other countries. In mid-2008, even as the housing and mortgage markets were collapsing in the U.S., the New York-based Lehman Brothers Resort Home Lending opened a new line of mortgage lending to U.S. and Canadian borrowers wanting to purchase second homes in Costa Rica and Mexico. The company announced plans to set up “retail sales” within coastal development projects. However, less than six months later, Lehman Brothers ceased to exist.

- **Who are the investors and buyers?**

In terms of countries of origin, the U.S. investors have been by far the largest, representing 55.7% ($351.9 million) of the total FDI in 2007, followed by Canada ($40 million), Germany ($30.5 million), Spain ($27.1 million), and Holland ($21.5 million). According to the Central Bank, North America (U.S., Canada and Mexico) represented 62.4%, followed by Europe with 25.5% in 2007.

In addition, over 90% of the buyers of residential property along the Pacific coast are from the U.S. However, buyers from Canada and Europe have been increasing in numbers since 2007. Experts interviewed said that while U.S. citizens are concerned about the availability of services (telecommunications, health, dental, Internet, air conditioning, etc.), European buyers are more concerned with the environment and natural beauty.

Land purchase and construction requires a great deal of capital, of course, and, in Costa Rica, most of the recent capital has come through FDI. And for home purchases, at least, much of this capital has been in the form of cash. "How have Americans financed second homes outside the United States?" asked one newspaper article in mid-2008. "Traditionally, it was get out your line-of-credit, add any savings you could muster, and then pray that the seller would ‘carry the paper’ until you found another way to refinance the balance." Those interviewed said that more than 90% of residential real estate transactions have been conducted in cash, so there are few mortgages on those properties.

For the North American market, Costa Rica has a geographic advantage, especially for people living along the East Coast and in the central parts of the U.S. where Costa Rica is closer than Hawaii. Costa Rica’s main competitors have been the Dominican Republic, and Baja California and the Yucatan in Mexico whose selling points have been beautiful beaches. Costa Rica, in contrast, offers a more differentiated product: rainforests, volcanoes, a great diversity of nature and adventure destinations, as well as beaches, all in one small country.

In the early stages of expansion of the real estate market along the coast, from 2004 to the middle of 2006, most property buyers were people with high incomes. “Pioneer investors” of this kind do not depend on credit to purchase real estate; they are also accustomed to traveling, and have accumulated sufficient savings to invest in a second home for vacation purposes. For years investments of this kind have been occurring in other coastal tourism destinations such as...
Florida, Hawaii, Yucatan, the Caribbean, and even more distant locations like New Zealand and Indonesia. According to several experts, Costa Rica has now become a member of this elite club.

Although wealthy pioneer investors continue to arrive in Costa Rica, since 2006 the vacation home market has been growing for a second group, the U.S. “Baby Boomers,” the generation born between 1946 and 1964 that is now reaching retirement. While Baby Boomers as a group have less buying power than the wealthy pioneers, their power is still high in relation to Costa Rican national standards. And for the Boomers, Costa Rica represents an opportunity for an improved standard of living after retirement, since pensions go farther because the cost of goods and services is lower. In contrast to pioneer investors, most Baby Boomers have not acquired sufficient savings to invest via cash in Costa Rica, and so they require credit in order to buy a second home. Many seek to buy housing in Costa Rica at a lower price than in the U.S., but with the same or better construction standards and a beach location.

Another difference in foreign clients today, according to our respondents, is that they are more demanding and discriminating. With Pacific coast real estate prices rising and with the current economic crisis, new investors have become more careful about quality. According to one real estate broker, “They no longer sell over the Internet as in 2006, when there was an urgency to buy. Now they come to Costa Rica and look before they buy.”

Finally, our respondents report an additional new category of coast side buyers. Since mid-2007, those interviewed say that larger numbers of Costa Rican nationals have been purchasing condominiums along the Pacific coast. While wealthy Costa Ricans have for decades sought vacation homes along the coast, the novelty is that now they have begun buying high rise condos and luxury apartments along the beach -- accommodations previously thought to be only for foreigners.

- **Local Players in the Real Estate Boom**

In order to give a general picture of real estate dynamics in mid-2008, members of the research team compiled indicators from fieldwork, from a review of the press and Internet sites, and from interviews with key informants. The team also reviewed literature on economic dynamics along the coastal zone since the 1990s and collected data, statistics and reports from key government institutions. Estimating the magnitude of business generated around the real estate industry along Costa Rica’s Pacific coast is, however, difficult because it involves much more than the buying and selling of land and buildings. Also involved in the transactions, especially in the construction stage, are a range of services including stockbrokerage, legal, and accounting firms, as well as a range of small businesses to service and assist the waves of laborers.

In general, local banks have played a minor role in financing property purchases by foreigners, although they have been providing credit to developers and construction companies. In the opinion of some who were interviewed, Costa Rican banks showed interest in this market at its height towards the end of 2006, but in 2007 concerns set in as the impact of the U.S. mortgage crisis spread.
Additionally, due to local regulations, the credit process was slow. To be effective, special procedures and products designed exclusively for foreigners were needed. In March 2006 the state-owned commercial bank, National Bank of Costa Rica (Banco Nacional de Costa Rica), launched a line of credit called “Residential Tourism Real Estate” (“Vivienda Inmobiliaria Turística”) as a pilot initiative lending to foreigners. When the National Bank decided to enter this segment of the market, they estimated that there were around 200 real estate development projects at varying stages of completion (not counting any of the larger ones such as Hacienda Pinilla), valued around $2 billion. By February, of 2007, the estimates had increased to $5 billion\(^73\) and by June 2008, the National Bank study found 363 projects estimated to have a value of $11.8 billion.\(^74\) By May 2008, the bank had made 162 loans -- totaling $30 million – most to higher income clients purchasing properties in the $400,000 range.\(^75\)

Even more important has been private financing for commercial and tourist activities along the coast that is handled by Costa Rican law firms of all sizes. They act as intermediaries between Costa Ricans with resources and national or foreign investors with urgent needs for working capital.\(^76\) For this service, law firms charge between 14% and 16% interest, paid in dollars. This is a high interest rate that no investor can afford long term, so generally loans are paid back within a year. These requests serve as “bridge loans” while banks work through their lengthy credit lending procedures. In addition, as mentioned earlier, mortgage brokers entered the market at the height of coastal real-estate development between 2005 and 2006, motivated by quick sales and high interest rates. These agencies offer a wide variety of credit programs for purchasing new houses, construction, and for other purposes. This type of service specializes in the residential real estate market, but is open to commercial activities as well.

With the arrival of large quantities of foreign capital into Costa Rica’s real estate market, a significant new player emerged, the fund manager, who represents both individual and institutional investors. The funds they manage are designed as long term investment tools. By July 2008, there were 19 fund managers operating in the country.

An early sign of the boom of real estate business was the spread of middlemen brokers in the market. Those interviewed said it was widely perceived that “everyone” along the coast – most especially taxi drivers -- were informal real estate agents, serving as consultants for potential foreign investors. The land was littered with “for sale” signs, giving the impression that everything was on the market – and compelling the owner of one farm near the coast to post a hand written sign stating “This land is NOT for sale.”

According to both the Association of Real Estate Brokers (Cámara de Corredores de Bienes Raíces, CCBR) and field interviews, many property transactions along the coast have been negotiated by foreign brokers living in the country on tourist visas. This clearly violates the law: tourist visa holders are prohibited from conducting business and they are not licensed real estate agents.

Field trips along the Pacific coast in 2008, before the economic crisis fully hit, identified 52 franchises tied to four large international real estate brokerage and investment firms: Century 21, RE/MAX, Coldwell Banker, and ERA Real Estate. The importance of the Costa Rican
market for U.S. investors is further demonstrated by the fact that 200 agents affiliated to the U.S.-based National Association of Realtors (NAR) were advertising themselves as specialists in the Costa Rican real estate market. Also associated with the real estate boom were insurance agencies selling real estate fraud insurance.

This coastal real estate boom generated, in turn, the rise of new businesses and services including a growing number of firms for lawyers, accountants, engineers, air conditioning specialists, medical and dental services, and interior decorators. There is also growth in supermarket chains, fast food places, pharmacies, opticians, hardware stores, and warehouses of construction materials. While some of these businesses are clearly responding to the immediate real estate boom, others, including supermarkets, car dealerships, and shopping malls take considerable infrastructure and require 5 to 10 years to recover investment.

Finally, the municipal governments are key actors in these real estate transactions and construction projects. In analyzing the tax revenue of municipalities where real estate booms took place, it’s no wonder why local authorities offer their support to this type of activity. Under Construction Law No. 833 and its amendments, taxes must be paid when the municipality grants construction licenses and are calculated at up to 1% of the project’s value. For all the municipalities in Costa Rica, this tax represents approximately 9% of all that is collected from taxes. In fact, income generated from municipal licenses and patents is even more important.

- Conclusions

This study’s examination of the performance of the real estate market on the Pacific coast coincided with both the boom (described above) and bust, a period of great uncertainty caused by the global economic crisis that began in 2006 with the U.S. subprime mortgage crisis. By late 2008, the economic recession was having a marked impact on both coastal resort and real estate developments. Some of the lessons and policy recommendations that can be drawn from an analysis of this boom and bust are as follows.

First, the rise of residential tourism on the Pacific coast, including vacation homes, condos, and apartment towers, as well as housing developments within resorts, has been one of the main sources of FDI during the boom years.

Second, this development has also brought unanticipated demands for government services and resources, while apparently bringing scant long term benefits in terms of employment, taxes, or sales of goods and services.

Third, vacation rental properties also create competition with hotels, something tourism officials in government apparently did not anticipate and much of the tourism industry does not like.

Fourth, coastal tourism in recent years has grown largely based on the model of the all-inclusive resort. This is distinct in a variety of important ways from Costa Rica’s nature-based or ecotourism sector that is built largely on Costa Rica’s strengths: local resources, skills, and attractions, including the system of national and private parks. In contrast, resort tourism is
heavily dependent on the North American market for investors, developers, and consumers. It has proved vulnerable to the global economic recession, with investment and construction grinding almost to a halt, with no clear indication that it will resume.

This study recommends that the government use the lull brought on by the global economic crisis to design better policies for resort and residential real estate developments on the Pacific coast in order to manage it and make it compatible with Costa Rica’s vision of sustainable tourism conceived in the National Development Plans. In addition, vacation home rental properties need to be incorporated into the ICT plans to more accurately assess and project Costa Rica’s room capacities.

There is, as well, an urgent need for more oversight of those involved in the real estate market to insure that real estate agents, developers, and investors (both foreign and national) are licensed and comply with immigration, tax, and other regulations and to minimize the potential for corruption involving local and national authorities. Municipal governments that receive taxes and fees from residential and tourism projects should use these funds to improve living conditions of the local communities and help to alleviate poverty.

**Sustainable Coastal Tourism: Certified Beaches and Hotels**

Unlike many countries, Costa Rica has two well respected ‘green’ certification programs – Ecological Blue Flag (BAE) and Certification for Sustainable Tourism (CST) -- that can help to ensure that coastal tourism adheres to recognized criteria for social, environmental, and economic sustainability. Both are voluntary and both are run by the government.

- **Ecological Blue Flag**

The BAE, modeled after a successful European program, was introduced in Costa Rica 1995 in response to the imminent dangers of beach pollution and its impact on public health and the tourism industry. Run by the Water and Sewer Institute (AyA) in collaboration with the ICT and other government departments, BAE annually assesses beaches seeking certification and awards one to four stars. It has also been willing to publicly remove Blue Flag status from beaches that fail to maintain water quality or other standards.

In 2008, for instance, 59 beaches were certified, while seven popular Pacific coast tourism beaches and one Caribbean beach lost their BAE certification. All the demoted beaches had high levels of fecal contamination of their waters. In April 2009, 26 Guanacaste beaches were among those that earned BAE certification, while two Guanacaste beaches – El Coco Norte and Hermosa – lost their flags. As of early 2010, about 60 beaches had been certified, most of them along the Pacific coast.

In terms of meeting standards for sustainable coastal tourism, Ecological Blue Flag has been the country’s most important voluntary certification program. It has successfully brought together government and private institutions at both the local and national level to implement and
oversee the program. Its annual inspections ensure that beaches are regularly assessed and the results publicly announced. Since pristine beaches and clean ocean water are the foundation on which coastal tourism is built, the winners and losers of Blue Flag rating are closely monitored by coastal communities, the media, and the tourism industry.

- **Certification Programs for Hotels: Five Star and CST**

Costa Rica also has two certification programs for hotels, both run by the ICT. The oldest, the Five Star Rating assesses hotels based on quality, service, and price, and is part of a well established international program. Virtually all of the estimated 3000 tourist hotels in Costa Rica are certified under this program. While not required to obtain a license, hotels seeking a Tourist Declaration⁸¹ (required for marketing and technical support from the ICT, as well as for a liquor license) or certification under the CST program (see below), must obtain at least a one star rating. In practice, all hotels in Costa Rica catering to an international market are certified under the Five Star program.

In 1997, the ICT launched the home-grown Certification for Sustainable Tourism (CST) program to assess the environmental, social, and economic impacts of operating hotels based on a rigorous check list of some 150 criteria. CST conducts onsite audits using an accreditation committee which includes government, academic, and private sector professionals. Based on the hotel’s score, CST awards one to five green leaves. Rodolfo Lizano, who was the primary architect of the CST program, felt strongly that tourism in Costa Rica was moving beyond small ecolodges and that if the country were to remain competitive internationally, the larger, more conventional hotels also needed to abide by responsible environmental and social principles. The CST was quickly hailed internationally as an innovative, well designed program; however, its growth was stunted for years by bureaucratic inertia and squabbling, limited funds, small staff, and poor promotion.

Then, beginning in 2005 and accelerating during the Arias administration, CST received increasing support from within the ICT. More marketing funds began to be dedicated to promoting CST certified hotels, more hotels were certified, and a new certification program for tour operators was launched. By 2010, 22 tour operators and 98 hotels (31 along the Pacific coast) had been certified, with many others hotels waiting to be audited.

To assess the utility of CST as a tool for sustainable coastal development, this study surveyed managers or CEOs from ten certified hotels (ranging from 16 to 129 rooms) along the Pacific coast. All said they had invested large amounts of time training staff and adjusting their operating procedures to meet CST criteria, and seven reported that they had invested between $120,000 and $2 million to purchase new equipment to comply with CST’s environmental standards. However, those surveyed said that by following CST procedures, their hotels have saved on the cost of energy—especially electricity—and water, and have standardized and improved their internal operations. In addition, they are receiving preferential treatment from the ICT in marketing, trade show discounts, and other promotions.
The hoteliers interviewed concluded that, despite the investment required, CST has been a valuable program for their own operations and they said that if more coastal hotels enroll and marketing is enhanced, it could become an important tool for ensuring sustainable coastal development. They agreed that CST or some similar program should be used at the design and construction – not just the operational – stages and that CST should be expanded to include vacation home complexes. Finally, seven of the ten said that CST should be mandatory for hotels, residential and vacation home developments, while the other three said that it should continue to be voluntary but that the government should provide a range of incentives -- tax credits, low interest loans, and duty-free imports for ‘green’ products -- that would help encourage more coastal hotels to become certified.

**Cruise Tourism on the Pacific Coast**

Cruise tourism is an often overlooked component of mass tourism along the Pacific coast. Like sun and sand resort tourism and residential real estate, cruise tourism raises a number policy issues regarding its economic contribution, environmental viability, and contribution to the country’s commitment to sustainable tourism. This study looked at cruise tourism’s importance, its impacts on the Pacific coast, government and private sector plans to upgrade and expand cruise tourism, its competition with cargo ships, and some of its main costs and benefits, especially compared with smaller “pocket” cruises (less than 250 passengers) and with high-value ecotourism.

Unlike other Central American countries, Costa Rica has been involved in cruise ship tourism for more than two decades and has experienced gradual growth over the years. Cruise ships visiting Costa Rica docks in older cities – Limon and Moin on the Atlantic and Puntarenas and Caldera on the Pacific – where they cause relatively little environmental damage but have had to compete for pier space with cargo ships.

Cruise tourism in Costa Rica is still a far smaller component of the tourism industry than overnight visitors. In 2005, for instance, it accounted for just 16% of arrivals: 280,000 cruise ship tourists versus 1.7 million stayover tourists. Between 1999 and 2005, overnight tourism in Costa Rica grew 10% per year, while cruise ship tourism only increased 3% per year. In addition, the Pacific coast is a minor player in the country’s cruise tourism: the Atlantic ports, Limon and Moin, receive 70% of the cruise vessels, as well as 80% of the country’s cargo freight.

At the moment, only two Pacific ports provide service to large cruise ships: Puntarenas and Caldera. Puntarenas is the principal cruise port on the Pacific coast, receiving 52 ships out of 80 docking on along the Pacific coast in 2008; the rest docked at Caldera.

