Pro-Poor Sustainable Tourism in Luang Prabang, Lao PDR

A Value Chain Analysis of Rural Excursions

Tara Gujadhur
for SNV Netherlands Development Organisation
January 2008
Table of Contents

Executive Summary .......................................................................................................................... 1
  Market Trends ............................................................................................................................... 1
  Constraints and Opportunities ...................................................................................................... 1
  Recommendations ......................................................................................................................... 1
Background .................................................................................................................................. 3
  Methodology ................................................................................................................................ 3
Market for Rural Excursions ........................................................................................................... 4
Map of Rural Excursion Actors ..................................................................................................... 5
Rural Excursion Case Studies ......................................................................................................... 6
  1. Kuangsi Waterfalls .................................................................................................................... 6
     Markets ....................................................................................................................................... 6
     Value Chain ............................................................................................................................... 6
     Kuangsi Value Chain and Beneficiary Map ............................................................................... 8
     Beneficiaries ............................................................................................................................. 9
     Constraints and Opportunities .................................................................................................. 10
     Summary .................................................................................................................................... 10
  2. Meuang Ngoi ............................................................................................................................. 10
     Markets ....................................................................................................................................... 11
     Value Chain ............................................................................................................................... 11
     Meuang Ngoi Value Chain and Beneficiary Map .................................................................... 13
     Nong Khiaw Value Chain and Beneficiary Map .................................................................... 14
     Beneficiaries ............................................................................................................................. 15
     Constraints and Opportunities .................................................................................................. 16
     Summary .................................................................................................................................... 16
  3. Fair Trek ................................................................................................................................... 16
     Markets ....................................................................................................................................... 16
     Value Chain ............................................................................................................................... 16
     Beneficiaries ............................................................................................................................. 18
     Constraints and Opportunities .................................................................................................. 19
     Summary .................................................................................................................................... 19
  4. Pak Ou Caves ............................................................................................................................... 19
     Markets ....................................................................................................................................... 20
     Value Chain ............................................................................................................................... 20
     Pak Ou Value Chain and Beneficiary Map ............................................................................... 22
     Beneficiaries ............................................................................................................................. 23
     Constraints and Opportunities .................................................................................................. 23
     Summary .................................................................................................................................... 24
Comparisons and Trends of Rural Excursions ................................................................................. 24
  Benefits and Poverty Alleviation ................................................................................................. 24
  Market Trends ............................................................................................................................... 25
  Constraints .................................................................................................................................... 25
  Opportunities ............................................................................................................................... 26
Success Factors ............................................................................................................................... 27
  Market-Driven Rural Destinations ............................................................................................... 27
  Minority Villages, Vulnerable Residents ...................................................................................... 27
  Micro-Enterprise Development .................................................................................................... 27
Proposed Interventions .................................................................................................................... 28
  1. Site Planning and Development ............................................................................................... 28
  2. Restaurants and Food ............................................................................................................... 28
  3. Handicrafts ............................................................................................................................... 28
  4. Accommodation ....................................................................................................................... 29
     Potential Sites in Luang Prabang ............................................................................................... 29
Conclusion ....................................................................................................................................... 30
Executive Summary

This report summarises the results of a value chain analysis of rural excursions in Luang Prabang Province carried out in November and December 2007. This work was commissioned by SNV as a follow-up to the study “Luang Prabang tourism and opportunities for the poor” (2006) by Caroline Ashley, which outlined three priority areas for increasing pro-poor benefits from tourism, including “Re-vamping the product offer in rural villages and increasing tourist time and expenditure in rural areas”. Thus, the objective of this analysis was to better understand the potential of rural tourism to contribute to poverty alleviation, and propose areas of intervention for SNV and its partners for maximising beneficiaries and overall benefits.

