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Tourism development in the Lao People's Democratic Republic

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Abstract

The Lao People's Democratic Republic (Lao PDR) opened its doors to international tourists in 1989 and, since then, the tourism industry has developed rapidly to become one of the country's largest earners of foreign currency. The Lao PDR possesses a beautiful, virtually untouched natural environment and a population that still practices their rich traditional culture — these two characteristics form the basis for the promotion of tourism development in the Lao PDR. The government has taken important first steps to implement social and environmental policies and programmes, particularly in co-operation with various international organizations and non-governmental organizations, in order to promote sustainable tourism development. However, additional measures are needed to achieve sustainable tourism development.

JEL Classification L83, Q26

Introduction

The Lao People's Democratic Republic (Lao PDR) is a land-locked country located in the centre of SouthEast Asia that shares common borders with Cambodia, Thailand, China and Viet Nam. The country extends over a total land area of 236,000 square kilometres of which rivers and mountains cover roughly 70 per cent. The Mekong river is a dominant geographical feature and flows for a distance of nearly 1,800 km from the north to the south of the country. The population of the Lao PDR numbered about 4.6 million persons in 1998, with nearly 87 per cent of this number still widely dispersed in rural areas.¹ There are some 47 ethnic minorities, most of whom still keep their own customs and traditions.

The Lao PDR, designated as a least developed country by the United Nations, is among the poorer developing countries in the world with a gross national product (GNP) per capita of roughly US\$400 in 1997.² Agriculture is still the country's most important economic sector and accounted for 56.4 per cent of GDP in 1994; the corresponding shares of services and industry during the same year were 23.7 and 17.8 per cent of GDP respectively.³

In 1986, the Lao PDR undertook important reforms to introduce a market-based economy. This led to the adoption of an "open door policy" for external economic relations in 1990. In addition, the National Assembly adopted a new Constitution in August 1991 guaranteeing fundamental private investments and property rights.⁴ These economic reforms, *inter alia*, have provided much-needed stimulus to the economy and, over the period 1992 to 1996, the GDP grew by an average of 7 per cent per annum.

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International tourism received a boost when the country was opened to international tourists in October 1989.⁵ Since then, other measures such as the relaxation of visa requirements for visitors have aided the expansion of the tourism sector. The

importance of tourism's potential contribution to social and economic development in Lao PDR was underscored when, in 1995, the Lao National Assembly identified the tourism industry as one of the nation's eight priority development areas.

Earnings from tourism. Since 1991, revenue from the tourism industry has increased dramatically and tourism has quickly become a major export industry of the Lao PDR (figure 1). Tourism activities earned US\$73.3 million in 1997, and was the nation's third largest source of export revenue. The growing importance of tourism is clearly reflected, for instance, in the growth of the hotel and restaurant sub-sector which expanded by 62.8 per cent in 1995, the largest increase by far of any major sector in the Lao economy.⁶ The number of accommodation establishments (hotels and guesthouses) has more than tripled between 1992 and 1997, and the number of rooms has doubled during the same period (figure 2).

Foreign investment. Foreign investment in the hotel and tourism sector has increased significantly in recent years. Over the period from 1988 to March 1998 there were 34 tourism projects and foreign investments amounted to US\$605 million, representing 8.8 per cent of total foreign investments in the Lao PDR (table 1). To date, foreign investment accounts for 82 per cent of total investment in the Lao PDR.

Tourist arrivals. The number of tourist arrivals, especially among regional tourists, has been increasing dramatically (figure 3).⁷ The average length of stay for international tourists is five days and for regional tourists it is one day. Fifty-five per cent of tourism industry revenue during 1997 was derived from international tourists who accounted for 19.2 per cent of total tourist arrivals. The majority of arrivals are tourists; in 1997, 70 per cent of international tourists and 78 per cent of regional tourists visited Lao PDR for tourism or leisure purposes.⁸