Although the Puntarenas port, which is administered by INCOP (Instituto Nacional de Puertos del Pacífico), was reconstructed specifically to serve cruise tourism and large cargo ships, its structural design and its exposure to strong tides and winds have created conditions that are far from optimal. Tour operators and service agents have noted that cruise ships can only berth for
a few hours, when weather conditions permit. The strong tides combined with the large size of
cruise ships has endangered the structural strength of the whole pier, limiting the capacity of the
port and permitting cruise ships to berth on only one side. Buses can only travel up to a certain
point and the structure is noticeably deteriorated when seen from below.

The city of Puntarenas has also expanded its offerings to foreign and national tourists, and now
has cleaner beaches, a new aquarium, and a new pedestrian walkway. Despite this,
Puntarenas' businesses benefit little from cruise passenger arrivals since the vast majority
immediately board buses to go on tours they have purchased onboard. These tours are run by a
small number of large San Jose-based tour operators, with the cruise lines receiving a large
percentage of fees.

Caldera, a busy commercial port specially designed for cargo use, is also used for cruise ships,
including as a “home port” (where tours start and finish) for some small luxury cruises. Caldera
has no local town or attractions within walking distance of the berths, other than a few local
vendors selling handicrafts and coffee. Tourist passengers either leave immediately for
Puntarenas or get on buses to go on packaged tours.

In 2006, Sociedad Portuaria de Caldera (SPC), a private Colombian company was given a
concession to administer Caldera for 20 years. Previously, Caldera Port was managed, along
with all other Pacific coast ports, by INCOP. Exporters express satisfaction with the new port
operator, which by mid-2008 had invested over $10 million in new equipment and infrastructure.
Currently no major tourism renovations are underway, but at least one private initiative by
foreign investors has proposed to expand Caldera’s capacity for large cruise ships, and convert
it into a home port with its own hotel, private marina, golf course, and other facilities. Although
this would be privately financed, it would seek special concessions and permits from the
government.

Two other Pacific coast ports – Quepos and Golfito – are prime tourism destinations but the
latest National Development Plan for the Pacific Region does not designate them for cruise
tourism development. Quepos port caters primarily to yachts and sport fishing boats and is not
suitable for larger ships. The new private marina complex is designed to service only smaller
vessels. On rare occasions cruise ships have used Golfito, but port expansion plans include a
large marina with no facilities for large cruise lines.

The ports of Punta Morales and Fertica are designed only for commercial use and there are no
plans to expand them for tourism. There have also been proposals to give concessions to
developers for resorts and cruise ship docking on some of the environmentally sensitive islands
off the Pacific coast. Fortunately there are no immediate plans to open these islands for tourism.

Since Puntarenas and Caldera are urban ports that have long been used by both cargo and
cruise ships, the negative environmental and social effects they receive from cruise tourism are
much less pronounced than the effects experienced by new ports in more pristine environments.
But while cruise tourism numbers have been controlled better in Costa Rica than in other
Central American and Caribbean ports, the evidence shows that to date cruise tourism has had very limited positive economic impact in Puntarenas and Caldera, or in Costa Rica as a whole.

This study has documented a number of areas of concern:

- **Cargo vs. Cruise Ships, Policies and Fees:** In all Costa Rican ports, cruise ships are given preferential access, and cargo ships must wait until passenger vessels disembark, slowing down movement at the port. Tariffs for cruise ships have been unaltered since they were first established in 1990. This study calculates that for Puntarenas and Caldera ports, cruise ship docking fees total $11,000 per ship, while cargo ships of the same size pay over $52,000 per ship. Our research has found that these lower fees and the preference given to passenger ships over cargo vessels have generated considerable losses to the export and the perishable goods sector.

  In addition, the personnel needed to attend cruise ships must be bilingual and highly qualified, increasing the costs for port agents. The provision of other services to cruise ships (trash handling, water, etc.) is the profit point for these companies. Docking fees alone would not be competitive over the long run.

- **Cruise Passenger Fees:** Similarly, the passenger head tax that arriving cruise ships pay the host government has not been renegotiated since 1990 and is among the lowest in the region: $2.50 for cruise passengers in Caldera and $4.00 for cruise passengers in Puntarenas (and $2.09 for disembarking passengers in Limon). The regional average for the Caribbean countries is $8.66 per passenger, in Belize it is $7.00, and in Honduras it is $9.50. Bermuda has successfully negotiated for cruise lines to pay a $60 head tax.

  In addition, Costa Rica has had a relatively low percentage of cruise passengers who disembark, averaging about 60%. Interestingly, an impressive 95% of the disembarking passengers report they are satisfied with the port facilities and feel safe in Costa Rica. Costa Rica is clearly not maximizing its revenue potential from either the passenger head tax rate or the percentage of passengers disembarking. These should be addressed in new contract negotiations with the cruise lines; if conducted collectively by Central American governments better tax rates would be available to all.

- **Land-based Spending and Tours:** The onshore cruise tourist market is dominated by a few large tour operators, most importantly Swiss Travel and TAM, who benefit from barriers to entry for smaller, local enterprises. The ICT surveys for 2006 found that passengers disembarking in Puntarenas pay an average of $119.95 for tours they purchased on board. This price includes a hefty commission, typically 50% of the total cost that goes back to the cruise companies. Cruise lines receive similar commissions for promoting particular onshore shops and restaurants. As is well known, cruise lines discourage passengers from purchasing independent tours, warning that the quality cannot be guaranteed and that the cruise ship will not wait if they return late. Because tours purchased on shore do not include
a commission for the cruise lines, they appear to put more revenue into the Costa Rica economy.

The ICT surveys of cruise passengers found that they spend an average of 4.6 hours on shore during which they spent on average an additional $60.80 beyond what they paid for a tour. Expenditures for tour guides, handicrafts, and transport top the list.89

Local vendors, guides, and taxi drivers have staged several protests, signaling that people in Puntarenas are not gaining sufficiently from cruise tourism and calling on the government to promote policies to ensure that local businesses receive benefits. However, the reality is that the economic model for cruise lines, like all-inclusive resorts, is to strive to consolidate passenger spending on board and to capture onshore revenue through commissions and joint ventures.90 Cruise ships have been accurately described as “floating all inclusive resorts.”

In addition, some cruise tour destinations and attractions are also popular with stayover tourists, many of whom come seeking small-scale ecotourism and do not like encountering large cruise tours. The high season for cruise tourism – November through April – coincides with the high season for stayover tourism, and, according to an earlier CREST-INCAE study, “This [overlap] increases significantly the pressure on tourism attractions and infrastructure (transport, trails, parks, beaches, restaurants, drinking water and electricity).”91 In order to protect Costa Rica’s higher value stayover tourist market, we recommend that cruise tours be clearly separated,

- **Revenue from Cruise vs. Overnight Tourism:** The difference in earnings between overnight and cruise tourism is even more marked, with overnight visitors spending more per day, more in taxes, and, of course, staying far longer in the country. In 2005, the country took in $18.9 million from cruise tourism and $2.1 billion or 111 times more from overnight tourism. In that year, stayover visitors spent an average of 18 times more in Costa Rica than cruise passengers. As the CREST-INCAE study of the cruise industry concluded, “Given these differences, it seems obvious that allowing cruise tourism to have adverse impact on the overnight tourism experience would be harmful to the country.”92

This expenditure differential is not unique to Costa Rica. The Caribbean Tourism Organization (CTO) estimated in 2003 that 19 Caribbean countries generated $7.3 billion from overnight tourism and only $1.1 billion from cruise tourism – even though the total number of arrivals in each sector was about the same, just over 18 million. Similarly, in-country expenditures averaged $994 per overnight visitor and only $77 per cruise passenger, or 13 times more from overnight visitors. The CTO found further that the tax income per capita for the governments of the Caribbean showed a similar pattern. In broad terms, government income from each cruise passenger was $17 ($9 in head tax plus about $8 in sales tax), while the government collected on average $133 in taxes per overnight tourist – or eight times more for overnight visitors.93
Figure 6: Cruise and Stayover Sector Comparisons in Costa Rica.

<table>
<thead>
<tr>
<th>Topics</th>
<th>Cruise Sector</th>
<th>Stayover Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arrivals (2005)</td>
<td>280,017</td>
<td>1,659,167</td>
</tr>
<tr>
<td>% of Arrivals from U.S.</td>
<td>63%</td>
<td>45%</td>
</tr>
<tr>
<td>Market growth (1999-2005)</td>
<td>3%/year</td>
<td>10%/year</td>
</tr>
<tr>
<td>Passenger spending/day</td>
<td>US $55.24&lt;sup&gt;a&lt;/sup&gt;</td>
<td>US $120&lt;sup&gt;c&lt;/sup&gt;</td>
</tr>
<tr>
<td>Passenger spending/visit</td>
<td>US $55.24&lt;sup&gt;a&lt;/sup&gt;</td>
<td>US $1000&lt;sup&gt;c&lt;/sup&gt; (18 times more)</td>
</tr>
<tr>
<td>Taxes</td>
<td>US $2.09-2.50/passenger; 13% sales tax</td>
<td>US $26 airport exit tax; 3% hotel tax; 13% sales tax</td>
</tr>
<tr>
<td>Total earning in local economy</td>
<td>US $18.9 million&lt;sup&gt;b&lt;/sup&gt;</td>
<td>US $2.1 billion</td>
</tr>
</tbody>
</table>

- **Pocket Cruises**: These findings raise the question of whether Costa Rica should be seeking to expand cruise tourism, especially on the Pacific coast where the conditions are inadequate and the arrival numbers not high. A more viable option may well be to encourage small-scale “pocket cruises” (under 250 passengers) although to date there has been no thorough cost-benefit analysis of this sector.

At present some 80 smaller ships berth each year at Costa Rica ports. As noted above, Caldera is already being used as the home port for some Windstar Cruises and it would be useful to analyze the financial costs and benefits for the port and tourism businesses. Instead of focusing on ship-board amenities, pocket cruises put a special emphasis on each destination, carrying experts on board, and offering a kind of “boutique” or adventure-style cruising experience.

Pocket cruises are anchoring in or near areas like Golfito, Coco Island, Tortuga, and Quepos, and a number of the Pacific coast marinas – including in Flamingo, Herradura, El Coco, Jacó and Dominical -- already have or plan to have specialized piers to accommodate pocket cruises. The increase in marina permits signals a growing interest for small port development on the Pacific coast. None of the marina proposals include plans for berthing ships larger than pocket cruisers, or servicing large cruise ships anchored off shore.

Most importantly, small-scale cruise tourism produces greater economic benefits than large cruises, with a better geographic distribution and higher participation of small and medium enterprises.<sup>94</sup> Furthermore, these ships do not saturate natural attractions or constitute a burden on their sustainability. At the moment, the government has not developed a specific

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Source: CREST, *Cruise Ship Tourism in Honduras and Costa Rica*, January 2007, CREST
strategy to attract pocket cruises to the country, although they maintain it will be an important element of their overall cruise tourism strategy.\textsuperscript{95}

\begin{itemize}
\item \textbf{Conclusions}
\end{itemize}

At present, there is a disjointed cruise tourism strategy on the Pacific coast of Costa Rica and a need to address issues, such as those listed above. There are a wide range of government and private sector plans for upgrading and expanding cruise tourism in the region, including developing Puntarenas as a home port for large cruise ships and opening some offshore islands and coastal beaches for cruise tourism. This study concludes that while Pacific coast cruise tourism should be upgraded with a new master plan, better infrastructure in Puntarenas, and a national coordinator for cruise tourism within the ICT, it should not be expanded.

Limon, as the main cruise port and as part of the Caribbean cruise network, is logically where cruise tourism should continue to be centered. It would be advisable to improve Puntarenas as the main port on the Pacific coast, separating cargo and cruise ships, and then improving the experience for passengers who chose to disembark. Smaller ports like Golfito and Quepos should specialize on other niches, including pocket cruises that yield higher economic benefits per passenger, require significantly lower levels of investment, and fit more readily into Costa Rica’s nature-based tourism model. \textit{This study concludes that it is unwise to pursue plans for a Pacific coast home port or cruise ship dockings beyond Puntarenas and Caldera, given the low level of earnings from cruise tourism, the dangers of undermining high value ecotourism, the high cost of provisioning in Costa Rica (which raises cruise line costs), and the physical challenges of using Puntarenas. It is important that cruise passenger tours and activities be physically separated from those of overnight tourists, to prevent erosion of stayover attractions.}

The current model of Bermuda, where cruise lines have invested in job training and local youth programs, could be emulated in Costa Rica’s Pacific so as to democratize the distribution of earnings from cruise tourism. Policies that encourage buying local products, and facilitate arrangements for tours purchased from local operators, can emphasize local cuisine and local culture. Creating the necessary conditions for the Puntarenas population to benefit from cruise tourism can help improve living standards without jeopardizing other wilderness and natural attractions favored by stayover tourists. Benefiting this urban area and port community must emerge as a priority for government authorities negotiating the contracts with the cruise lines.

Finally, Costa Rica needs to negotiate better agreements with the cruise lines, beginning with a higher head tax. We recommend that the Costa Rican and other Central American governments develop a set of regional terms and conditions for cruise tourism and negotiate collectively with the cruise lines. While some efforts have been made towards such collective bargaining, a common cruise policy for all of the Central American countries would be highly desirable, resulting in more revenue for each port-of-call.

The reality is that cruise tourism has proven to have very limited positive economic impact in Costa Rica. As the earlier CREST-INCAE study concluded, “the Costa Rican state is subsidizing, by means of developing extremely specialized port infrastructure for cruise vessels,
an activity which is highly lucrative for the cruise lines but not for the country." Given the value the country places on natural resources and nature- and culture-based ecotourism, the sustainability of the tourism sector—and the country’s attractions themselves—must remain a key goal in the long run. We conclude that cruise tourism in Costa Rica should remain a small part of the overall tourism sector.

**Changing Perception of Pacific Coast Tourism and Costa Rica’s Brand: Media & Tourism Industry Perspectives**

Over the last two decades, Costa Rica’s overall image and tourism reputation has undergone changes as its tourism offerings and international market have expanded, diversified, and matured. While in the early 1990s Costa Rica gained an international reputation as a leading ecotourism destination, in the new millennium its reputation has been shaped significantly by the trends discussed here -- namely, growth of resort and residential tourism along the Pacific coast.

Through an analysis of coverage in the international and domestic press, review of guidebooks, assessment of market surveys and tourism studies, and interviews with key tourism industry professionals in both Costa Rica and the United States, we examined how Pacific coast tourism is impacting Costa Rica’s tourism brand and tagline: “No Artificial Ingredients.” Our analysis demonstrates the resilience of Costa Rica’s overall reputation for high-value nature-based tourism. In a March 2010 survey of green travel brands, Costa Rica was reported to be the only brand that “seemed to have a clear, green identity.” Costa Rica has also succeeded in improving and expanding its offerings to meet new consumer demands while adhering to core principles and practices of nature-based sustainable development. Since the late 1980s, an ICT planning document states, Costa Rica’s international reputation has evolved from “rugged ecological tourism” into “a multi-faceted tourism” destination with “a strong interest in nature tourism.” Or, as a 2009 magazine article entitled “Eco-Paradise goes Upscale” put it, “[I]n recent years Costa Rica, the world’s first country to fully embrace eco-tourism, has added a new dimension --- luxury hotels and upscale resorts.” At present, the ICT website lists ten distinct types of tourism, including ecotourism, sun and beaches, and cruises.

However, despite the continuing strength of Costa Rica’s reputation for eco- and sustainable tourism, our review reveals a range of concerns expressed in the media, in market studies, and by tourism professionals about the impacts of resort and residential tourism sectors the Pacific coast on the country’s brand. Those interviewed also raised a more fundamental question about the relative international strengths of Costa Rica’s sun-and-sand beach tourism verses its nature-based tourism centered largely on its public and private protected areas.
• **International Press Coverage**

As early as 1991, international press reports associated Costa Rica with the then-new phenomena known as ecotourism. A year later, the U.S. Adventure Travel Society hailed Costa Rica as the world’s number one ecotourism destination and the ICT statistics found that most tourists were entering Costa Rica for ecotourism-related reasons.\textsuperscript{102} By mid-decade, the press noted that ecotourism had surpassed bananas to become Costa Rica’s number-one foreign exchange earner.\textsuperscript{103}

Yet already in 1992, the *San Francisco Chronicle* reported, “Japanese and Spanish investors are planning huge resort hotels” and some places like Manuel Antonio were “starting to resemble crowded resorts everywhere else.”\textsuperscript{104} Then, in 1997, reports began surfaced about slumping tourism numbers, attributed in part to too rapid and ill-planned resort development. Amid fears the country was beginning to lose its edge, the ICT launched its voluntary Certification of Sustainable Tourism (CST) program, a rigorous but poorly administered eco-labeling program designed for the entire hotel sector.