To do this, the study looked at market trends for rural tourism, examined four specific rural excursions by interviewing and mapping the actors, beneficiaries, and flow of services and money, and identified constraints and opportunities for these rural excursions and rural tourism as a whole. Rural excursions were defined broadly as all activities of domestic, regional and international tourists when visiting sites outside Luang Prabang town. The four excursions used as case studies were chosen to represent a range of activities, costs, distances from town, and types of visitors:

1. Kuangsi Waterfalls
2. Meuang Ngoi
3. Fair Trek
4. Pak Ou Caves

Market Trends

The overall forecast for rural excursions is generally positive; interviews with tour operators suggested that growth in rural excursions will follow the growth in visitors to Luang Prabang. However, there is quite a clear differentiation among two broad visitor types and the rural excursions they participate in.

- High-end tourists, regional tourists, and group tours will only do one day trips to the iconic rural attractions: Pak Ou Caves and Kuangsi Waterfalls. These tourists may also visit nearby handicraft villages such as Ban Phanom or Ban Xang Kong, but their short stays demand a classic itinerary with no room for extras. This market will only be accessed by adding value to these existing attractions through better site development, food and handicrafts, and fee systems.

- European and Northern American tourists, 18-40 years old, who are middle-market spenders (including 'flashpackers'), are gaining on backpackers as common visitors to more far-flung rural destinations. They are more adventurous and willing to overnight in rural areas, but usually for no more than 3 days. These markets can be targeted for improved services in existing one to three day trips and further developing emerging attractions.

Constraints and Opportunities

Major constraints to rural tourism and local benefits identified are:

1. High transportation costs
2. Lack of basic services
3. Limited supply of vegetables and goods
4. Limited benefits from village treks and community partnerships
5. Limited handicraft development and supply
6. Long development period for rural destinations

Opportunities for rural tourism with potential for successful interventions include:

1. Developing business opportunities around major attractions/destinations
2. Significant earnings from overnights
3. Handicraft markets
4. Handicraft supply from local markets
5. Local concessions

Recommendations

Although there has been a strong focus on the development of rural treks and village homestays in the past, a comparative study of the four model rural excursions revealed that treks do not offer the
best opportunities for local benefits from tourism in Luang Prabang. Also, rather than developing new excursions, efforts would be more efficiently applied by adding value to and improving one of the many established and emerging attractions to improve their pro-poor orientation.

Thus, it is recommended that SNV and its partners focus on adding value to existing tourism attractions and upgrading emerging tourism destinations in the broad areas of:

1. **Site development and planning** – better interpretation, basic services, layout of markets and commercial zones, and fee systems
2. **Restaurants and food** – improvement of standards and services, linkages with tour operators, and use of local produce
3. **Handicrafts** – better product development and differentiation, understanding of tourist preferences, and market development
4. **Accommodation** – encouraging overnights with higher standards, linkages with tour operators, and small business management

When identifying destinations and activities for interventions, it is recommended that SNV use three factors as starting points:

1. **Market-driven rural destinations** – targeting destinations that are already receiving tourists will ensure the greatest number of beneficiaries.
2. **Minority villages, vulnerable residents** – working in villages with a high percentage of ethnic minorities or poverty and identifying vulnerable residents means benefits are more likely to be pro-poor.
3. **Micro-enterprise development** – local earnings from rural tourism are generated through informal enterprises and the sale of goods and services on a very small scale. Maximising benefits will mean expanding or improving micro-enterprises such as handicrafts stalls (women) or boat services (men).
Background
Luang Prabang has solidified its position as the major tourism destination in Laos, with an estimated turnover of US$22 million per year, fed by over 150,000 international arrivals in 2006. The tourism economy of Luang Prabang includes 18 hotels, 155 guesthouses, 22 tour agencies, over 1200 restaurants, almost 500 handicraft businesses, almost 600 transport operators, and many more additional businesses with their employees and suppliers. The size of this economy and the corresponding value chains have been looked at by Caroline Ashley for SNV in 2006. This study aims to build upon the recommendations made in that study, to assess the potential for improving rural excursions supply chains and propose interventions for SNV.