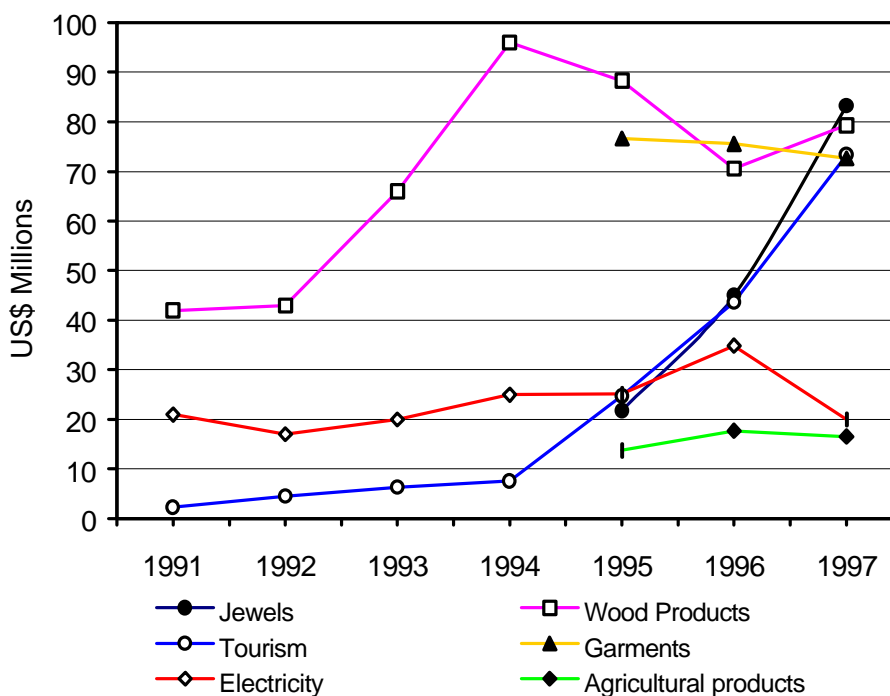
Infrastructure. Infrastructure development in Lao PDR is still rather limited in comparison to other South East Asian countries. With regard to air

Table 1. Lao PDR: Foreign investment by sector, 1988-1998

Sector	Foreign investment (\$millions)	Share (per cent)
Electric power	4,500.82	65.13
Telecommunication, transport	637.36	9.22
Hotel, tourism	605.33	8.76
Industrial and handicraft	480.75	6.96
Wood industrial	165.52	2.4
Mining, oil	129.14	1.87
Banking, insurance	73.8	1.07
Garment	72.86	1.05
Trading	65	0.94
Aqribusiness	62.6	0.91
Construction	60.48	0.88
Services	51.62	0.75
Consultancy	5.46	0.08
Total foreign investments	6 910.71	100

Source: The Permanent Office of the Foreign Investment Management Committee, Government of the Lao PDR.

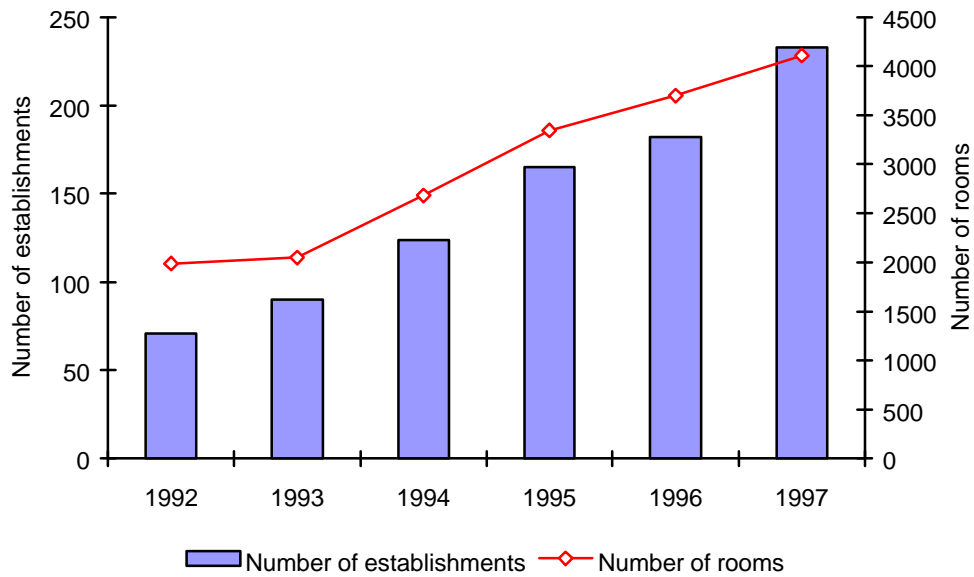
Figure 1. Lao PDR: Revenue from major exports (US\$millions)