By the beginning of the new millennium, Costa Rica had clearly moved beyond its early image of rugged rainforest ecotourism. While nature tourism remained dominant, the word “ecotourists” was being replaced by simply “tourists” and the country was portrayed as having conventional sun and sand offerings. As the Cox News Service wrote in 2000, “Don’t think you have to be a high-adventure junkie or an eco-freak to enjoy a trip to Costa Rica. There’s also plenty of traditional vacation fare, including…sparkling new golf courses, five-star hotels…and casinos and discos.”\textsuperscript{105}

During the resort and residential real estate boom in the subsequent years, more articles appeared comparing Costa Rica with traditional beach destinations in Mexico, Hawaii and the Caribbean. A 2003 article in the *National Post Canada* reported, “Resorts have gobbled up most of the Pacific coast and foreigners are eagerly snapping up what is left.” It added, “Costa Rica's resorts are similar to those in any place that offers reliable sun.” \textsuperscript{106} Newspapers also began noting that Costa Rica was facing competition from new ecotourism destinations in other Central American countries. *The New York Times* headline proclaimed: “A Crowded Field of Contenders Vying to Be 'The Next Costa Rica'.”\textsuperscript{107}

By 2007, articles on real-estate development began overshadowing those on tourism, with emphasis on coastal areas rather than inland ecotourism destinations. According to the *Washington Post*, “Once a remote destination favored by backpackers and surfers, the northwest Pacific corner of Costa Rica has experienced a recent surge of development as the region has caught the interest of well-heeled U.S. consumers. Several luxury hotel and condominium projects -- including one operated by Four Seasons -- have been built in recent years, and more are being planned.”\textsuperscript{108}

Interestingly, some resorts, such as Cacique Costa Rica owned by AOL co-founder Steve Case, built on Costa Rica’s green reputation to garner significant U.S. press even before they had broken ground. A laudatory August 2007 *Washington Post* article called Cacique a luxury “eco-
getaway,”109 while the New York Times article similarly hailed Cacique as “Luxury Lodging for the Eco-Tourist.”110

- **Local Press**

In terms of the Costa Rican press, the Spanish and English language newspapers have historically favorably portrayed real-estate and tourism development projects,111 citing figures on overall investment and jobs to be created. In 2008, however, coverage began to change as more coastal development and environmental scandals came to light. Beginning that year there was a surge in local newspaper coverage about tourism and real estate projects in Guanacaste and the Central Pacific regions. This study found 61 articles in the local Spanish-language press related to coastal development issues in 2008, up from 12 articles in 2007. Newspapers also covered the growing public opposition and protests about the social and environmental impacts of coastal development projects in Tamarindo, Playa Hermosa, Papagayo, and the southern zone from Dominical to the Osa Peninsula.

English language newspapers, whose readership included investors, potential second-home buyers in coastal development projects, and tourists also covered protests very closely, as a service to their readers. “They read us online to see what’s happening with their investment,” said the editor of an English language business publication.112

The Tico Times, the oldest and most important English language newspaper in Costa Rica has historically been more aggressive in investigating reports of violations and illegalities in coastal development projects. In 2007, for instance, the Tico Times reported that SETENA had denied approval of Cacique’s first environmental impact study, even as President Arias and developer Steve Case held a joint press conference touting the resort’s environmental and social good practices. In 2008, the Tico Times also ran a four-part series “exposing development woes” in the Papagayo project, while in 2009 and early 2010, it reported on charges that Costa Rica’s newest and biggest resort, the 701-room Hotel Riu, had violated various regulations and caused environmental damage.

- **Travel Guidebooks on Costa Rica**

Guidebooks have long been an important source of information about Costa Rica and are carried by nearly all arriving tourists. This study’s interviews with writers and editors of leading guidebooks -- Lonely Planet, Fodor’s, Frommers, and New Key to Costa Rica – reveals that they have a more critical assessment of the trend towards large resort development on the Pacific coast, and some have simply stopped including the more notorious Pacific coast resorts and overdeveloped beach towns. At the same time, they have been increasing the coverage of sustainable tourism practices, ecologdes, and community-based tourism. The reasons for this appear to be several: guidebooks are typically written by long time residents in Costa Rica; these guidebooks cater to a wider spectrum of travelers, including backpackers and ecotourists, as well as more mainstream travelers; and they are not as dependent on advertising as magazines or newspapers.
Costa Rica’s oldest guidebook, *The New Key to Costa Rica*, omits Papagayo and Tamarindo altogether from its section on northern Guanacaste. “I used to think that in order to serve our readers, we needed to include these places,” explained editor Beatrice Blake, but she said news about the sewage problems at two Papagayo hotels led her to remove that area from her book. “How can I recommend Papagayo after the poop problem? When people have to sue to get clean water, tourism is not sustainable,” she commented.113 And yet another writer said that she does not cover Papagayo since travelers who are interested in resorts are buying into the resort experience rather than the destination and don’t need guidebooks. “If they want to go to Four Seasons, they know what they are getting; they don’t need us.”114

*Fodor’s* has moved Tamarindo out of its section that highlights the country’s best beaches. “Tamarindo is awful. A nine-storey building went up and a casino, the boulevard is always muddy from non-ending construction,” said a *Fodor’s* writer who lives in Costa Rica.115 *Fodor’s* now updates information on northern Guanacaste resorts by phone, sending its reporter to others areas that are deemed to be preferred by its readers.116

In 2002, *Lonely Planet’s* Costa Rica guidebook became the best-selling travel guidebook to Latin America at Amazon.com. Among other issues, *Lonely Planet’s* 2008 edition warns in its “Dangers and Annoyances” sidebars of safety issues and crime in more developed coastal areas such as Jacó and Tamarindo.117

In response to the changing landscape, guidebooks are leading travelers to less developed beach destinations. “I send them to Nosara and Samara and Uvita or Drake Bay. There are still lots of beaches I can recommend,” said an author who also provides travel consultations.118 In addition, writers interviewed said they are beefing up information on sustainable or green choices, citing a growing interest among their readers for this type of information. *Fodor’s* has changed the format in their 2009 edition to highlight national parks and ecotourism. It includes a chapter on ecotourism Costa Rican style, listing sustainable hotels working with the Rainforest Alliance,119 CST certified hotels, and Blue Flag beaches,120 explained a *Foder’s* writer. Similarly, a writer for *Frommer’s* guidebooks explained, “There’s growing concern for sustainable tourism in all *Frommer’s* books,” with much more space given to nature-based tours and mention included of ecological damage caused by some tourism developments.121

- **Recent Tourism Studies**

Since the start of the new millennium, a series of studies of Costa Rica’s tourism industry and its international reputation have raised concerns about the negative impacts of resort and residential tourism along the Pacific coast. In a 2001 report commissioned by the ICT, the Japanese International Cooperation Agency (JICA) identified “disorganized development” in southern Guanacaste and the Corcovado-Golfito coastal areas that had caused environmental destruction and deterioration of both land and marine attributes.122

These sentiments are reflected in several recent studies done by and for the tourism industry. In 2008, the Costa Rican Hotel Association (CCH) commissioned a study on the current and potential impacts of coastal development in Guanacaste due to growing concerns among its 300
member hotels. The study concludes that “Costa Rica is at the crossroads due to residential tourism that is governed by a different set of rules, provides little to no infrastructure for services and limits contact with locals...with funding that flows outside local economy.”

Also in 2008, a report by Travel Styles entitled “Americans as International Travelers: Focus on Costa Rica,” found that the country’s brand image had fallen compared to previous years in almost every dimension addressed in its survey. The report is commissioned every two years by the ICT and highlights the preferences of about 700 potential travelers (or “best prospects”) to Costa Rica.

Similar findings were echoed in the 2006 report, “Competitive Destination Planning: The Case of Costa Rica,” by Cornell University’s School of Hotel Administration. The report, based on a sampling of U.S. tourists who visited Costa Rica, warned that the country may be losing position as a leading ecotourism destination and should “take proactive steps to review its tourism planning and development initiatives.” It recommended stronger focus on ecotourism to help avoid becoming a mass market destination.

In 2004 and 2009, National Geographic Traveler magazine had 200 tourism experts rate over one hundred destinations against a range of environmental and social criteria. Costa Rica received 64 out of 100 points in 2004 and 62 in 2009, ranking it between “in moderate trouble” and “minor difficulties.” As the November/December 2009 National Geographic Traveler magazine explained, “Hailed as a leader in ecotourism, Costa Rica’s middle-of-the-road showing in this year’s rankings was unexpected. The country’s green reputation may have panelists holding it to higher standards. Other factors influencing the score: ‘large-scale resorts’ rising on the Pacific coast and ‘growing crime, including against tourists.’”

- **Tourism Professionals**

Travel professionals interviewed for this study say that the arrival of high-end resorts, such as Four Seasons, is a double-edged sword for Costa Rica’s travel industry. On the positive side, most tour professionals pointed out that these well-respected branded hotels open the country to luxury markets and attach an overall association of quality to Costa Rica’s attributes. “Large brand resorts foster credibility in the destination and the airlines open more routes,” said a leading tour operator, while the president of one of the tourism chambers added, “Resorts like Marriott and Four Seasons have helped position Costa Rica in the world.”

On the negative side, some voiced concern that the benefits of high end brand association may be cancelled out as Costa Rica becomes more accessible to the mass tourism market, with the growth of middle and lower priced resorts and low budget airlines such as Jet Blue and Spirit Air offering direct flights from the U.S. “The Four Seasons model, yes, Allegro Papagayo model, no,” said one interviewee referring to Guanacaste’s mid-level, all-inclusive Allegro Papagayo Resort.

A number of these experts said that even more worrisome than the proliferation of all-inclusive resorts is the growth of residential tourism. They said that at some popular beaches,
condominiums and second homes are driving down expected hotel occupancy rates, while visitors in rental properties are using hotel facilities such as tour desks, restaurants, bars, and swimming pools, since rental properties typically do not provide travel information or services to their guests. In addition, residential rentals generated unfair competition since they were not subject to room and sale taxes obligatory for hotels. In 2009, the ICT moved to close this loophole by eliminating the 3% hotel room tax and replacing it with a $15 flat tourist fee attached to all air tickets, to be used by the ICT for tourism promotion.

The owner of a high-end beach resort that has earned 5 green leaves under the CST program noted, “Beach condos are unfairly competing for services, but are not putting money into the local economy.” This raises as well questions about the long-term effects of what several of those interviewed called the “build, sell and get out” attitude of residential developers, while smaller, locally owned and operated hotels have a vested interest in protecting the places where they operate and the resilience of the Costa Rica “green” brand in the long term.

In terms of Costa Rica’s international position, tourism professionals interviewed in both Costa Rica and the United States said that while Costa Rica still remains a popular destination, there are reasons for concern that its international reputation for high value eco- or sustainable tourism is slipping. Several of those interviewed described Costa Rica as a “mature” destination at the height of its popularity. As one expert put it, “Costa Rica is still hot but oversold.” Another interviewee explained, “Costa Rica is at the high point in the curve. From here we can either fall or maintain.”

These professionals also noted a more serious and systemic problem with the Pacific coast resort and residential tourism. Costa Rica’s beaches are not as beautiful nor its coral as extensive as in many other countries. “Costa Rica does not compete in beach tourism,” commented the head of marketing with a leading Costa Rican tour company. This official and other tourism professionals argued that the country should work to strengthen its sustainable tourism sector where it has a successful track record, an international reputation, and a clear advantage in terms of biodiversity and protected areas.

**Changing Profiles of International Tourists in Costa Rica**

- **Traveler Profile: Who is coming to Costa Rica?**

The travel media, surveys, and industry professionals have long described ecotourists as different from conventional vacationers. Our study analyzed media coverage and tourism studies of Costa Rica, interviewed tourism experts in Costa Rica and North America, and examined the ICT’s surveys of departing tourists at the two main international airports in order to better understand these differences and the implications for economic, social, and environmental costs and benefits of nature-based and resort-based tourism.
As early as 1991, The New York Times wrote that “a kinder, greener tourist is emerging.” It went on to say that “the ecotourist prefers small, locally owned lodges to huge hotels or resorts owned by multinational corporations.”

Travel professionals in Costa Rica interviewed for this study say that over the last two decades the profile of Costa Rica’s eco- or nature traveler has expanded to include a segment that puts emphasis on personal comfort including fine dining, wellness centers, yoga, spas, and a range of new activities (canopy walks, zip lines, butterfly farms), as well as soft adventure, experiential learning, and educational and volunteer programs. They describe today’s travelers as “more demanding for service and comfort,” “less adventurous” and “interested in nature, but want to relax above all.” These new travelers are more likely to bring a laptop to play DVDs and download vacation photos than bring binoculars for wildlife viewing. However, the core values, characteristics, and preferences of today’s nature travelers remain the same. They continue to exhibit preferences and make choices that distinguish them from conventional, mainstream tourists.

Costa Rica’s tourism industry, in turn, has responded to these trends with more high-end lodges, boutique hotels, elegant B&Bs, a wide range of self-improvement and soft adventure activities, and customized tours. Recent market studies, commissioned by the ICT show that the majority of potential travelers to Costa Rica are affluent and educated people who tend to prefer unique local accommodations over full-service hotels. Only 19.1% would stay at an all-inclusive resort.

Such findings are collaborated by a survey done for this study of nine U.S. outbound operators with long-established programs in Costa Rica. Their clients stay an average of 8 days, visiting San Jose and two to three additional destinations. Most itineraries include Arenal Volcano in the northern plains, Tortuguero on the Atlantic coast, and Monteverde in the Central Pacific highlands. Secondary destinations offered beach time, soft adventure, or cultural components including the Pacific coast areas of Manuel Antonio, Tamarindo, Nosara, Dominical, Corcovado and Golfo Dulce, as well as inland sites including Sarapiqui, Rincon de la Vieja and Turrialba. These travel programs targeted general nature lovers, families, adventure sports vacationers and honeymooners, and to a lesser degree bird watchers.

Despite the strength of Costa Rica’s nature-based tourism market, as early as the mid-1990s, those with a finger on the pulse on Costa Rica’s tourism industry noted that the country was also attracting a growing number of conventional sun-and-sand resort tourists. Tourism industry representatives in Costa Rica attributed the growth, in part, to government marketing efforts aimed at more mainstream tourists.

The trend towards targeting mainstream tourists accelerated steeply after 2002, as noted earlier, with the start of scheduled, direct flights from the U.S. to the Liberia airport and the opening of new coastal resorts. Tourism professionals agree that the development of familiar branded resorts plays a role in attracting more conventional tourists by fostering trust in the destination. “People who would not have come to Costa Rica now think, ‘if Costa Rica is good enough to have a Four Seasons, then I’ll go,’” commented one interviewee. “This has helped
open Costa Rica to less adventurous minded travelers who might have gone to Hawaii in years past. We have replaced bird watching groups from Audubon with family groups from Disney.”

In December 2008, Costa Rica welcomed the arrival of its 2 millionth international tourist that year -- the first time the country reached so high an annual tally. This landmark was hailed as an indication of the continuing strong growth of Costa Rica as an international travel destination. While the health of the tourism sector is typically measured in number of arrivals and percentage of their annual growth, central questions for Costa Rica are: who are these tourists; where are they spending their holidays; and do they indicate the continuing strength of high value nature-based tourism or signal the beginning of a decline? Further research and monitoring are needed to fully answer these questions, but important insights can be found in an analysis of the ICT’s surveys of departing tourists at Costa Rica’s two main international airports, Juan Santamaria outside San Jose and Daniel Oduber outside Liberia.

- Analysis of International Airport Surveys: 2006-2008

The ICT surveys examine the demographics, spending patterns, and overall travel choices of tourists after they have completed their holidays in Costa Rica. While the ICT analyzes the surveys from each airport, it does not compare the findings. This study compares the results of the available ICT airport surveys conducted from April 2006 to December 2008 at these two airports.

Despite the rapid growth of the Liberia airport since 2002, Juan Santamaria continues to receive the majority of the international tourists. In 2008, nearly six times more tourists used Juan Santamaria than the Liberia airport: 1,216,180 tourists arrived to Juan Santamaria and 204,318 arrived at the Liberia airport. These statistics are one indication of the continuing overall dominance of nature based tourism market in Costa Rica since most eco-travelers, even those seeking luxury, come through Juan Santamaria Airport. However, a closer examination and comparison of the results at the two main airports reveals a number of significant distinctions.

- Profile of International Tourists Using the Liberia Airport

The Liberia airport surveys available from 2006-2008 show the following profile:

- A very high number are from the United States: the percentage increased from 61% in 2006 to 80% in 2008.
- More -- over 70% -- are first-time visitors to Costa Rica.
- A high percentage spend their holidays exclusively in Northern Guanacaste: 87.9% in 2007 and 96% in December 2008.
- Over 90% of these visitors are seeking “sun and beach” related activities, followed by shopping.
o Their preference for five-star rated accommodations has jumped dramatically: from just over 3% in 2007 to 65% in 2008. (This increase probably reflects the opening of a number of new resorts.)

o Total spending/person/visit has fluctuated but shows a dramatic jump: from $1355 per person in December 2006 to $2280 in December 2008, probably due to the increase in stays at 5-star luxury resorts.

o A higher percentage purchase vacation packages in their home countries – an indication that while their spending may be higher, less of it may actually come to Costa Rica.

• **Profile of International Tourists Using Juan Santamaria Airport**

In contrast, tourists passing through Juan Santamaria airport from 2006-2008 show the following profiles:

- Less dependent on the American market, with just over 50% of tourists are from the United States;
- A better mix of nationalities, with close to 20% European travelers who stay on average 6 nights longer than US vacationers (18 as opposed to 11 days);
- More experienced travelers;
- Visit a more diverse array of destinations while in Costa Rica;
- A larger percentage visit national parks.