SNV has been working on tourism in Luang Prabang for 7 years, primarily on community-based tourism development, assisting the Provincial Tourism Office (now Department) in implementing the Mekong Tourism Development project activities, but also in tourism planning, and tourism information and statistics development. With changes in SNV’s overall country strategy and advisory capabilities, it is important for the organisation to reassess its approach and identify the most effective interventions using available inputs. Given SNV’s previous experience in the field of ecotourism/community-based tourism, it was decided that a value chain analysis in relation to rural excursions would be carried out.

The objectives of the study were:

- To develop an understanding of the market for rural excursions in terms of country of origin, length of stay, purchasing behaviour, etc.
- To map the actors and the range of activities carried out in the supply chain, from the sale of the final product to the customer to assisting villages/communities to develop rural excursion products/services;
- To quantify the economic effects of rural excursions on the poor by mapping financial flows and employment in the supply chain;
- To evaluate the market potential of the excursion supply chain;
- To assess opportunities for adding greater value to the chain that benefit poor people;
- To identify the constraints to maximizing economic benefits for poor people in the supply chain;
- To provide strategic advice to SNV on the focus of its activities and client base so as to maximize production, income and employment opportunities for poor people from the rural excursions supply chain, including identification of number of potential beneficiaries (direct and indirect).

Methodology
For the purposes of this study, rural excursions were defined as all activities of domestic, regional and international tourists when visiting sites outside Luang Prabang town. Four rural excursions were identified as representing a range of activities, different markets, day or overnight trips, distance from town, and frequency among independent or group tours.

1. Kuangsi Waterfalls. A nature and recreation site about 30km from town, popular among locals and international tourists for swimming and picnicking. Usually a half-day trip from town, it is visited by more independent travellers.

2. Meuang Ngoi. A village to the north of Luang Prabang province, reached in 3 hours by car to Nong Khiaw, then continuing by boat 1 hour to Meuang Ngoi. The village was discovered as a rural getaway about 10 years ago, and receives more western ‘backpacker’ visitors, though tour operators and ‘flashpackers’ are increasing. Visitors stay an average of 2 nights, some in Nong Khiaw.

3. Fair Trek. A group of villages in Xieng Ngern district used for trekking and homestays, about 30 minutes from Luang Prabang town. ‘Fair Trek’ refers to a private-public partnership model in which all parties sign a contract for provision of services, set prices, training, and contribution to a village and environmental fund.

---

1 Flashpackers are a wealthier version of backpackers who travel with more possessions, including the latest hi-tech equipment such as digital cameras, ipods, mobile phones and designer sunglasses. They share similar interests to backpackers and enjoy the adventure of new discoveries.
4. **Pak Ou Caves.** A cultural and religious attraction about 30km north of Luang Prabang, reached by road and boat. Popular among group tours and Thai tourists, trips to the cave almost always include stops in Ban Sang Hai, a whiskey-distilling and handicraft village.

Fieldwork was completed for all four rural excursions, using questionnaires to interview the village chief, transport operators, restaurant/food stall owners, food producers, handicraft/souvenir sellers, handicraft producers, accommodation providers, guides, and employees. These interviews sought to understand the number of tourism-related businesses, the number of households and people benefiting, and the vertical and horizontal chains associated with these businesses (i.e. suppliers, employees, competitors). Seeking an understanding of the income generated from these tourism activities, questions were also asked about earnings, costs, and profits. Qualitative information on types of visitors, market trends, and difficulties was also gathered.

Calculations of turnover, numbers of beneficiaries, and supply chains were made using this information, however, it must be recognised that estimates and assumptions were inherent. During the course of this study it was recognised that many local businesses, being family-run and oriented towards basic cash subsistence, have only a vague understanding of their income, and are unable to quantify their costs and profits definitively. What resulted is sometimes conflicting information on earnings versus costs, or average income per day versus per month. Further, due to time constraints, usually no more than two representatives of each sector were interviewed, so the numbers are by no means statistically precise. Nevertheless, the information yielded a good indication of the amounts of money in each sector, the beneficiaries, and where constraints exist.