Source: Ministry of Commerce, Government of the Lao PDR

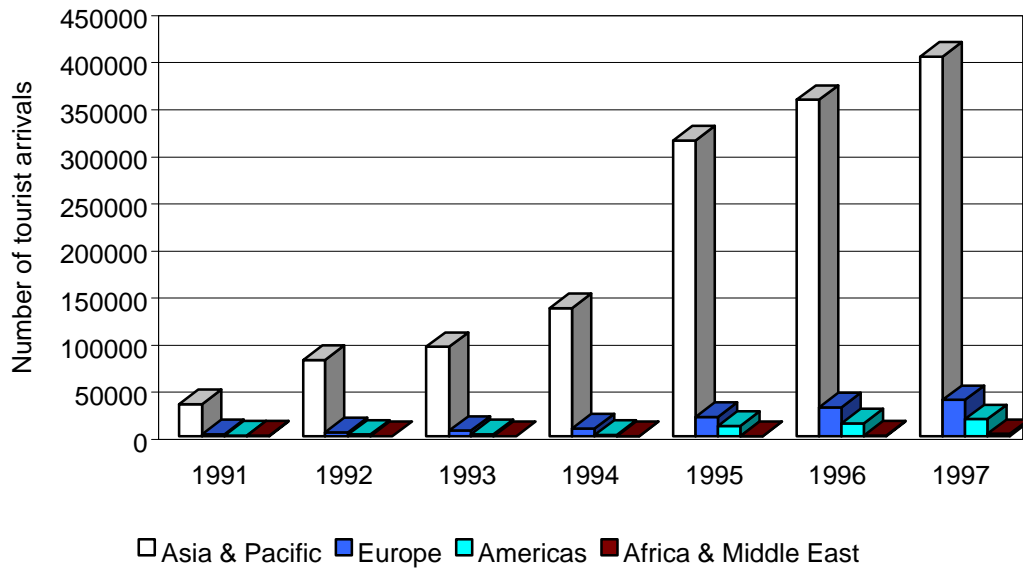
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Figure 2. Lao PDR: Number of accommodation establishments and number of rooms



Source: National Tourism Authority, Government of the Lao PDR

Figure 3. Lao PDR: Number of tourist arrivals by region, 1991-1997



Source: National Tourism Authority, Government of the Lao PDR

transportation, Wattay Airport is still the only entry point by air into the Lao PDR where 37 international arrivals and departures take place every week.⁹ Although there are 15 other airports in the various provinces, these are used only for domestic flights. Improvements to airports are being undertaken: The extension of the runway at Wattay Airport, which will be completed in December 1999, will allow the airport to accommodate Boeing 747 aircraft. Currently only Boeing 737 aircraft can land at Wattay Airport. At the same time, three airports outside of Vientiane are also under construction and, when completed, will be able to accommodate regional flights.

Road transportation is still limited by the poor network of roads. In total, Lao PDR has 18,153 km of national roads, of which only 2,500 km are paved.¹⁰ Moreover, some roads can only be used during the dry season. Infrastructure development, especially road construction, is one of the sectors given priority by external funding agencies, such as the World Bank and the Asian Development Bank. Infrastructure development, in general, will provide an important boost to economic development, in general, and to tourism, in particular.

Tourism resources. With regard to its national tourism resources, inclusive of parks and other protected areas, the Government, in 1993, identified and designated 20 locations as National Biodiversity Conservation Areas (NBCAs). These areas, which may be developed into national parks, cover 12.5 per cent of the land area of Lao PDR and are under the jurisdiction of the Centre of Protected Areas and Watershed Management (CPAWM) of the Ministry of Agriculture and Forestry. Adequate zoning, management and safeguarding guidelines and regulations for both the environment and people living within the protected areas are in the process of being created.¹¹ As of June 1998, 12 NBCAs have been brought under management with donor support from various governments, international organizations and NGOs.¹²

Policy approaches

Promotion of tourism. The Government of Lao PDR promotes the tourism industry on the basis of its

national culture and natural environment. The country still has virtually untouched natural beauty and biological diversity, historical sites such as the ancient Khmer temple (which was constructed before Angkor Wat in Cambodia) and the historic capital of Luang Prabang (which was declared as a World Heritage site by UNESCO in 1995), and the culture and traditions of ethnic minorities which are still relatively undisturbed by external influence.