<table>
<thead>
<tr>
<th>Airport Activities</th>
<th>San Jose</th>
<th>Liberia</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Stayed in Vacation Rentals</td>
<td>4%</td>
<td>9%</td>
</tr>
<tr>
<td>% Visited at Least One National Park</td>
<td>53%</td>
<td>41%</td>
</tr>
<tr>
<td>% Played Golf</td>
<td>1%</td>
<td>9%</td>
</tr>
<tr>
<td>% Beach &amp; Sun</td>
<td>57%</td>
<td>96%</td>
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<tr>
<td>% Shopping</td>
<td>30%</td>
<td>43%</td>
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• **Conclusions**

Since the early 1990s, the media and market surveys reported what was then a new “breed” of traveler to Costa Rica – the ecotourist – with different values and vacation patterns than the more conventional tourist patronizing sun-and-sand resorts in Europe, Mexico, and the Caribbean. Tourism professionals interviewed for this study and market surveys corroborated these differences, while also noting that as arrival numbers to Costa Rica have grown, the
ecotourist profile has become more complex, with a sector demanding more personal comforts and services and ‘softer’ adventure activities. Costa Rica’s tourism industry has responded well, and today offers a wide range of nature-based tours, activities, and accommodations.

In addition, the study’s preliminary analysis of the impacts of the current economic recession on Costa Rica’s tourism industry appear to indicate that the nature-based tourism accommodations, tour operators, and activities have fared better than the coastal resort market. The reasons appear to be several: that ecotourists, even those who seek luxury along with nature, are more experienced travelers who place high value on quality travel and are likely to continue to travel even in tough economic times. While further research is needed to delineate in more detail these distinctions, the evidence suggests that the Costa Rican government and the tourism industry should strive to accommodate and increase the number of these higher value nature-based tourists.

Coastal Tourism: Impacts on Job Creation and Poverty

Three broad and quite distinct categories of jobs related to tourism and real estate developments have emerged along the Pacific coast: 1) those associated with the construction stage; 2) those linked to the ongoing operations of tourism, vacation home facilities, and auxiliary businesses; and 3) those associated with the informal economy. The implications and impacts of these job categories, as well as the broader impacts of Pacific resort and residential tourism on levels of household income and quality of life, need to be better understood beyond aggregating figures or specific case studies, but unfortunately there are limited data.

- Jobs in Construction

Between 2003 and 2008 construction generated high demand for mainly unskilled jobs. Because builders did not find enough local labor, these jobs were often filled by Costa Rican workers recruited from other parts of the country and by temporary immigrants. In 2007, for instance, the Ministry of Labor allowed 10,000 Central American workers to enter the country in order to work in construction activities. Most were Nicaraguans, primarily men who came for short periods and did not become part of the local community. Between 2007 and early 2008, before the global economic crisis hit Costa Rica, developers were competing for workers and offering incentives such as higher wages and insurance from the Costa Rica social security system.

In March 2008, the Costa Rican Construction Chamber (Camera Costarricense de la Construcción, CCC) announced that the sector was not finding the type of worker needed in either Costa Rica or Central America and that additional workers would have to be recruited from South America. In the end, this was not necessary because construction began to slow down during the second half of 2008 and by early 2009 had almost halted along the coast. Many immigrant workers already in Costa Rica simply moved from construction to agricultural work.
As tourism and other industries increased employment, Costa Rica’s national health care system (CCSS or Caja) reported that the number of persons covered had grown 18.21% nationwide between 2004 and 2006. In 2007, the data showed that immigrants, widely thought to be a drain on the health care system, had in fact contributed a total of 80,000 million colones to the CCSS, but required medical attention costing only 35,982 million colones. However, even though this is a positive trend, there were still many construction workers who were not getting health insurance coverage from their employers. According to one study, between 2006 and 2007, 75% of construction workers in Guanacaste did not have CCSS health insurance. Half of them were Nicaraguans. In order to address such abuses, the Law for the Protection of Workers, passed in 2009, made CCSS medical coverage mandatory for all workers in Costa Rica.

There have also been reports of abuses of workers’ rights and inhumane living conditions at some construction sites. One of the most publicized cases involved the Spanish owned Hotel Riu, a 701 room, 7 storey, all-inclusive mega-hotel in Matapalo, Guanacaste that opened in late 2009. The Hotel Riu project had been plagued with problems including reports that it illegally cut down mangrove trees inside the ZMT’s 50 meter public zone. In addition, some 200 of its 1500 workers, who lived in what the Health Ministry called “deplorable, overcrowded and unsanitary” barracks, had to be treated for various illnesses. In November 2008, a Nicaraguan worker died after not receiving medical care. The hotel project was temporarily closed by the Health Ministry (MINSA) until problems were corrected and the company had demonstrated that all its employees were registered at the CCSS and that insurance at INS had been paid. That same month, Health Ministry and CCSS inspectors found 200 workers living in similarly appalling conditions at Costa Esterillos, a residential development project in Parrita. MINSA issued orders demanding a series of changes to improve living and sanitary conditions.

- Jobs in Tourism Operations

In addition to the construction phase, tourism generates direct and indirect jobs in hotels, restaurants, travel agencies, taxis, souvenir shops and through the supply of goods and services to related sectors. The estimates of job creation vary depending on the categories included and methodology used. According to the World Travel and Tourism Council (WTTC), travel and tourism generated 107,000 direct jobs in Costa Rica in 2008, representing 5.4% of total employment and a total of 258,000 direct and indirect jobs, or 13.1% of total employment.

Costa Rica’s National Statistics and Census Institute (Instituto Nacional de Estadistica y Censos, INEC), provides what are widely considered the most accurate data. Based on its July 2006 survey, hotels and restaurants accounted for 97,829 direct jobs in Costa Rica, or 5.5% of the total employed population. If we include other jobs related to tourism, including air, land, and port operation personnel, tour operators, rental agencies, and other businesses closely associated to tourism, this figure would be considerably higher. Unfortunately, these more inclusive statistics are not available from INEC.
The ICT estimates are considerably higher. In 2006, it calculated that tourism had generated 326,488 direct and indirect jobs in the whole country. The ICT based this calculation on the assumption that every hotel room generates two direct jobs and every direct job generates 3 indirect jobs.\textsuperscript{159} Using the same equation in Guanacaste, if we take the 8,309 rooms that were available in the Guanacaste province in 2006, we can estimate that these generated 16,600 direct and 49,800 indirect jobs, totaling over 66,000 jobs.

Whatever the aggregate employment figures for the Pacific coast, it is clear that the growth of coastal tourism and residential developments increased employment. In 2002, FLASCO Costa Rica and researchers from the Netherlands carried out a study on the evolution and impact of tourism activities in Manuel Antonio. The study found that tourism was generating 30\% of employment in Quepos -- equivalent to what the banana industry had provided in past decades.\textsuperscript{160}

More research is needed to analyze the nature and quality of the jobs that have been generated. Based on interviews and limited survey data, it is clear that many of the better paying jobs in Pacific coast tourism require a level of education and proficiency in English. Many of these have been going to Costa Ricans from the Central Valley or to skilled foreigners.

In interviews, tourism experts also noted that hotel and resort operations are much more labor intensive than vacation homes, apartments, and condominiums which often sit empty during much of the year. More research is needed to determine the costs and benefits, including job creation, of residential tourism.

- **Poverty and jobs in the informal economy**

Data for the informal economy is not easily accessible, but the International Labor Organization estimates it could exceed 50\% of the total number of employees across Latin America as a whole.\textsuperscript{161} In countries where there is a high level of informal employment, tourism can play an important role supporting street vendors, unofficial tour guides, artisans, and other providers of goods and services. Although unreported for tax purposes, money returned to the local economy has a great multiplier effect, directly benefitting the poorest segments of society. In particular, the tourism industry fosters entrepreneurial opportunities for informal workers, from the sale of handicrafts to fruit vendors and others.

The size of the informal economy in Guanacaste and other parts of the Pacific coast has not been measured, but the
number of people under extreme poverty diminished significantly in coastal provinces during the period of rapid growth in tourism and real estate development. Extreme poverty is measured by determining the minimum amount of money an individual requires to satisfy basic food needs and then estimating the per capita family income.¹⁶² According to INEC, in the Chorotega Region (including Northern and Southern Guanacaste Tourism Planning Units), extreme poverty fell from 10.9% of households in 2003 to 6.63% in 2007. In the Central Pacific region (which includes Puntarenas and the Gulf Islands and the Central Pacific Tourism Planning Units), extreme poverty fell from 6.2% of households to 4%; and in the Brunca region (which includes the Southern Pacific Tourism Planning Unit plus interior counties of Buenos Aires and Pérez Zeledón), extreme poverty decreased from 12.1% to 4.7%. Between 2008 and 2009, as the economic crisis hit, extreme poverty increased along the Pacific coast. According to INEC, in 2009, it rose to 7.7% in the Chorotega, 5.6% in the Central Pacific, and 8.5% in Brunca.¹⁶³

If overall poverty levels (including extreme and non-extreme) are considered for 2003 and 2009 -- a timeframe which includes the rapid growth and economic crisis -- we find no significant change for the Central Pacific (26% in both 2003 and 2009). In contrast, in Brunca, it fell 12% (from 33.6% in 2003 to 21.6% in 2009) and in Chorotega it fell over 6% (from 30.6% in 2003 to 21.4% in 2009).¹⁶⁴ Unfortunately, we were unable to procure data at the county level to give greater specificity on the relationship between poverty and the geographic areas where tourism development has occurred. Such data would be highly valuable to collect and maintain for future policy studies.

A number of variations in the available data make it difficult to draw firm conclusions or suggest relationships between an increase in tourism development and a reduction of poverty along the Pacific coast. First, the figures indicate that Brunca -- which includes Osa and other areas least affected by the resort tourism boom -- showed the greatest decline of these three regions in extreme poverty. Second, for all three regions, extreme poverty levels rise and fall during the boom years.

Additionally, some broader issues need to be considered before a causal relationship can be drawn between tourism-related development on the Pacific coast and levels of poverty. First, the years of coastal tourism growth coincided with a strong national economy, so positive trends in other sectors may have contributed to the decrease in extreme poverty. Second, changes in government spending on infrastructure and social services in the coastal regions can also
impact poverty levels – quite apart from tourism development. Third, the impact of workers migrating in search of jobs – both Costa Ricans moving within the country as well as Nicaraguans and others entering the country – may affect poverty and employment trends. Finally, many jobs related to the boom are not permanent. Construction jobs are temporary and many hotel and other tourism industry jobs are seasonal. All of these – and perhaps other – factors indicate that causality cannot be proven without further research and analysis.

- Local perceptions of employment conditions

As part of this study, our researchers carried out a survey in July 2008 (just before the economic recession hit) of 883 households in Pacific coast communities. Questions centered on perceptions of the impact of tourism on family and community, changes in levels of social well-being, employment, migration movements, and availability and quality of public services. In general terms, many respondents considered agriculture and livestock no longer significant sources of employment, while they viewed tourism, at both the construction and operations stages, as the most important generators of employment.

The study did reveal some differences among the coastal regions. In Northern Guanacaste, 36% of those surveyed listed construction (much of it residential tourism or hotel projects) to be the principal source of jobs, followed by tourism activities (20%), while in Southern Guanacaste, the order was reversed: tourism ranked first (33%), followed by construction (20%). This is not surprising since Northern Guanacaste (Liberia, Carrillo, Santa Cruz) has experienced a bigger boom in construction. Interestingly, despite the tourism and construction booms in Guanacaste region, respondents did not characterize their job opportunities as very good. When asked how they would rate the employment prospects available to them, in Northern Guanacaste, 33% considered their opportunities as good or very good, 36% considered them average, and 31% considered them poor.

Perceptions among survey respondents in Puntarenas, where recent tourism development has been comparatively less and there are other sources of employment, differed markedly from Guanacaste. In Puntarenas, only 7% ranked tourism as the primary source of employment; instead fishing (32%), factory work (12%), unspecified businesses and commerce (11%), and agriculture and livestock all ranked higher.

Tourism had the strongest showing in the Central Pacific: 45% of those surveyed indicated that tourism activity was their principal source of employment, followed by construction (25%), agriculture and livestock (10%) and fishing (6%). Nearly half of Central Pacific interviewees (49.6%) considered job opportunities in the area good or very good -- the most optimistic of the entire study.

In the Southern Pacific, which includes the Dominical-Tortuga area, the Osa Peninsula and the Golfito area, 29% of those interviewed indicated that tourism is the principal source of employment in the zone, followed very closely by agriculture (27%). In terms of employment opportunities, the Southern Pacific respondents had by far the lowest expectations: 47% called their opportunities poor or extremely poor.
In general, these surveys revealed that people on the Pacific coast perceive that employment in traditional activities like agriculture and livestock is declining, but that growth of employment and opportunities in tourism businesses and construction is uneven, being best in areas where the tourism boom has been strongest.

- **Social, cultural, and economic impacts of tourism**

Tourism development and social interaction with foreign investors, buyers and tourists can help to create employment and job training, diversify family income, improve social services, and stimulate production of new goods and services linked to tourism. It can also strengthen cultural identity, build fluency in second languages, and generate a more diverse and tolerant society.

Tourism also has a vast potential for building linkages to other economic activities. It can, for instance, stimulate agricultural production, manufacturing, and services in the surrounding area. Visitor spending can indirectly generate more jobs, wages, and profits, as tourist expenditures flow around the economy. Another positive economic effect of tourism can be the diversification of sources of income for the family or the community. As our study of the Punta Islita Hotel found, the majority of all households interviewed, including both employees and their neighbors, receive income, either directly or indirectly, from Punta Islita. The hotel employs 175 permanent staff at the hotel (and more in the high season) who are almost all from the area. In addition, local people earn income from sales of art work, small enterprises that serve tourists, and providing musical entertainment at the hotel. There are no other substantial sources of income in this area so most families rely heavily or even entirely on the hotel.\(^{165}\)

However, these increased earnings and opportunities need to be measured against what one local tour operator in Guanacaste calls the “artificial rate of inflation,” where the value of goods and services is higher in comparison with similar products in the Central Valley.\(^{166}\) In Liberia, for example, scarcity of housing has created a bubble in the price of housing developments for local residents. Higher prices for food and land may not necessarily be compensated by wage increases. The cost of living in coastal communities has risen significantly, says business writer Jaleh Ruhe: “In just five years Guanacaste has become economically inaccessible for most Costa Ricans.”\(^{167}\) And the rapid expansion of resorts and vacation home complexes has led to conflicts over vital resources, particularly water, as seen with community resistance to the Sardinal water pipeline.\(^{168}\)

An indirect effect of construction and property development is that the value of land increases, particularly next to the coast or, as in the Fila Costeña, on the ridges of hills overlooking the ocean. Tourism and second home developments may generate better roads and public services (water, electricity, telephone) for the local population – especially those who have not yet sold their property. However, foreign nationals who engage in real estate are generally credited with earning the biggest profits when selling and buying properties, whereas the local population may not have the necessary skills or information to maximize these opportunities\(^{169}\). In Guanacaste, easier access through the Liberia Airport has increased real estate sales but, at the same time, contributed to the displacement of locals who have sold their land.
A 2007 report from Estado de la Nacion draws some very interesting conclusions from a comparative analysis of the different effects tourism has had on local economic activities in the towns of Tamarindo on the Nicoya Peninsula and La Fortuna, located inland, in San Carlos at the base of Lake Arenal. The study characterizes Tamarindo as a “sun and sand destination that currently attracts tourism driven by large international tourism operators.” This style of tourism, together with the growth of a real estate market, has led to massive expansion in Tamarindo as well as in other coastal communities in Guanacaste. The report describes La Fortuna as a more nature-based tourism destination which aims to offer a value-added, high quality product. Those interviewed in both communities said that among the principal problems are the sale and concentration of land and land management, both directly related to the intensity of land use for residential developments.

A majority of local residents interviewed in both Tamarindo and La Fortuna said that they believe that household incomes have improved because of the growth of tourism activities, and they cite similar reasons for this belief. However, despite these perceptions, the study finds there are important objective differences between the two locations. "While in Tamarindo the average income of a household involved in tourism is similar to that of a household not involved in tourism (the observed difference is not statistically significant at the 95% confidence level), in La Fortuna there is not simply a difference, but those households involved in tourism have an income significantly higher than those not involved in tourism (close to 50,000 colones more per month)." 170

A review of government documents, media reports, and tourism studies, as well as interviews and case studies conducted for this project show that Pacific coast communities with intense tourism development have also experienced increases in illegal drugs, sex tourism, pornography, and delinquency. For example, the Estado de la Nacion reported that around both La Fortuna and Arenal, drug trade and consumption has grown as a result of increased tourism, and in Tamarindo, prostitution was cited as an additional problem facing the town.171

International reports have pointed to Costa Rica as a popular sex tourism destination172 and the ICT, tourism associations, local NGOs, and law enforcement agencies have responded with aggressive public awareness and media campaigns.173 In addition, beach communities including Tárcoles, Herradura, Jacó, Hermosa, El Coco, and Tamarindo have experienced an increase in robberies, assaults, and other crimes against tourists.174 Local Chambers of Commerce and municipalities are working together with residents to provide better security.175

- **Tourism and education**

Interviewees suggest that tourism is providing the local population with opportunities to small and medium enterprises, but that more training and education is necessary to allow people in the region to qualify for the more skilled and better paying positions. From the year 2000 to 2006, there has been a 20% increase in the number of primary and secondary schools in Liberia.176 The quality of this education, however, still needs improvement. According to hotel representatives, teaching sustainability, English, and other key subjects should begin in primary school.177
In La Fortuna, families who have at least one member in the tourism industry have a higher level of schooling than their counterparts in Tamarindo (7.3 vs. 5.9 years, respectively), and the level of schooling was found to positively influence the probability of having a job in tourism. It is no surprise, therefore, that local business leaders call for increased education and training.