Finally, the study attempted to look at how rural tourism excursions can contribute to household income for poverty reduction. A broad definition of 'poor' was used, using slightly different names, but the same categories as Caroline Ashley’s report, "Assessment of Luang Prabang tourism economy and opportunities for the poor":

- **Poor** – usually rural people, earning low returns to supplement agricultural livelihood. Under the Lao poverty line of US$7 per person per month in urban areas and US$5.50 in rural areas.
- **Sufficient** – small entrepreneurs or employees earning a reasonable income from tourism that puts them just above the Lao poverty line, but under or around the international poverty line of US$2 used by SNV. They are vulnerable, and could become ‘poor’ if earnings are poor or tourist numbers drop.
- **Secure** – Family businesses and entrepreneurs that are well above the Lao poverty line, and have a disposable income and savings.

When interviewing villagers, these were translated as families with rice shortages (poor), families that were sufficient, and families that had rice surpluses or savings (secure).

**Market for Rural Excursions**

Four tour operators were interviewed to develop an understanding of the types of markets for rural excursions and the trends in this area of tourism: Lao Youth Travel, Tiger Trail, Lao PTM, and Exotissimo. All four companies have specialised in rural excursions or ‘adventure’ tourism to some extent. Though their assessments of market trends and visitor types corresponded overall, some variation could be attributed to their individual marketing strategies and client base, not to trends in rural tourism markets. For example, Tiger Trail has a large German market, as they have strong links with outbound operators in Germany and German-language promotion. Now that they are starting to market to France, the numbers of French tourists are increasing. Nevertheless, the following trends were noted:

- Majority of clients for rural excursions are European and North American, 18 – 40 years old, and ‘mid-market’
- France, Germany, and Netherlands are major European markets
- High-end tourists and older tourists (45 years and up) do soft-adventure, no more than 1 day
- Kuangsi and Pak Ou receive the complete range of tourists, in terms of age, nationality, and spending power
There is increasing demand for rural excursions from a slightly higher-spending market – ‘flashpackers’ and mid-market tourists.

- Market growth for rural excursions shows no significant deviation from growth of other types of excursions (city tours, cultural tours), i.e. it is not growing at a rate slower or faster than other types of excursions.
- All visitors on a two days or more itinerary will spend at least 1 day outside of Luang Prabang (generally on a trip to Kuangsi and Pak Ou).
- Rural excursions are generally between 1-3 days total.
- Companies generally do their own surveys and develop their own treks. There is a constant effort to find new and pristine village destinations, but companies will leave a site if there are too many other tourists going there.

**Map of Rural Excursion Actors**

A map of main actors and beneficiaries in a general rural excursion tourism chain. Arrows depict the flow of money.

![Map of Rural Excursion Actors](image-url)
Rural Excursion Case Studies

1. Kuangsi Waterfalls
Kuangsi Waterfalls is one of Luang Prabang’s official tourism sites and directly managed by the government through the Provincial Tourism Department. The 30km from Luang Prabang town to Kuangsi were recently upgraded from a graded dirt road to tarmac with an ADB loan, which has improved access and reduced travel times. Through the same ADB project, the site has an interpretation centre and garbage dump underway, with an entrance gate, signage, and trainings already complete. 100% of the entrance fees to the waterfalls goes to the Provincial Tourism Department; the local village (Ban Thapene) is allowed to keep 50% of the parking fees, and operate businesses outside the gate.

Ban Na Ouane is a Hmong village of 56 households about halfway between Luang Prabang town and Kuangsi Waterfalls. It developed as a ‘village stop’ for minivans and groups travelling to/from the waterfalls, with a few families selling Hmong embroidery and handicrafts. In the past year, toilets and a concrete pathway were put in by the Mekong Tourism Development Project, after which many more stalls were set up, now totalling about 30.

Markets
Visitor numbers to Kuangsi have been growing, and Kuangsi has a high domestic visitation rate, particularly during festival times such as New Years. Kuangsi waterfalls received 72,540 visitors in 2006, 38% of which were domestic visitors. No numbers were available to segregate countries of origin or income levels of tourists. However, food and souvenir stalls reported that domestic as well as international visitors were common clients.