To further promote international tourism, the Government has launched its programme "Visit Laos Years 1999-2000." The preparations for this programme involve the construction and maintenance of roads, telecommunications, electricity and water supply, airports, hotels, restaurants, and tourist sites. It also includes special attention to the supply of foodstuffs and souvenirs for tourists, as well as advertisements to inform nationals about the programme and to attract foreign tourists. In addition, the Government has urged that tourist guides, as well as the service personnel of hotels, restaurants and airports, should be provided with more training to improve their productivity and performance in the tourism sector.

There has been a relaxation of immigration restrictions that directly affect international tourism. In particular, since February 1997, the issuance of 15-day arrival visas has been permitted at Wattay airport and the Mittaphab Friendship Bridge. Efforts are also being made to speed up the process of visa issuance outside of the country. Furthermore, the requirement that travellers first obtain permission before travel within the country was removed in March 1994, and individuals are able to travel in the provinces without having to join package tours. Nevertheless, travellers are still required to obtain clearance at check points at the local offices of the National Tourism Authority (NTA) or police stations in the provinces.

Regional co-operation is also seen as an important strategy for promoting regional tourism. In this regard, it is important to note that the Lao PDR has reached an agreement with Myanmar to promote tourism within the "Golden Triangle", and is a member of the Mekong Forum on Tourism which involves the other Mekong Basin countries of Thailand, Myanmar, Cambodia, China and Vietnam.

Tourism development. With regard to the development and planning of tourism, the UNDP is

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providing assistance with the national tourism masterplan, the organization of the tourism authority, the collection of data on tourists, and the establishment of tourism information centres. The new masterplan for tourism was expected to have been finalized at the end of 1998. UNDP is also undertaking a project to help the NTA formulate an ecotourism strategy. This project will undertake an inventory of tourist sites, carry out feasibility studies and introduce an ecotourism accreditation system in the country. It also aims to establish an ecotourism network which will improve communication and co-ordination between government officials, ecotourism operators and potential investors.¹³

There are already regulations in place which govern the establishment and operation of tourism businesses. All tourism businesses, including tour companies, hotels and other establishments which cater to tourists, are required to receive proper authorization from the NTA and other relevant authorities. Such business licenses are initially issued for a period of two years, after which they may be extended for an additional two years. In 1997, there were 342 authorized tour guides.¹⁴ Although, there are no special incentives for the tourism industry in terms of investment and tax legislation, the tourism sector does benefit from the overall efforts of the Government to promote foreign investment.¹⁵

Human resource development has been identified as one of the priorities for tourism development. In this regard, the UNDP has been conducting an English language training programme since April 1998. In addition, each year, the NTA organizes a 45-day training programme for tour guides. Upon completion of this programme, participants receive certificates which qualify them to obtain tour guide licenses. The NTA has also started a one-month training programme for hotel and restaurant workers which is organised at various places each year. The establishment of a national training institute for the tourism and hospitality professions has been discussed but has yet to be implemented.

In order to preserve the cultural heritage of the country's cultural and ethnic minorities, the Lao government, in co-operation with UNESCO, is implementing a culturally and ecologically sustainable tourist development policy in Nam Ha.

Regional masterplans and promotion packages are also being implemented for the historical sites of Luang Prabang and Champasack. In Luang Prabang, for example, accommodation construction is regulated and buildings must conform to regulations with respect to size, construction style and building materials.¹⁶

There are also legislation and human resource development programmes which relate to the preservation of the cultural, historical and natural heritage of the country. An important piece of legislation is the Presidential Decree on the Preservation of Cultural, Historical and Natural Heritage of June 1997.¹⁷ Among other things, the decree requires that a survey of national heritage should be undertaken every five years in order to establish an inventory; that the maintenance, repair or modification to the features of national heritage shall require approval; and that no construction, restaurant or entertainment premises may be established within archaeological or natural sites. In addition, there is legislation designed to protect and promote Lao culture and tradition as well as to limit harm to Lao culture and society, by setting standards in the tourism sector with respect to the promotion of Lao culture while limiting the negative impacts of foreign culture.¹⁸