The Chamber of Tourism in Guanacaste has proposed involving the tourism industry in improving the educational system and providing access to funds and training. Specifically, the tourism industry has asked that a National Training Institute (Instituto Nacional de Aprendisaje, INA) be opened in Guanacaste province.

The role of hotels and other tourism businesses in providing both on the job training and support for local schools can be very important as well. For instance, Peninsula Papagayo, through its community relations program mentioned above, “Growing Together” (Creciendo Juntos), is working with the Ministry of Education, the national universities, and 18 elementary and 3 high schools to promote higher standards in education in communities around Liberia. Hotel Punta Islita has played a positive role in supporting workers interested in advancing themselves through education, providing English teachers for hotel employees and others in the surrounding communities, and helping aspiring artists pay for and attend art school. The owners of Lapa Rios Ecolodge in Osa built and have continued to support, with company and visitor donations, an elementary school, the first one in the area. These sorts of innovative social programs by tourism businesses should be actively encouraged by the ICT and other government agencies.

- Conclusions: Social and Economic Impacts

Overall, in the coastal areas where tourism has grown the most, employment opportunities have also grown, both directly and indirectly, and extreme poverty has declined. This is creating two parallel realities: 1) temporary employment in construction, unskilled hotel jobs, and the informal economy, all relatively low wage jobs; and 2) unusually well-paying jobs, especially for hotel employees in management positions. The fact that construction and back-of-the-house tourism jobs are frequently poorly paid and at times abusive, explains in part why, tourism experts say, there is such high turnover among the tourism work force.

Government agencies must be more vigilant and aggressive in enforcing minimum wage laws and working conditions in coastal tourism and residential development projects, in both construction and operations. In addition, training programs for local workers, either through government educational courses or employer sponsored, on-the-job training, is insufficient and this limits the ability of most coastal residents to move into quality jobs. The result is that many of the jobs at both ends of the spectrum have gone to people from outside the region: Nicaraguan laborers have filled the ranks of construction workers, while foreigners and English speaking Costa Ricans from the Central Valley fill the front office positions at the international resorts and other tourism related businesses.

While employment has increased and the level of extreme poverty decreased in Guanacaste, the cost of essential household goods has also risen. As a result, the cost of living is higher than
in other areas of the country, and this has a detrimental effect on quality of life. More field research and data collection and analysis are needed to accurately determine the quantity and quality of jobs created by tourism-related businesses along the Pacific coast. There is a need, for instance, to do a detailed cost-benefit analysis of a large resort to determine its true economic impact. CREST has assembled parallel data for both cruise tourism and ecotourism on the Pacific coast, but we have been unable to secure the cooperation of a large resort to undertake a similar study. Further, there is also a need for more research, expanding on the Estado de la Nacion’s Tamarindo and La Fortuna study, to analyze the economic impacts of tourism on specific communities and counties along the Pacific coast.

Environmental Impacts of Tourism and Residential Developments

Protection of limited and fragile natural coastal resources such as water, mangroves, soil, forests, and vegetation is crucial for the sustainable development of tourism. Yet this study has found ample evidence that along the Pacific coast, rapid and often uncontrolled tourism-related development has been taking place at the expense of sustainable use of natural resources. This process is damaging Costa Rica’s international image as a green and sustainable destination, eroding the tourist experience, and causing a decline in quality of life for residents in a number of coastal communities.

Media and NGO exposés, government interventions, legal cases, and local conflicts around natural resources and environmental issues have become more frequent in recent years. While there is more public awareness of environmental problems, the ability to prevent damage remains weak. Actions and rulings by government institutions are often poorly coordinated, sometimes contradictory, and typically after-the-fact of environmental damage. However, the Ministry of Health (MINSA), Costa Rica’s Water Institute (ICAA), Constitutional Court (Sala IV), Comptroller, and the Environmental Administrative Tribunal (TAA) have all demonstrated, in specific instances, their capacity to collaborate and enforce environmental regulations in order to stop damaging practices.

Researchers for this study examined seven areas where coastal development is causing the most significant environmental impacts. Four are summarized here, while three others -- construction and deteriorating soil resources, global warming and coastal tourism: efforts to mitigate emissions, and air quality in coastal destinations -- are elaborated in the separate research report entitled “Impactos Ambientales de los Desarrollos Turísticos y Residenciales.”
Coastal Conflicts over Fresh Water

Of all the environmental issues surrounding tourism and vacation home development along the Pacific coast, none is being more hotly debated than that of water – both fresh and ocean. While water is an abundant resource in much of Costa Rica, the Pacific coastal areas -- where tourism development has been most rapid and demand for water has been rising most steeply -- have some of the country’s lowest annual rainfall. Over the last decade, there has been a rising tide of concern about whether there is sufficient fresh water to meet the present and future needs of local communities as well as the rapidly expanding demands from coastal tourism and residential developments.

Debates include the most basic data: how much water is actually in the aquifers, what is its quality, and how much is being extracted each year? In 2007, the Estado de la Nación said that unknown quantities of water are extracted through more than 2800 wells in Guanacaste province, and the aquifers’ capacity has not been determined. It charged that public institutions have failed to conduct systematic monitoring in order to accurately determine levels of underground water, and the Comptroller General appeared to agree, chiding MINAET for its lack of reliable statistics about water quality, quantity, and demand. In addition, the Estado de la Nación study found that Costa Rica’s surface water is highly polluted and that coastal communities such as Tárcoles and Playa Azul are being contaminated by agricultural and industrial runoff, as well as from sewage originating in the Central Valley.

The National Underground Water Service (Servicio Nacional de Aguas Subterráneas, Riego y Avenamiento or SENARA) has identified several aquifers at risk from overuse and the infiltration of seawater, including those serving important tourism beaches such as El Coco, Ocotal, Panamá, Hermosa, Brasilito, Potrero, Playa Grande, Tamarindo, and Sámara. In February 2008, the Department of Water within MINAET announced that because of over exploitation of the aquifers, it would no longer award concessions for drilling wells in areas like Tamarindo, Playa Grande, Potrero and Flamingo. Other areas such as Brasilito have had restrictions for a number of years. In January 2009, the Constitutional Court (Sala IV) ordered that studies be done to determine if there is an unequal distribution of water in certain Guanacaste beach communities between hotels and large developments and the local population. The order was granted, in part, at the request of the Asociación Confraternidad Guanacaste, a local environmental NGO that has charged that there is inequitable distribution of fresh water in the beach communities of Coco, Ocotal, Panamá and Hermosa.

In addition, local fears and suspicions have grown over what the government describes as “public-private partnerships” to finance new water systems which some local communities perceive as “privatization” of the water supply. Article 38 of the Law of Urban Planning, permits private financing of aqueducts (and other public works), but requires that the aqueducts be managed by the water department (ICAA). In Manuel Antonio, for instance, the old inadequate aqueduct was causing water shortages for residents, hotels, and even the national park. In January 2008, Manuel Antonio inaugurated a new aqueduct financed by private entrepreneurs.
So far, this has proved adequate to meet the needs of the 3300 Manuel Antonio residents and up to 6500 hotel guests, as well as much of the surrounding Aguirre County.

Developers in other coastal areas, including Hermosa, El Coco, Ocotal, Conchal, and Jacó, have supported the construction of new aqueducts to bring water to their areas. In Jacó the local aqueduct has proved insufficient to meet the needs of the rapid expansion of hotels, condos, and businesses, and ICAA proposes to build a new $3 million aqueduct financed through funds provided by private entrepreneurs. Once the aqueduct is completed, it will be administered by ICAA, which is legally required to supply water not only to trust fund participants, but also to all residents and local businesses.

However in several places, communities and local NGOs have mounted campaigns to oppose private financing of new aqueducts because they fear it will result in the provision of water to tourism developments at the expense of local communities. The best known and most complex dispute has been in Sardinal, located several kilometers inland in Guanacaste. Even though Sardinal has a local aqueduct administered by ICAA, the community has long experienced shortages because the infrastructure does not have sufficient capacity to meet local household and industrial agricultural water needs. Moreover, technical studies have differed on the amount of water actually in the local aquifer in the first place.

Open conflict first erupted when, in early 2008, ICAA began the construction of an aqueduct extension in order to bring water from Sardinal to the coastal tourism communities of El Coco and Ocotal using an $8 million dollar trust fund set up by more than 20 private tourism and real estate developers. Sardinal residents protested, and when, in May, the demonstrations turned violent, construction was halted. The Carrillo county council then decided to order a suspension of the project -- already 70% completed -- until technicians could determine the real capacity of the aquifer. The Ombudsman’s office then studied the situation and ruled that the trust fund was a strategy aimed at circumventing government controls and ensuring that ICAA to give priority to the developers behind it. An ICAA official said in an interview that the agency made a strategic error in not first expanding Sardinal’s water supply before beginning the El Coco-Ocotal extension.

Sardinal residents and environmental activists have continued to protest. Over the last two years, ICAA, an inter-agency commission appointed by MINAET, the Constitutional Court, and the Comptroller have all sought, without success, to resolve the dispute. In June 2009, the Comptroller General office denounced the ICAA for having failed to control the rapid expansion of water use by tourism, residential, and commercial developments in the El Coco-Ocotal area or to properly collect water usage fees.

As of early 2010, the Sardinal situation remained unresolved. Experts do not agree on an objective methodology to determine availability of underground resources, and even though the aqueduct work is now 75% complete, it is currently halted. Meanwhile, other tourism and residential development areas along the coast have also experienced water problems. In Tamarindo, for instance, the unplanned and haphazard tourism development has greatly
increased demands on the local aquifer.\textsuperscript{192} During the dry season, Tamarindo suffers shortages and water has to be brought in by trucks.

Although tourism-related conflicts over fresh water are likely to continue along the coast, these issues were not as conspicuous during 2009, perhaps because of the international financial crisis and reduced visitation.

- **Beach pollution and conflicts**

The quality of Pacific coast beaches and ocean waters are of upmost importance to the tourism industry. Yet as described above, in recent years, a number of the prime tourism beaches along the Pacific coast have been found to be polluted either by hotels, residential homes and commercial businesses discharging their sewage directly into the ocean, or indirectly, with discharges into rivers and creeks that flow into the ocean. Data from the National Water Laboratory (LNA) and the Ecological Blue Flag (BAE)\textsuperscript{193} show that, between 1996 and 2005, 69 of the 89 beaches (77.5\%) analyzed along the Costa Rica’s Pacific and Atlantic coasts were threatened by direct and indirect sources of pollution, including fecal contamination, which could eventually make them unsuitable for swimming.\textsuperscript{194}

Between 2007 and 2009, the Costa Rican media gave extensive coverage to important Pacific coast tourism beaches -- Manzanillo (Papagayo), Hermosa, El Coco, Tamarindo, Sámara, Jacó, Manuel Antonio, and Dominical -- whose ocean waters were polluted with fecal matter and other wastewater contaminants being discharged by hotels, residential developments, and local housing. As a result, all these beaches were, for periods, closed and had their Blue Flag certificates removed. In Sámara, a popular vacation and second home destination that prided itself on controlling beach front development, leakage from private septic tanks was found to have contaminated seawater with high levels of coliforms. In 2004, the beach lost its BAE and did not regain it until March 2009.

Within the Gulf of Papagayo Tourism Pole (PTGP), three hotels – Allegro Papagayo, Occidental Grand Papagayo, and Giardini di Papagayo – were cited and/or closed in 2007 and 2008 because they were found to be illegally dumping untreated waste, including discharging it directly into the ocean, a river, and an estuary. Several beaches in PTGP lost their Blue Flags because of seawater pollution.\textsuperscript{195} These hotels all proceeded to address their wastewater problems and have since been allowed to operate. But these instances revealed that even in PTGP, with its more rigorous environmental regulations and supposedly close government monitoring, there are hotel operators willing to flaunt the regulations, thereby harming critical natural resources and damaging Costa Rica’s tourism reputation.

Some of the most serious problems with beach water contamination have occurred in Tamarindo, where, despite the large amount of tourism related development, there is no town water treatment plant and many tourism facilities do not have their own systems. In August 2007, ICAA detected high coliform levels and in October, MINSA inspectors issued 80 citations to businesses for poor sanitary conditions and wastewater treatment. In spite of this, the situation did not improve and in March 2008, Tamarindo lost its BAE. In fact Tamarindo was
ranked as the beach with the lowest score in wastewater management, seawater quality, environmental education, safety and management. By August 2008, a new round of MINSA inspections showed that 80% of the businesses were now in compliance with the sanitary orders. However, inspectors continued to detect fecal contamination and high levels of coliform. Therefore, despite efforts by the Association for the Improvement of Tamarindo (Asociación Pro-Mejoras de Tamarindo), the beach was not able to recover its BAE in March 2009.

The internationally renowned Manuel Antonio national park and its white sand beaches, which receive 300,000 visitors per year, have also been threatened by pollution. In February 2009, ICAA confirmed very high coliform levels at Quebrada Camaronera river and a lagoon inside the park. ICAA warned park officials that the park’s four beaches -- Espadilla, Espadilla Sur, Gemelitas and Puerto Escondido -- would lose their Blue Flags and the park could be closed. Since pollution had not yet reached the beaches, Manuel Antonio managed to keep the Blue Flag rating, but contamination problems continued largely due to inadequate toilets and washrooms in the park, resulting in untreated wastewater flowing into the river and lagoon. In January 2010, new toilets and wash rooms with treatment facilities were finally opened in the park and the lagoon’s water quality was, according to local hoteliers, found to quickly improve.196

Although on occasion illegal wastewater dumping and beach contamination is discovered and denounced by local residents or NGOs, more often infractions have been made public through the surveillance and intervention of government institutions, particularly MINAET, ICAA, and MINSA. These institutions each have specific legal responsibilities as well as duties to act with inter-institutional coordination. The ICAA’s BAE program has proved to be a powerful tool since tourists readily shun beaches that have been condemned as polluted. And beach communities have shown that with concerted and well coordinated campaigns, they can stop or decrease pollution, thereby allowing the coastal waters to clear so that they can regain the valuable Blue Flag rating.

Yet coastal developments continue to suffer from deficient and defective infrastructure for storing and treating wastewater. Serious problems persist including leakage from septic tanks, the limited capacity of many developments’ wastewater plants, illegal direct dumping into rivers and the ocean, careless attitudes of developers who are not committed to protecting the environment, and the lack of public sewage treatment systems in most Pacific coast towns and cities.

- **Forest removal within the ZMT**

Oversight of forest resources is the responsibility of MINAET. All forests within national parks, biological reserves, the ZMT, and other protected areas are legally considered as part of the national natural heritage (*patrimonio natural del estado*).197 In addition, mangroves are always part of the ZMT, no matter how deep inland they reach. However, regulations within the ZMT have not always been clear to officials from different government agencies, including local municipalities, and therefore implementing forest conservation in the ZMT has often been
confusing and contradictory. In the last several years, the Attorney General’s Office (PGR), Comptroller General’s Office (CGR), and the Constitutional Court (Sala IV) have sought to clarify and strengthen the regulations for forests within the ZMT.

A 2004 Executive Decree permitted and regulated some tree cutting – 15% of primary forest and 25% of secondary forest – within the ZMT for ecotourism projects. While the stated intent of the Decree was to control the cutting of coastal forests for tourism projects, the Decree was not well received by environmental groups such as FECON who argued that it would encourage more deforestation within ZMT.

However, that same year, the Attorney General’s Office (PGR), based on an interpretation of the 1996 Forestry Law, declared that because all forests within the ZMT are national natural heritage, they must be registered as government property under MINAET and cannot be included in concessions. In general terms, the PGR ruled that forested land within the ZMT cannot be exchanged, ceded, or leased and that MINAET is responsible for identifying and demarking forests in public areas before the ICT can approve any land use plans presented by concessionaires. As a result of the PGR’s clarification, beginning in June 2005, anyone applying for a concession within the ZMT had to present a certificate from MINAET indicating that the area requested for concession was not part of the national natural heritage. The regulation proved very difficult to implement because MINAET lacked the tools in the field to demark the forested areas. As a result, between 2005 and 2006, while MINAET developed tools that could be used, the ICT could not approve a single concession within the ZMT.