Ecotourism. The Government has established broad guidelines for the development of ecotourism in Lao PDR. These guidelines emphasize careful capacity management, sustainable use of resources, respect for cultural and natural diversity, and the involvement of local communities in the decision-making process.¹⁹

The NTA has established two ecotourism projects in co-operation with international partners: These are the project in Nam Ha that has been undertaken in co-operation with UNESCO, and the "Forespace" Ecotourism Project in the Nam Kan/Nam Nga Protected Area. There are also some other smaller ecotourism projects that have been established together with regional partners. However, in some of these smaller projects the concept of "ecotourism" has been loosely defined. For example, one such resort promotes itself as an "ecotourism" resort because it claims it produces all the products that are used in the resort, including food and hotel supplies such as shampoo. However, the resort does not implement any other special

measures for environmental protection other than complying with normal national environmental regulations. In the emerging literature on ecotourism and environmentally sustainable tourism, this might be better described as an example of the latter.

According to the NTA, environmental impact assessments and studies of the socio-cultural impact of tourism are undertaken before the construction of any tourism infrastructures. However, the details of these environmental impact assessments and studies are not yet available.²⁰

Major group involvement. Currently, large-scale projects involving investments exceeding US\$1 million are required to provide a presentation on the project before it is implemented. NGOs, local authorities and all ministries concerned are invited to these presentations which are organized by either the local authority, the Secretary of the Foreign Investment Management Committee (FIMC) or the Prime Minister, depending on the source and size of the investment. The local community is also involved in the decision making/planning stage and are invited to provide comments on projects.

Conclusions

Over the last decade, as the tourism industry has developed rapidly in the Lao PDR, many tourism-related policies and projects have been implemented in order to cope with the increased demand by international tourists. However, further policy development is needed to ensure that future tourism development in the Lao PDR will be sustainable. At the same time, external finance is also required in order to realise these plans for sustainable tourism development.

Improved data on tourism. There is currently a paucity of internationally acceptable statistical data on tourism activities. High quality data on tourism would facilitate marketing and the targeting of sustainable tourism strategies;

Carrying capacity. Fully incorporating the concept of carrying capacity into the national tourism strategies could help prevent the over-utilization of valuable tourism resources, such as the natural environment and traditional cultures;

Guidelines for visitors. The development and distribution of visitors' codes and guidelines would increase the awareness of tourists to the possible negative impact of their behaviour on the host community and environment; and would also help foster mutual understanding between tourists and local people and mitigate unnecessary conflicts caused by cultural difference;

Regulation. Although the recent deregulation and relaxation of travel restrictions in the Lao PDR have prompted the growth of individual tourism, the effective use of organized tours and/or guided tours should not be overlooked, particularly for effective control of tourism development. Uncontrolled tourism development may lead to the destruction of cultural heritage and the degradation of environmental resources. In this regard, the examples of tourism development such as indigenous cultural tourism in Australia²¹ and ecotourism in the Galapagos Islands of Ecuador²² may serve as useful references. Moreover, although good progress has been made with the development of environmental legislation and regulations, it is important that adequate resources be directed to the monitoring and enforcement of these standards;

Infrastructure development. Tourism development is limited by the low level of infrastructure development. Improvement in the transportation system, in particular domestic flights and roads, is needed both in quantity and in quality;

Regional co-operation. More co-operation and co-ordination between the Lao PDR and its neighbouring countries could be useful because the Lao PDR is most often an add-on destination rather than an independent or sole destination for tourists;

Education. Education and training for sustainable tourism could be improved through curriculum development and gradually raising the qualifications of teachers;

Environmental impact assessment. Within the South East Asian region, conducting of pre-investment environmental impact assessments has been established as a practice in a number of countries. However, the assessment of on-going impacts has not yet been institutionalised. In the Lao PDR, it is important for sustainable tourism that the Government introduce environmental impact management for tourism projects in the country;

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Ecotourism accreditation. Ecotourism as a new form of tourism in the country is experiencing rapid growth. However, there are already several so-called “ecotourism” projects in operation which do

not conform to the full requirements of ecotourism projects as normally understood. Thus, an ecotourism accreditation system would be timely.