At about the same time, an enquiry about legality of the 2004 MINAET Decree allowing private concessionaires to cut some trees for ecotourism development was presented to the Constitutional Court. In November 2008, the Court declared MINAET’s decree unconstitutional, and ruled that all tree cutting within the ZMT was illegal. In recent years, several court cases involving concessions in the ZMT for tourism projects – one in Playa Pará in Manuel Antonio and another at Playa Ventanas in the Osa -- have resulted in clearly eliminating the possibility of development, even for ecotourism projects, on forested lands within the ZMT. In both cases, the Comptroller General’s Office (CGR) annulled land use plans because they involved cutting trees within the ZMT.

These cases made it clear that coastal forests are natural patrimony that cannot be included within land use plans, that municipalities have no jurisdiction over those forests, and that MINAET is responsible for their protection and cannot avoid that responsibility. But despite this clarity, problems continue with enforcement. For example, Hotel Riu, the largest coastal resort that opened in December 2009, has been accused of cutting down mangrove trees in the ZMT’s 50-meter public zone. A lawsuit by the Asociación Confraternidad Guanacaste, an environmental NGO, asked the court to void additional concessions that the Hotel Riu had obtained permitting it to build two more hotels within the ZMT.
Scenic beauty and public access to beaches in the ZMT

While Costa Rica has important legal regulations — most importantly the ZMT Law 6043 and the General Environment Law 7554 — to protect both scenic beauty and public access to beaches, in practice, violations by tourism and residential developments along the Pacific coast are commonplace. The Environment Law defines “landscape diversity” as a criterion for land use planning and “visual contamination” as actions, works, or facilities that exceed the acceptable limits established through current or future technical norms (Article 71). It also states that “when it is necessary to develop works that affect it [landscape conservation], the resulting landscape must be at least of similar quality as it was before intervention” (Article 72).

The ZMT Law requires that the public zone -- the first fifty meters from high tide, plus areas left uncovered during low tide -- must be preserved for public use and must have free public access. Municipalities, the ICT, INVU, and MOPT are responsible for enforcing these regulations. The ICT is responsible for all general aspects related to ZMT, while municipalities must enforce all legal norms related to public domain, development, and use of ZMT in territories under their jurisdiction. The Attorney General’s Office (PGR) is responsible for monitoring compliance with the ZMT Law. Exceptions to the ZMT Law (Articles 18 and 21) permit construction of industrial plants, fishing facilities, ports, sea farming programs and other similar facilities that must be located next to the ocean in order to function. The list does not permit exemptions for tourism and residential developments.

In recent years, government rulings have further elaborated upon these laws. In 2007, a report issued by the Attorney General’s Office stated that the “valuable resources and scenic beauty within the ZMT require special protection, and access for enjoyment must be guaranteed to all inhabitants.” It stated further that the ZMT is a place for relaxation, recreation, and appreciation of scenic beauty; that this is constitutionally protected; and “its deterioration cannot be allowed.” Specifically the report stated that nobody can demark areas that restrict free access or build or place any obstacles to free transit and public use within the ZMT.

In 2004, the Constitutional Court (Sala IV) ruled that “public use” of the public zone is based on four principles: freedom (open transit within the ZMT), cost-free (except for fees that contribute to conservation and maintenance), anonymity (users are not identified), and equality (all members of the public receive equal treatment). The ruling states further that use “must be respectful of the natural resources, without provoking deterioration and based on public moral and order.”

During field trips along several beaches and coastal communities in Guanacaste, the Nicoya Peninsula, and Central and South Pacific, our researchers identified a number of tourism activities and actions affecting public access and use of the ZMT’s public zone. These include lack of clear public paths to the beach; presence in the public zone of chairs, tables, sun beds, and umbrellas belonging to private restaurants and hotels; and camping areas without facilities such as showers, restrooms, and fresh water.
The extent of these infractions varies from beach to beach. Some municipality governments, including Carrillo, Santa Cruz, and Osa, have been trying to address the problem by demolishing and clearing illegal structures in their public zones. On a few beaches -- Peninsula Papagayo (see section above), Playa Buena, Matapalo de Sardinal, and Playa Panamá – there has been controversy and conflicts over public access. In some cases, decisions by the ICT and the Constitutional Court have modified somewhat the meaning of public access, use, and transit in the ZMT's public zone.

For instance, there has been controversy over public access to Playa Panamá, which was for many years a favorite camping spot for Costa Rican vacationers, especially from Guanacaste. This ended when the ICT prohibited camping on this beach, a decision that was upheld in a 2004 Constitutional Court (Sala IV) ruling. In response to a lawsuit, the Court concluded that camping in the ZMT's public zone is not the same as free transit and public access because it requires tents and other temporary or permanent structures, as well as restrooms, garbage cans, and other facilities. Therefore, the Constitutional Court concluded that “the authorities have not affected free transit by applying measures that restrict camping … in the public.”

- Conclusions

This study found that, as the pace of coastal resorts and residential developments accelerated, so have the negative environmental impacts. Some of the environmental depletion and degradation has been caused by individual companies, but often it is cumulative, the result of many small or medium size projects. The latter has been the case in coastal areas such as Playa Hermosa, El Coco, Ocotal, Tamarindo, Jacó, Manuel Antonio, and the Fila Costeña. Two of the most serious problems that have been compounded by the sheer number of projects are access to sufficient fresh water and inadequate sanitary infrastructure (septic tanks, sewage systems, waste treatment plants, aqueducts, and landfills).

Not surprisingly, the most serious environmental conflicts have been around fresh water, including the controversial legal mechanism, under Article 38 of the Law of Urban Planning, permitting private funds to be used to finance construction of new government managed aqueducts. The El Coco-Ocotal pipeline that is intended to bring water from Sardinal to the coast precipitated one of the most high profile environmental conflicts in Costa Rica’s recent history. The conflict was fueled by incomplete information about the amount of water and data discrepancies among different institutions. This served to generate public mistrust and uncertainty about whether there was sufficient water and infrastructure to meet both the needs of existing local communities and economic activities (particularly industrial agriculture) as well as the demands of new coastal tourism and residential developments. Although the institutions involved (ICAA, SENATA, MINAET, and the municipality of Carrillo) have in the past lacked mechanisms for smooth coordination, the Sardinal conflict – while still unresolved -- has forced them to work more closely together.

There are other cases where public intervention and coordination among institutions has proved effective in detecting and controlling adverse environmental impacts. The Environmental
Tribunal (TAA), for instance, has carried out its responsibilities in a proactive, effective manner, with logistical, legal, technical, and scientific support from various MINAET departments, other public institutions, the public universities, and, at times, NGOs and the national media. The Costa Rica Institute for Water and Sewage (ICAA), together with its National Water Laboratory (LNA) and the Ecological Blue Flag Program (PBAE) has also played an important role in monitoring beach quality. The Health Ministry (MINSA) has also set an example with its actions to close down several hotels in the Papagayo Project and Tamarindo for illegally dumping wastewater in the ocean and rivers. These hotel closures, though costly to Costa Rica’s sustainable tourism image, were supported by the ICT, MINAET, and the President. In addition, the Comptroller (CGR) and the Attorney General’s Office (PGR) have issued a range of reports and decisions on the coastal environment matters, while the Constitutional Court’s (Sala IV) judiciary decisions have helped to clarify responsibilities of public institutions and halt illegal practices and operations.

In addition, citizens and civic organizations are playing a watchdog role in keeping an eye on the environmental performance of tourism developers and operators and on the enforcement of environmental legislation by public entities. As public trust in the TAA and MINSA has increased, more people have been going to these two governmental institutions to file complaints. The media has also taken an important role by expanding its coverage of environmental infractions and conflicts.

Despite these positive developments, too often tourism and residential developments along the Pacific coast are continuing to cause serious environmental damage. While Costa Rica has many (and some officials say enough) legal and institutional tools to control the environmental impacts of development, in practice, public institutions at the municipal and national levels have been overwhelmed by the rapid pace of coastal development. The demand has made it harder for them to fulfill their responsibilities. Sometimes regulations are simply not followed, while in other cases, agencies do not have sufficient or clear authority to act effectively. Often they intervene only after environmental damage has occurred -- not beforehand, in order to prevent the damage. Although municipal governments, for instance, have a great deal of responsibility derived from various laws and regulations for overseeing natural resources, they often lack sufficient human and financial capacity to enforce them. In fact, many municipalities do not even have an environmental unit or department.

More broadly, Costa Rica still lacks an integrated analysis regarding the environmental, social, and economic impacts of existing tourism and vacation home developments and a projection of what types of coastal development are appropriate in the future in zones along the coast. While the current economic crisis has caused a slowdown in beach resort and residential construction, once the recession ends, fast-paced development is very likely to resume. Without proper land use planning for the entire coast and effective engagement with coastal communities about proposed tourism and residential projects, government agencies will continue to be unable to ensure sustainable development and civic protests over fresh water; clean beaches; public access; and protection of mangroves, forests, and other natural resources are certain to increase.
Impacts of the Economic Crisis

We began this study at the height of the economic boom in 2007 and continued through the economic recession in mid to late 2008 and through 2009. While our research did not examine in detail the impacts of the recession on coastal tourism and residential developments, some observations can be made.

International tourist arrivals fell throughout Central America by an average of 6% in 2009 over 2008 levels, according to the UNWTO. Costa Rica’s decline was slightly higher at nearly 8%, the first annual loss since 2002. Some monthly drops were much more severe, however, with arrivals at the Liberia airport in March 2009 falling by 23% over March 2008.

The reduction in tourism arrivals has meant a corresponding drop in occupancy rates for hotels nationwide, including on the Pacific coast. The following chart shows the average and estimated occupancy rates for a sampling of leading CST certified coastal hotels from January 2007 to December 2009. For these three years, average occupancy was expected to be down 14%.

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<td>77%</td>
<td>30%</td>
<td>67%</td>
<td>64%</td>
</tr>
<tr>
<td>2009</td>
<td>66%</td>
<td>64%</td>
<td>32%</td>
<td>58%</td>
<td>54% (estimated)</td>
</tr>
</tbody>
</table>

Source: Martha Vega, based on interviews, August 2009.

By early 2010, Costa Rica’s National Chamber of Tourism (CANATUR) was predicting a modest recovery for the country, with a projected growth rate of 3% - 5% in 2010. But as the year unfolded, hotel occupancy rates nationwide remained disappointing, with a drop of 6% in January and 10% drop in February over those months in 2009.
When global access to capital froze during the economic crisis, most investments in second home and lodging developments in Costa Rica dried up as well. By September 2008, several major hotel projects being financed by U.S. banks announced that “their impending investments would be suspended for an indefinite period of time.” These projects, all located on the Pacific coast, included Mandarin Oriental (Manzanillo and Papagayo), Hyatt (Brasilito, Guanacaste), Saint Regis (Central Pacific), Regent (Papagayo Peninsula), and Punta Cacique (Guanacaste) and represented more than $1.2 billion of investments.²¹⁰ Some coastal resort construction did continue in Guanacaste and management firms including Barcelo Hotels & Resorts and Intercontinental announced plans to take over several newly completed 5-star resorts.²¹¹

_The New York Times_ reported that vacation home sales, which in 2006 had totaled $131.4 million in Guanacaste, were by 2009 “reduced to a trickle” along the “so-called Gold Coast, a 60-mile stretch of the Pacific Ocean from the Papagayo Peninsula in the north to Tamarindo in the south.”²¹² Planned projects that hadn’t yet broken ground were shelved, and by early 2010, few had restarted as investors and developers wait for the market to improve. “This period has been characterized by paralyzed construction, projects that never got started, a fall in new credit allocation for housing and construction, and a very accentuated loss of jobs,” said a Costa Rican Chamber of Construction spokesperson in March 2010.²¹³

Indeed, the construction industry, which employed 152,000 workers in 2007, dropped 15.8% between July 2008 and July 2009, according to the National Institute of Statistics and Census (INEC). During that same time period, overall unemployment rose from 4.9% to 7.8% of the total workforce. In Guanacaste specifically, unemployment nearly doubled from 5.5% in 2008 to 10.1% in 2009, considerably higher than the national average.²¹⁴

In January 2009, Liberia Mayor Carlos Marín, summed up the assessment of other mayors in the region: “Today there remains very little or almost nothing of the boom we’ve had over the past three or four years….Unemployment in hotels, restaurants, sodas, car rental agencies, and even baggage handlers at the Daniel Oduber international airport is a reality in Guanacaste.” Dora Zeldón, Executive Director of the Liberian Chamber of Tourism, put it more bluntly: “We’ve eaten what we didn’t have! We don’t have sufficient reserves to confront this situation.”²¹⁵
The ICT responded to the crisis by stepping up its external marketing, particularly in the United States. In an October 2009 interview, Tourism Minister Carlos Ricardo Benavides, said that while tourism was down “a little bit,” Costa Rica had “maintained also a very high-class tourism, the one that goes for example to the Hyatt or to the Four Seasons.” He described ecotourism as “our main market,” adding that Costa Rica is continuing to promote “what we have promoted always: ecotourism – beaches, volcanoes, nature – that is our main goal. I always tell people, we are not perfect in eco-tourism but at least we give the fight.”

While the recession has clearly caused hardships in Costa Rica, including communities and businesses along the Pacific coast, deeper analysis is needed to understand the full impact of this prolonged economic downturn and to more accurately forecast what is likely to happen as the global economy recovers. At the same time, a number of experts also see a “silver lining” in the recession because it offers the hiatus mentioned at the start of this report -- a time that could be used for careful reflection and reevaluation of Costa Rica’s residential tourism model. We hope that this Summary Report, together with the individual studies by our research team, will be useful for such deliberations.
Conclusion and Top Ten Policy Recommendations

We hope that this Summary Report, together with the collection of individual studies produced for this project, will be useful in helping to chart a new course for tourism development along Costa Rica’s Pacific coast. The global economic recession has greatly slowed (but not halted) tourism related development in this region. We propose that the new government take immediate advantage of this hiatus to examine the social and environmental impacts of coastal tourism development to date, as well as the economic costs and benefits of various types: all-inclusive resorts, cruise, sustainable tourism, and ecotourism. This could lead to formulating a master plan and guidelines for future coastal tourism development, which also takes into account the projected impacts of climate change on coastal and marine tourism.

We conclude by offering what we see as our Top Ten Policy Recommendations. If adopted, these recommendations will, in our view, help to ensure that coastal tourism fulfills the goals of protecting the environment, benefiting and empowering local communities, and providing visitors a unique and memorable holiday experience.

1. **Gulf of Papagayo Tourism Project (PTGP): As Costa Rica’s only government managed tourism project, Papagayo should be a showcase for the country’s sustainable tourism principles and practices.** The ICT should require any companies granted concessions to conform to the highest standards for sustainable tourism development and to meet the country’s target of carbon neutrality by 2021. All accommodations, beaches, and attractions (golf courses, marinas, spas, tennis clubs, etc) within Papagayo should be certified through recognized ‘green’ certification programs. Declarations of National Convenience should not be granted for concessions as a way to allow changes in land use that may result in the removal of forest cover. While the Four Seasons Resort has proactively met some of these best practices, other Papagayo resorts have blatantly violated regulations on waste disposal and protection of beaches, mangroves, and coral. The ICT should work to turn Papagayo into a leading example of new innovative models for sustainable and socially responsible coastal tourism.

2. **Airport in Palmar Sur: Plans for a new international airport in Palmar Sur on the Pacific coast should be abandoned.** We strongly recommend against a second international airport on the Pacific coast at Palmar Sur (or elsewhere) because large-scale resort and residential developments, on which an international airport would depend, are not appropriate for Costa Rica’s biodiversity “jewel,” the Osa Peninsula. Instead, the government should upgrade Palmar Sur as part of a plan to strengthen its network of national and regional airports throughout the country to better distribute tourists and tourism revenues. The government should invest in infrastructure, social services, training, and technical assistance and provide incentives to entrepreneurs who engaged in high quality nature-based tourism.
3. Certification for Sustainable Tourism (CST): The well-respected, voluntary CST program that measures environmental and social impacts of operating hotels should be expanded to include a standard for the construction phase of hotels as well as for the construction and operations of vacation home complexes. The Ecological Blue Flag program should be required for all beaches involved in tourism, with the goal that every beach reach the minimal level of certification to ensure safe recreation and public health. The ICT should provide certified businesses and beaches with a robust set of incentives and benefits, including duty free imports, tax breaks, and priority in government marketing campaigns. The ICT should consider making CST certification mandatory as a prerequisite for obtaining a business license.

4. Cruise Tourism: We recommend against expanding high volume cruise ship tourism along the Pacific coast. Large cruise tourism in Puntarenas and Caldera is not providing sufficient benefits to these urban areas or to the country as a whole to warrant pursuing a range of expansion plans under consideration. Plans to create a ‘home port’ for large cruise lines and to build new cruise ship ports-of-call elsewhere along the coast or on offshore islands should be abandoned. The government should, however, improve pier safety in Puntarenas and separate fully the cargo and cruise docking facilities in Puntarenas and Caldera. In order to protect Costa Rica’s higher value stayover tourist market, we also recommend that cruise tours and activities be clearly separated, using specially designated hotels and attractions that are not used at the same time by stayover tourists. (There are already some cases where this is happening.) We recommend that the government also negotiate – preferably collectively with other Central American governments -- better terms from the cruise lines, including higher per passenger head tax and as appropriate other fees and services, as well as more access for local vendors and businesses to provide onland goods and services to cruise passengers. We suggest that Costa Rica concentrate mass cruise tourism in Limon on the Caribbean side, but only as a relatively small part of Costa Rica’s overall tourism product. More focus should be on attracting “pocket cruises,” that is to say, small-scale cruises (fewer than 250 passengers per boat) which bring more benefits/passenger, have less environmental and social impact, and fit well with Costa Rica.

5. Potable Water: The right of all Costa Ricans to have access to clean, dependable, and sufficient water must be assured as part of any and all coastal tourism projects. The country’s first priority should be to make sure that local communities get water of good quality and quantity. Accordingly, appropriate infrastructure to store and distribute water should be guaranteed to these communities. If the government accepts private funding of aqueducts, this mechanism cannot be used to provide tourism and vacation home complexes with water at the expense of local communities, agriculture, or other local economic activities. Further, MINAET and SENARA need to accurately assess the amount and quality of water in the aquifers so that proper planning can be done and so that all parties – government, coastal communities, and developers -- can work from accurate data. We also recommend that no new golf courses be built unless it
is determined that there is sufficient fresh water to meet the current and future requirements of surrounding communities.

6. **Residential Tourism:** The use of private homes as vacation rentals along the Pacific coast needs to be better regulated, taxed, and integrated into the country’s tourism planning to ensure that they are not unfairly competing with the hotel sector and are calculated into the ICT’s projections. The rapid growth of vacation home developments along the Pacific coast was one of the main sources of foreign direct investment (FDI) prior to the economic crisis. This highly unstable form of investment also brought unanticipated demands for government services and resources, while apparently generating scant long term benefits in terms of employment, taxes, or sales of goods and services, after the construction stage. We recommend that the government more closely examine the costs and benefits to the local economy of vacation home and condo developments and decide whether restrictions should be placed on absentee owners and beach front properties that are only occasionally occupied.

7. **Maritime Terrestrial Zone (ZMT):** It is absolutely necessary to provide new legislation that guarantees a sustainable and integrated development of the ZMT. Our study confirmed major ambiguities in institutional responsibility related to the strategic development of the ZMT, in areas such as land use plan approval and granting of concessions. We applaud the efforts of the Comptroller General who is leading a process to enact new legislation for the ZMT with the aim of protecting natural and cultural heritage and guaranteeing public access and enjoyment.

8. **Land use planning:** We endorse the “Programa de Regularización de Catastro y Registro” as a valuable step towards organizing land use along the Pacific coast and putting in place a broad zoning system for the North and Central Pacific coast. This zoning system is intended to help municipalities, the ICT, and investors to make better decisions concerning concessions within the ZMT. Land use planning needs to be done with a wider lens than the simple focus on individual resort or residential developments. Coastal communities should be preserved as part of the country’s social and cultural heritage and land use planning should include areas for local housing, social services, and infrastructure to provide quality of life for local residents. Further, land use planning should promote clean technologies as well as accessible and friendly urban infrastructure. Rules for coastal land use should be applied consistently by all municipalities along the Pacific coast to ensure congruence between existing natural resources and proposed developments. In addition, we recommend that all norms, regulations, and responsibilities relating to coastal land use planning should be gathered into a single handbook.

9. **Strengthen Municipalities:** The municipality system in Costa Rica is, in general, very weak and coastal municipalities have not been able to efficiently carry out their responsibilities in coastal management, including of the ZMT. Efforts to date to
strengthen their capacity have been insufficient. It is important to continue focusing on capacity building of staff and modernization of equipment and systems. This includes training in the use of products produced by the IDB-Catastro (for example, land use plans, coastal maps indicating locations of mangroves and coastal forest, etc.), digitalization of all files involving concessions (the Comptroller General has requested this as well), and revision of the application process for concessions to ensure decisions are based on sound technical analysis.

10. **Support for nature-based tourism:** This study found many reasons why Costa Rica’s tourism policies should reinforce the country’s proven competitive advantage in nature-based tourism. Over the last 20 years, Costa Rica’s nature tourism sector, particularly when built on environmental and social standards and good practices, has demonstrated both its profitability and its capacity to meet changing consumer trends. Ecotourism has expanded, innovated, and produced new attractions and accommodations, ranging from small ecolodges to larger hotels. This sector, based on Costa Rica’s outstanding biodiversity and extensive system of public and private parks, has earned the country a well-deserved international reputation as a leading ecotourism destination.

In contrast, much of the Pacific coast resort and residential real estate development, as well as cruise ship tourism, has not been built on sound environmental and social standards and is based on a model that brings less economic value to the country. Surveys demonstrate that tourists engaging in nature and cultural activities put more money into the local economy, stay longer, and visit more parts of the country than do either all-inclusive resort tourists or cruise passengers. Recent studies and surveys reviewed for this project, as well as interviews with tourism professionals and guidebook writers, point to a small but perceptible decline in Costa Rica’s international ‘green’ image which is being tarnished by the uncontrolled growth of large-scale all-inclusive coastal tourism. In addition, many of the country’s beaches are not world class and thus we are concerned that Costa Rica may not remain competitive in the long run as a sun-and-sand resort and vacation home destination. While we recognize that beach resort and cruise tourism will continue to be part of Costa Rica’s tourism offerings, these sectors should be limited geographically and in terms of their importance within the tourism industry. **Costa Rica’s goal should be to build and strengthen its high value nature tourism rather than high volume mass tourism.**
Annex 1: Chart of Reports and Researchers

This research project includes the following individual reports which are posted on the CREST website: http://www.responsibletravel.org/resources/Coastal-Tourism.html

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Annex 2: Project Research Team

“The Impact of Tourism Related Development along Costa Rica’s Pacific Coast”

The project was directed by CREST Co-Directors Martha Honey and William H. Durham and managed in Costa Rica by Erick Vargas. Each of the following researchers produced one or more individual reports for the project and participated in several workshops discussing the project’s research topics, policy recommendations, and dissemination of findings.

Costa Rican-based Research Team:

**Erick Vargas** is an environmental consultant and professional speaker on biodiversity conservation, ecotourism, good environmental practices, product design and sustainable development. He holds a M.Sc. in Ecological Tourism at San José-based Latin American University for Science and Technology, ULACIT. From 1997-2005, he worked at Costa Rica’s National Biodiversity Institute, INBIO, as the Training and Consulting Unit Coordinator, organizing courses, workshops, seminars, field trips, and in-service training in subjects including biodiversity conservation, sustainable development, protected areas, ecotourism, guiding and interpretation, environmental services, bioprospecting, and intellectual property rights. Between 2004 and 2009 he was on the Board of Directors of the National Ecotourism Chamber of Costa Rica (CANAECO). In 2006, he was appointed by President Arias as a member of the National Biodiversity Committee of Costa Rica, which is an Ad Honorem position.

**Jorge Cabrera** is an environmental lawyer. He graduated with honors of the University of Costa Rica and has a postgraduate studies on environmental and agricultural law, commercial law and economic law. Professor of environmental law at the University of Costa Rica. Currently he is the legal adviser of the National Biodiversity Institute (INBio) and international consultant in the area of Intellectual property and biodiversity, biotechnology and bio-safety, access to genetic resources and benefit sharing. Lead Counsel of International Sustainable Biodiversity Law of the Centre for International Sustainable Development Law based in Montreal, Canada. Jorge has several books and articles published in the area of IPR, ABS, Biosafety, Trade and Environment in different countries.

**Marcos Montero** is a geographer with experience in land use planning, tourism, urban development, local public administration, demography and others. Former Director of the Tourism School at Latin American University for Science and Technology, ULACIT, in San José, professor at Universidad Nacional de Costa Rica, UNA, in environmental management. Founder and Director of TT Argos, a consultancy enterprise in environmental and social technologies (ISO, etc) and tourism.

**Luis A. Morales** has acted as an advisor for the Ministry of Science and Technology and worked as an external consultant for the International Labor Office (ILO), the Latin American
Center for Competitiveness and Sustainable Development (CLACDS) at INCAE Business School, and the Sustainable Markets Intelligence Center (CIMS), among other research institutes, NGOs and various firms in the private sector. Morales’ research interests include development economics, applied research and strategic consulting. His work spans qualitative, empirical and policy analysis, bridging academic analysis and practical policy-making by adapting methodologies to promote sustainable development and economic growth. He attended Haverford College, Pennsylvania, and the London School of Economics, graduating with a BA degree in Economics with high honors and an MSc. on Development and Environment.

Lawrence Pratt is the Director of the Latin American Center for Competitiveness and Sustainable Development (CLACDS) at the INCAE Business School (www.incae.edu), based in Costa Rica. He teaches Environmental Strategy and Environmental Policy in INCAE’s Masters and Executive Masters programs. He works as a consultant to multilateral organizations and companies in the US, Latin America and Europe. He is author of numerous articles and a frequent lecturer on sustainable business strategy. He holds a Masters of Public and Private Management degree from Yale University.

Marcela Román is Coordinator Researcher at the “Estado de la Nación” Initiative. She co-edited “Estado de la Nación” reports 1-12 and “Estado de la Región” 1 and 2 and was general coordinator for the “XI Estado de la Nación” report. She holds a Masters Degree in Economics from Universidad de Costa Rica and candidate for Masters Degree in Economics of Health and Social Policy at the same University. She has taken specialization courses in human development, international cooperation, gender, project evaluation, and land market.

Alberto Salas is an architect and tourism consultant with more than 27 years’ experience in Central America and Mexico. With an advanced degree from the National Institute of Public Administration in Spain, and university training in Mexico and Costa Rica, Mr. Salas has a distinguished career in the corporate, public and academic sectors. He has applied his vast technical knowledge in the design and construction of hotels, resorts and family homes, at the policy and land-use planning level with municipal and national governments, and in the academic realm as a university professor and professional researcher. He has led the Costa Rican Tourism Institute’s training and development unit and helped guide their highly-respected certification program. He has recently consulted on a GTZ-funded project on the regulation of tourism in coastal zones in Nicaragua, and served as a trainer for an IDB-funded course on land-use zoning for the 11 municipal governments of Guanacaste Province in Costa Rica. Relevant research includes (among many) his recent contribution to studies on the impacts of tourism and real estate development on Costa Rica’s Pacific coast for the Costa Rican Chamber of Hotels.

Shirley Sánchez is environmental lawyer, university professor, and international consultant on environmental issues. She has served as Costa Rican coordinator for the University of Florida
and the University of Costa Rica Joint Program in Environmental Law. She has also directed the Costa Rica Environmental Law Clinic, a joint effort between the Levin College of Law and UCR.

George Soriano is an independent consultant. He came to Costa Rica in 1996, as a volunteer with the Sarapiqui Conservation Learning Center where he helped develop an English Language program (ESL) for rural communities. Later, he became a news writer and features editor with Central America’s leading English-language newspaper, the *Tico Times*. During his four years with the paper, George traveled extensively throughout Costa Rica writing travel related articles for magazines and guidebooks that included *Fodor’s Gold Guide to Costa Rica* (2000-2002). His strong journalism background and knowledge of the tourism product in these countries led him to work with Horizontes Nature Tours as Marketing Director. He currently works as an independent consultant.

Martha Vega holds a BA degree in Ecotourism from the Latin American University of Science and Technology and attended University of Costa Rica for a Master Degree in Ecotourism and Environmental Management. She has worked in the Tourism Sector for 19 years and her experience includes marketing strategies, product development and business sustainability management. Founding partner of Evolución Empresarial, a consultancy enterprise focused on business sustainability management and strategies and corporate social responsibility.

Other people involved are Cornelia Miller and Mauricio Zamora, from the CENAT-PRIAS Initiative and Christopher Nieto, from TT Argos, who worked on the land use analysis for the 1980-2005 period, and José Luis Mendoza Sánchez, from Sostenible por Naturaleza, who provided logistical and secretarial support.

**CREST Staff and Other U.S.-based Researchers:**

Angelica Almeyda is a Ph.D. student in the Department of Anthropology at Stanford University. She is also a graduate student researcher in Gregory Asner’s lab in the Department of Global Ecology. Angelica graduated as a Forest Engineer from La Molina University in Lima, Peru and obtained her MA in Latin American Studies from University of Florida. Her doctoral interests are in comparing the impacts of development policies across the Amazonian tri-national frontier of Bolivia, Brazil and Peru. She has conducted research on social-economic and environmental consequences of eco-tourism in Costa Rica.

Leland Baxter-Neal worked as a reporter for Tico Times covering many of the environmental and coastal tourism development issues. He also worked as a free lance reporter throughout Central America. He is currently living in the United States.

Eben Broadbent is a Ph.D. student at Stanford University. He is also a graduate research staff member in the Asner Lab, Department of Global Ecology, Carnegie Institution of Washington. His research interests combine remote sensing and field ecology to understand the impacts of
anthropogenic disturbances and climatic change on tropical ecosystems. His research experiences include the Amazon, Bolivia, and Costa Rica.

**William H. Durham:** Ph.D., is CREST Co-Founder and Director of the Stanford University office where he is a Bing Professor in Human Biology in the Department of Anthropology and the Woods Institute for the Environment. He specializes in Latin America and has a particular interest in ecotourism as a means to address conservation and development issues. Winner of the prestigious Macarthur “genius” award, he has authored or edited at least one book a year for the last 18 years. He has been active in Stanford’s travel programs – including 20 trips to the Galapagos Islands.

**Martha Honey:** Ph.D., is CREST Co-Founder and Director of the Washington, DC office. She has worked in dozens of countries and has written and lectured widely. Her books include *Ecotourism and Sustainable Development: Who Owns Paradise?* (Island Press, 2008 and 1999) and *Ecotourism and Certification: Setting Standards in Practice* (Island Press, 2002). She also worked for 20 years as a journalist based in Tanzania, East Africa and in Costa Rica, from which she covered the Central America conflicts of the 1980s. She wrote extensively about this period, including *Hostile Acts: Impacts of U.S. Policy in Costa Rica in the 1980s* (University Presses of Florida, 1995). She holds a Ph.D. in African history. Honey was also Executive Director of The International Ecotourism Society (TIES) from 2003 to 2006.

**Millay Kogan** spent three years in Costa Rica working to develop the sustainability program for Cayuga Sustainable Hospitality, a hotel management firm based in Costa Rica that manages and develops hotels that incorporate sustainable tourism policies into their operations. She is a graduate of Cornell University’s School of Hotel Administration and currently resides in California.

**Other CREST staff:** Laura Driscoll, David Krantz, Rosalyn Salters, and Whitney Cooper provided research, copying editing, translation, and other support for this project. In addition, a number of CREST interns and Stanford student research assistants helped with the U.S.-based research.
Annex 3: Project Advisory Committee

The Advisory Committee has provided expertise and insights to help guide the project’s scope, content, and methodology. It is reviewing the findings and helping to put together the conclusions and recommendations.

Tamara Budowski is co-founder of Horizontes Nature Tours.

Carlos Manuel Echeverría is Advisor to the Assistant Secretary General of the Organization of American States (OAS), in Washington, DC. A former Costa Rican Vice Minister of National Planning. He participates in his personal capacity.

Gina Guillen is a top advisor in the Ministry of Tourism (ICT) in charge of sustainability (2006-2010).

Glenn Jampol is President of CANAECO (National Ecotourism Association) and owner of Finca Rosa Blanca Country Inn in Heredia and Arenas del Mar Resort in Manuel Antonio.

Daniel Janzen, Ph.D. is Technical Advisor, Guanacaste Conservation Area and Professor of Biology, University of Pennsylvania.

Alex Khajavi is President, Nature Air Airlines.

Pedro León, Ph.D., was named by President Arias as Coordinator of the Peace with Nature Initiative (2007-2010). He is also Director of CeNAT (National Center for High Technology) and a Professor of molecular biology and human genetics at the University of Costa Rica.

Miriam Miranda, Ph. D. is a professor with the International Center of Political Economy Economic Policy for Sustainable Development (CIPE) at the National University of Costa Rica and the Coordinator of the IDB’s Catastro Project.

Margarita Penón is the former First Lady of Costa Rica (1986-1990) and a former member of Parliament with the Citizen Action Party (PAC).

Jorge Rodríguez is the current Minister (since 2009) and former Vice Minister of MINAET (Ministry of Environment, Energy, and Telecommunications) (2006-2010).

Alvaro Umaña, Ph.D. is International staff (based in Washington, DC) and Sr. Research Fellow with CATIE (Tropical Agricultural Research and Higher Education Center), Turrialba, Costa Rica. Former Minister of Energy and Environment (1986 – 1990).
About the Center for Responsible Travel (CREST)

The Center for Responsible Travel (formerly the Center on Ecotourism and Sustainable Development (CESD)) is a unique non-profit multi-disciplinary research institute devoted to increasing the positive global impact of responsible tourism. CREST functions as a bi-coastal institute, with offices at Stanford University and Washington, DC, and draws upon an extensive network of in-country consultants. Recognizing responsible tourism’s potential as a tool for poverty alleviation and biodiversity conservation, CREST’s mission is to use policy-oriented research to design, monitor, evaluate, and improve ecotourism, while promoting sustainable practices and principles within the wider tourism industry.