Endnotes

- 1 Visit Laos Year 1999, NTA, pp. 9
- 2 The World Bank Group, Development Data, <http://www.worldbank.org/data/databytopic/gnppc97.pdf>, as of December 1998.
- 3 Lao PDR, Investing in Laos: Opportunities and Options, The Permanent Office of the Foreign Investment Management Committee of Lao PDR, Vientiane.
- 4 Lao PDR, Investing in Laos, Committee for Investment and Foreign Economic Co-operation, Vientiane.
- 5 Country Statements, Promotion of Tourism in the Greater Mekong Subregion, Proceedings of a Workshop on Tourism Development in Countries along the Mekong River, Kunming, 13-17 December 1994, p. 37; and Economic and Social Commission for Asia and the Pacific (ESCAP), “The First Meeting of the Working Group on the Greater Mekong Subregion Tourism Sector,” ESCAP Tourism Review No. 16, Bangkok.
- 6 UNDP, “Support for tourism development and ecotourism 1997-1998,” UNDP Project Document, (LAO/97/012), p.1.
- 7 Regional tourists are tourists from neighbouring countries who enter Laos using border passes. International tourists are those who enter Laos using passports and a valid visa obtained either from a Lao Embassy or consulate, or upon arrival at international border checkpoints.
- 8 Laos Tourism Statistical Report 1997, NTA, pp. 12-14.
- 9 Ibid., p.2.
- 10 Visit Laos Year 1999, NTA, pp. 17.
- 11 Project proposal ‘Nam Ha Ecotourism’, UNESCO, 5 March 1998, p.3.
- 12 Centre of Protected Areas and Watershed Management (CPAWM), Department of Forestry, Lao PDR, June 1998.
- 13 UNDP, “UNDP project facts: promoting eco-tourism,” (LAO/97/012), UNDP
- 14 Bounsong Phouthavong, “Country Report for Seminar on Comprehensive Tourism II,” NTA, March 1998, p.8.
- 15 In June 1994, the Government of Lao PDR introduced “the Law on the Promotion and Management of Foreign Investment” and abandoned “the Law on Foreign Investment”. The major changes were: (a) the 15 years duration limitation for wholly foreign owned enterprises was abandoned; and (b) the rate of tax on profits of foreign enterprises was reduced from 35 per cent to 20 per cent, a marginal rate lower than the 35 per cent paid by domestic companies. Other measures to promote foreign investment include the exemption of import duties for products that are exported; a grace period during which enterprises are either exempt from or pay a reduced profit tax; and relatively generous issuance of entry visas and working permits for skilled labour from abroad.
- 16 According to the masterplan for Luang Prabang, buildings should not have more than two floors, and have to be built in the Lao style; and the use of imported materials requires special permission.
- 17 “The Lao Law Report,” Vientiane Times, Jan. 31 – Feb. 3, 1998. National heritage is defined as “public, collective or personal assets holding cultural importance or historical

importance ..., including artifacts with historical, artistic value and of over fifty years old and natural sites.”

18 See “Decision regarding cultural undertakings at hotels, guesthouses, restaurants, bars, night-clubs, festivals and other ceremonies in Vientiane (capital of Lao PDR) Municipality, 1994,” as reported in “The Lao Law Report,” Vientiane Times, April 10–13 and April 24–27, 1998. The major points of this decision are: (a) Hotels, guesthouses, restaurants, bars and night-clubs (collectively called “Entertainment Premises”) must exhibit Lao cultural identity by utilising handicrafts, photographs and other Lao products; (b) female employees of Entertainment Premises shall wear Lao traditional skirts or “sin”; (c) international songs to be sung or danced to must be specifically selected and inspected by the Department of Culture and Information of the Vientiane Municipality; and (d) female singers or musicians cannot wear western dresses, pants or skirts that have hemlines above their knees or wear Lao skirts that have slits past their knees.

19 ESCAP, 1996. “Country reports, tourism promotion in countries in an early stage of tourism development,” ESCAP Tourism Review No.18, p.34.

20 Interview with an official of the NTA.

21 ESCAP, 1995. State of the Environment in Asia and the Pacific 1995, Bangkok, p. 316.

22 In the Galapagos Islands individual travel is not permitted. All tourists have to join cruise tours with licensed naturalists. There are no accommodations or restaurants on the islands and tourists conduct day trips from boats each day. Naturalists not only explain the ecological environment and species on the islands but also prevent tourists from deviating from officially designated trails and keep tourists at an acceptable distance from the animals.

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