The Center was founded in 2003 by two pioneers in the field of ecotourism who saw a critical need for intellectual rigor behind the responsible and ecotourism movements. Dr. William Durham, professor of Anthropology at Stanford University, and Dr. Martha Honey, author and then-director of The International Ecotourism Society, met at a Stanford event, agreed on the need for a new approach, and launched CREST shortly thereafter.

CREST’s programmatic and research areas include coastal tourism development, indigenous rights and tourism, certification for tourism businesses, travelers’ philanthropy, impacts of cruise tourism, and research on market trends in the broader tourism industry.

CREST views responsible travel as a development and conservation tool that has the potential to address some of the most complex and compelling social and natural conservation issues of our times. Among the questions CREST addresses through its research and field projects are:

- How can we decrease the negative social and environmental impacts of tourism?
- How can tourism truly contribute to the survival of endangered flora and fauna?
- How can tourism help to empower local communities and alleviate poverty?
- How can tourism facilitate cross-cultural learning, while diminishing the exploitation of host populations?
- How can we build tourism businesses that are environmentally responsible, socially beneficial, and profitable?

In essence, CREST seeks to transform the way the world travels.
Acronyms

ACOPROT Asociación Costarricense de Profesionales en Turismo
ACOSA Área de Conservación de Osa
ACREH Asociación CR de Recursos Hídricos y Saneamiento Ambiental
ACT Área de Conservación Tempisque
ALA Asociacion de Lineas Aereas de Costa Rica, (Airline Association in Costa Rica)
ARESEP Autoridad Reguladora de Servicios Públicos (Public Services Regulatory Agency)
ASADAS Asociaciones Administradoras de Acueductos
ASP Áreas Silvestres Protegidas
AyA Instituto Costarricense de Acueductos y Alcantarillados (Costa Rica Water and Sewage Board)
BCCR Banco Central de Costa Rica (Costa Rican Central Bank)
BCIE Banco Centroamericano de Integración Económica (Central American Bank for Economic Integration)
CAFTA Central American Free Trade Agreement with the United States
CANAECO National Ecotourism Chamber
CANATUR Camara Nacional de Turismo (National Tourism Chamber)
CCC Cámara Costarricense de la Construcción (Costa Rican Construction Association)
CCH Camara Costarrícense de Hoteles (Costa Rican Hotel Chamber)
CCSS Caja Costarricense del Seguro Social (Costa Rican Social Security System)
CFIA Colegio Federado de Ingenieros y Arquitectos (Federated College for Engineers and Architects)
CGR Contraloría General de la República (Comptroller General)
CIMAT Comisión Interinstitucional de Marinas y Atracaderos Turístico (Tourist Docks and Marinas Commission)
CINDE Costa Rican Investment Promotion Agency (Coalición Costarricense de Iniciativas de Desarrollo)
CODI Consejo de Desarrollo Inmobiliario (Association of Real Estate Developers)
CONAGEBIO Comisión Nacional para la Gestión de la Biodiversidad
CONASIF Consejo Nacional de Supervisión del Sistema Financiero
CST Certification for Sustainable Tourism (Certificado de Sostenibilidad Turística)
FDI Fondo de Desarrollo Inmobiliario (Foreign Direct Investment)
FECON Federación Conservacionista de Costa Rica (Costa Rican Conservation Federation)
HASDC Houston Airport System Development Company
IBI   Impuesto de Bienes Inmuebles
ICAA Instituto Costarricense de Acueductos y Alcantarillados (Costa Rican Institute for Water and Sewage)
ICAO International Civil Aviation Organization
ICE Instituto Costarricense de Electricidad (Costa Rican Electricity Institute)
ICT Costa Rican Tourism Institute (Instituto Costarricense de Turismo)
IDA Instituto de Desarrollo Agrario (Agrarian Development Institute)
IGN Instituto Geográfico Nacional
INA Instituto Nacional de Aprendizaje
INBIO Instituto Nacional de Biodiversidad (National Biodiversity Institute)
INCOPE Instituto Nacional de Puertos del Pacífico (National Port Institute of the Pacific)
INEC Instituto Nacional de Estadísticas y Censos (National Statistics and Census Institute)
INS National Insurance Institute
INVU Instituto Nacional de Vivienda y Urbanismo (National Housing Institute)
JAPDEVA Junta de Administración Portuaria y Desarrollo Económico de la Vertiente Atlántica (Atlantic Development Authority and Port Development Board)
JICA Agencia de Cooperación Internacional del Japón (Japanese International Cooperation Agency)
LACSA Costa Rican Airlines (Lineas Aereas de Costa Rica SA)
LNA Laboratorio Nacional de Aguas
MCJD Ministerio de Cultura, Juventud y Deportes
MEIC Ministerio de Economía y Comercio
MIDEPLAN Ministerio de Planificación Nacional (Ministry of Planning)
MINAE Ministerio de Ambiente y Energía (Ministry for the Environment and Energy)
MINAET Ministerio de Ambiente, Energía y Telecomunicaciones (Ministry for the Environment, Energy and Technology)
MINSA Ministry of Health (Ministerio de Salud)
MOPT Ministerio de Obras Públicas y Transportes (Ministry of Public Works and Transportation)
NAR National Association of Realtors
PBAE Programa Bandera Azul Ecológica (Ecological Blue Flag Program)
PGR Procuraduría General de la República (Attorney General’s Office)
PNDT Plan Nacional de Desarrollo Turístico (National Tourism Development Plan)
PTGP Polo Turístico Golfo de Papagayo (Gulf of Papagayo Pole)
Sala IV Sala Constitucional (Constitutional Court)
SETENA Secretaría Técnica Nacional Ambiental
SICA Sistema de la Integracion Centroamericana (Central American Integration System)
SINAC Sistema Nacional de Áreas de Conservación

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<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>SPC</td>
<td>Sociedad Portuaria de Caldera S.A.</td>
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<tr>
<td>TAA</td>
<td>Tribunal Ambiental Administrativo (Environmental Tribunal)</td>
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<tr>
<td>UCR</td>
<td>Universidad de Costa Rica</td>
</tr>
<tr>
<td>UNA</td>
<td>Universidad Nacional de Costa Rica</td>
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<tr>
<td>UNWTO</td>
<td>United Nations World Tourism Organization</td>
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<tr>
<td>WTTC</td>
<td>World Travel and Tourism Council</td>
</tr>
<tr>
<td>ZMT</td>
<td>Zona Marítima-Terrestre (Maritime Terrestrial Zone)</td>
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Endnotes

2 An all-inclusive resort is includes all meals, soft drinks, and most alcoholic drinks in the price, which is typically paid in advance. Many also offer a selection of sports and other activities included in the price as well. They are designed so that the tourist can spend the entire holiday within the resort itself.
4 United Nations Environment Programme (UNEP), Sustainable Coastal Tourism: An Integrated Planning and Management Approach, UNEP Manuals on sustainable Tourism, 2009, p. 11.
5 Ibid.
8 Honey, Ecotourism and Sustainable Development, p. 160.
9 This section is based on research and reports prepared by Marcos Montero and others at TT Argos.
11 It was built before the 1978 Maritime law.
14 This section is based on research and the report prepared for this project by Jorge Cabrera.
15 While there is no legal definition for the depth inland of the coastal zone, for the purposes of this study, we have considered it to be geographically the first five kilometers above the ZMT, and administratively to include all the municipalities along the coast.
17 Procuraduría General de la República, Dictamen C-210-2002.
20 Decreto Ejecutivo para el Ordenamiento Territorial de la Region Chorotega, #34456-MP-MIVAH-MINAE-COM, April 30, 2008.
21 The first known case was in July 1998 when President Rodríguez issued a Declaration of National Convenience for Los Suenos Resort and Marina. Sistema Costarricense de Información Jurídica, website: www.sinalevi.go.cr.
22 Article 19b) of Ley Forestal 7575, 1996 allows the National Forestry Administration, which is exercised by MINAET, to provide permits on soils covered by forests for projects of infrastructure, public or private, of national convenience.
24 This section is based on research and the report prepared for this project by Lawrence Pratt and Luis Morales, CIMS.
25 No official copy exists of this study, but it was mentioned by key Ministers during interviews for this report.
Government plans for building an international airport in the southern zone date from the administration of President Abel Pacheco who had announced the government had sufficient resources to carry out the project.

In February 2010, 13 environmental, academic, and tourism organizations sent a lengthy letter to President Oscar Arias listing ten reasons why putting an international airport in the southern zone would be “counterproductive for the sustainable and social development of Osa as a county and will be especially disastrous for the natural area and its fauna which is internationally recognized as unique in the world.”

This section is based on research by Alberto Salas Roiz, with input from Jorge Cabrera and CREST staff.

Taken from the 1978 Master Plan, an official ICT document, which estimated the project’s carrying capacity in 11,700 people.


It estimates there will be two people per room and that each residential lot and apartment will have two bedrooms or an estimated capacity of four. The residential estimates are very conservative.


Alberto Salas witnessed this process when he worked as part of the ICT staff.


Current plan is based on update by the company Aerotopo, plus the changes published at La Gaceta for each concession, when they were approved by the Board of Directors.


Communications with Manuel Ardon, Senior Director of Operations, Peninsula Papagayo, April 2010.


Communications with Manuel, Peninsula Papagayo, April 2010.


Alberto Salas, as an ICT official at the time, was witness to this damage.


Communications with Manuel Ardon, Peninsula Papagayo, March 2010.

Ibid.

This section is based on the research and report for this study by Marcela Román Forastelli.
Construction costs are the value builders declare in the construction permit filed with the municipality.


ICT, 2002.

ICT, 2002.

“Home buying heats up.”


Banco Nacional, “Resumen del estudio sectorial.”

In Costa Rica this type of activity is typically known as “prestamistas” or moneylenders.

This chapter is based in part on research done by Martha Vega.


Regulations for Tourism Companies and Activities. Executive Decree No. 25226-MEIC-TUR, 1996

This section is based on research and the report for this study by Lawrence Pratt and Luis Morales, as well as earlier studies by CREST and INCAE.


Interview subjects, anonymous, April-December 2008.


Interview subjects, anonymous. February 2009.

ICT, *Informe de Encuestas de Turismo 2006*. 


Ibid.

Ibid.

Ibid.

Interview subjects, anonymous. April-December 2008.


This chapter is based on research and a report prepared for this project by George Soriano, as well as research by CREDIT staff and interns in the United States.


Anthony Boodle, “Costa Rican Forest Shows Ecotourism’s Benefit, Cost Wildlife is Being Preserved, But the Area’s Beauty is also Drawing Thousands of Tourists,” The Philadelphia Inquirer, October 8, 1995, B15.


Lonely Planet, 2008.


The Rainforest Alliance’s Sustainable Tourism Program works with tourism entrepreneurs and community-based businesses in Latin America, providing them training and information on environmentally and socially sound management to help them gain access to and be more competitive in the marketplace, while contributing to the conservation of the local culture and nature.


130 This resort was originally the Caribbean Village Hotel and part of SITUR’s Ecodessarollo Papagayo concession. When SITUR sold most of its concession to Peninsula Papagayo, the section on which the Caribbean Village Hotel was based was acquired separately by Occidental Playa Nacascolo.
133 This chapter is based on research and a report prepared for this project by George Soriano, as well as research by CREST staff and interns in the United States.
137 Ibid.
138 These companies sell multi-day nature-based trips to Costa Rica rather than packages to resort hotels: Backroads (Berkeley, CA), International Expeditions (Helena, AL), Tauck World Discovery (CT), Overseas Adventure Travel/Grand Circle (Boston, MA), Wildland Adventures (Seattle WA), Costa Rica Experts (Chicago IL), Elderhostel (Boston MA.), Southern Horizons (Los Angeles, CA) and Costa Rica Tours (NC).
139 Ibid.
140 Ibid.
142 The ICT announced that the two millionth visitor would be treated in style: “A grand soiree will be arranged to welcome the lucky person with open arms and treat him like a king. He or she will receive complementary stays in hotels and be given personalized tours of the country. In addition, lifetime access to the country will be granted.” Costa Rica Pages: Travel & Business News, “Costa Rica Tourist 2,000,000 to be Treated Like a King,” http://www.costaricapages.com/blog/costa-rica-news/costa-rica-tourist-2-million/1692.
143 The survey results were provided by the ICT, but the analysis and interpretation was done by Millay Kogan and Martha Honey, with additional analysis by George Soriano.
145 This chapter is based on research carried out by CIMS and TT Argos.
146 Our researcher determined, for instance, that the Social Development Index (IDS) is not applicable in assessing the impacts of tourism. In addition, IDS’ 1999 and 2007 surveys are not based on the same indicators so comparative data is not available.
147 CREST researchers found estimates of Nicaraguans in construction on the Pacific coast vary widely, from 30% to 80% of the workforce.
148 Most foreigners working in construction activities in Costa Rica are from Nicaragua. Hondurans, Salvadorans, Panamanians, and Guatemalans rarely migrate to Costa Rica.
149 Caja Costarricense del Seguro Social (CCSS) and the Costa Rican Social Security Bureau are public institutions that manage the national healthcare system together with the Costa Rican Ministry of Health. The Costa Rican healthcare system is paid for by mandatory contributions made by employers and employees. The Costa Rican health system includes medical treatment (illness and maternity) and obligatory pension (disability, retirement, and death).


158 Ibid.


166 According to an anonymous interview, hotel manager, Liberia, 2008.


168 Information from various sources, including real estate consultants, hotel managers, and officials with business associations in Liberia. The ample press coverage of protests in Sardinal helped illustrate the point.

169 According to anonymous interviews, real estate agents. They stated that they receive 5% of the amount for which properties sold.


177 According to anonymous interviews with tourism organizations and hotel managers, Liberia, 2008.

178 Ibid.

179 This section was researched and written by Erick Vargas.
Erick Vargas, "Impactos Ambientales de los Desarrollos Turísticos y Residenciales."
www.responsibletravel.org.


Interview with Carlos Romero, SENARA, September 2, 2008.


Darner Mora, ICAA, personal communication, September, 2008.


Interview with Darner Mora, ICAA, September 2008.


Research carried out in 2003 by geophysic professor Mario Arias Salguero, from the University of Costa Rica, found that the aquifer at Playa Tamarindo shows “extreme vulnerability” precisely in the area where there is the highest concentration of stores, homes and hotels. Arias estimated that at that moment the aquifer had an annual recharge of 6.9 million cubic meters of waters, but 6.4 million were being extracted, which indicated that the exploitation was about to reach maximum capacity. Mauricio Herrera, “Acuífero de Tamarindo está en su límite,” La Nación, San José, Costa Rica, February 3, 2008.


Darner Mora. This report used historical data gathered by the PBAE and the LNA in 94 beaches from Guanacaste, Puntarenas and Limón.

These incidents were widely covered in the Costa Rica press, including in a four-part series on the Gulf of Papagayo by Dave Sherwood. These ran in the Tico Times between January – February 2008. In 2008, inspectors also found a suspicious pipe leading from the Four Seasons to the ocean that could have been used to dump overflow from its water treatment plant. The Ministry of Health (MINSA) issued a sanitary order to Ecodesarrollo Papagayo, but did not close the hotel. In an interview an Ecodesarrollo Papagayo official explained that MINSA had been mistaken and the pipe was actually taking in ocean water for use in the development. Interview with Manuel Ardon, December 2009; Helen Thompson, “How the wealthy live at the Four Seasons in Papagayo,” A.M. Costa Rica, May 2, 2008, http://www.amcostarica.com/050208.htm.


According to Forestry Law 7575, the “natural heritage” of the State includes “forests and forestry lands within national reserves, properties registered to the State and those belonging to municipalities, to autonomous institutions and to other organisms of the Public Administration (except properties backing up credits with the National Banking Systems that become part of the State’s patrimony).”


Federación Conservacionista de Costa Rica, FECON, www.feconcr.org


Sala Constitucional, decision (sentencia) number 4950, May 11th, 2004.

Public access to the beaches has a long legal tradition in Costa Rica Ley de Aguas, N° 276, August 27, 1942, articles 1, sub-articles I and II, article 3, sub-articles I, II, y III, 10 and 70, and head of Chapter III; and Law N° 6043 from March 16, 1977, articles 1°, 9 y 20), which has declared that beaches are national resources for the use of the entire population.


Instituto Costarricense de Turismo. *Informe Estatistico Semestral, Primer Semestre 2009 (IS-2009).*


Camara Costarricense de La Construccion. *Informe Economico, I Trimestre 2010*.

http://www.construccion.co.cr/noticia.php?NID=233


Juergen Stenmetz, “Costa Rica focusing on eco-tourism to weather the economic storm,” *ENT*, October 23, 2009, http://www.eturbonews.com/12409/costa-rica-focusing-eco-tourism-weather-economic-storm. At this time, Benevides had actually temporarily resigned as Tourism Minister to work on the election campaign, but was identified in the article as the Minister. He is returning to become Tourism Minister again in the new government that takes office in May 2010.