Table 1: Kuangsi Visitor Numbers, 2003-2007

<table>
<thead>
<tr>
<th>Year</th>
<th>International</th>
<th>Domestic</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>36652</td>
<td>16000</td>
<td>52652</td>
</tr>
<tr>
<td>2004</td>
<td>41204</td>
<td>19300</td>
<td>60504</td>
</tr>
<tr>
<td>2005</td>
<td>43680</td>
<td>22500</td>
<td>66180</td>
</tr>
<tr>
<td>2006</td>
<td>45130</td>
<td>27410</td>
<td>72540</td>
</tr>
<tr>
<td>2007 (10mths)</td>
<td>54498</td>
<td>28539</td>
<td>83037</td>
</tr>
<tr>
<td>Avg %</td>
<td>66%</td>
<td>34%</td>
<td></td>
</tr>
</tbody>
</table>

Value Chain
Transport: A major amount of the spending (34%) of tourists surveyed in Kuangsi went to their transport to/from site. However, all transport (tuk-tuk and minivan) operators originate in Luang Prabang, so none of these benefits are local (except the parking fees, 50% of which stay local).

Restaurants: There are 16 food stalls at the entrance to Kuangsi Waterfalls – all owned by local families and selling Lao-style food. Their start-up costs range from US$1000-$2000 and the stalls are all built from locally sourced materials. Being family-owned and small, no additional employment is generated. These families can be considered sufficient bordering on ‘secure’.

Food Supply: Restaurant food supplies are from a mix of local village sources (for most of the vegetables and some meat) and from town (particularly for condiments). It is estimated that restaurants spend about 20% of their turnover on local produce, and the village has many producers of vegetables, fruit and meat, with an estimated 26 families regularly supplying. A forestry department project has assisted them with production methods.

Accomm.: There are only two guesthouses in the area, both very small scale in operation, and family-run. They generate a small amount of employment, all extended family members.

Handicrafts: There are eight stalls selling souvenirs at Kuangsi, however, only one sells completely local products (bamboo baskets and trinkets). Two others sell a mix of local Hmong-made products and embroidery sourced from other villages and town. Five sell t-shirts
and manufactured clothing sourced from the markets in Luang Prabang. The one stall selling local products was started by five poor Khmu families, but the location of the stall is not ideal nor is the quality of their products. Nevertheless, as poor families, even the extremely marginal US$4-$5 earned is useful. In Ban Na Ouane, 40 of the village’s 56 families have small handicraft stalls selling embroidered Hmong goods made themselves and sourced from surrounding villages. The income earned is also relatively small – an average of US$10 per month – but for a village of primarily upland rice farmers is an important source of cash.
Kuangsi Value Chain and Beneficiary Map

Visitors to Kuangsi 72,540 in 2006

Transport (Tuk-tuks, minivans)
Turnover: $606,500/yr
Beneficiaries: 0 local

Food/Restaurants
Turnover: $84,000/yr
Beneficiaries: 16 owners/secure hh, 80p

Accommodation
$11,160
Beneficiaries: 2 sufficient/secure hh, 8p

Local Food Suppliers
$16,200
Beneficiaries: 26 sufficient hh, 130p

Handicrafts/Consumer Goods
Turnover: $19,000

Ban Thapene
$14,000
Beneficiaries: 10 sufficient hh, 50p

Ban Na Ouane
$5,000, 40 poor/sufficient hh, 240p

Handicraft Suppliers (LP Town)
$3,500

Handicraft Suppliers (LP Town or other villages)
$4,000

Fee Structures
Parking: $3,100 Local
Entrance: $81,400 to Provincial Tourism Dept.

Total Turnover: US$117,700
Total Beneficiaries: 90 hh, 465 p
**Beneficiaries**

Ban Thapene is not categorised as a poor village, and interviewees said that this is largely due to tourism. Before tourism, the livelihoods were primarily subsistence agriculture-based, but now almost 50% of the households earn cash directly or indirectly through tourism. Simply by being located at the gateway to a major tourism attraction, the village has had demand for services and goods that were easily converted into income.

Of 108 households in Ban Thapen, locals estimate 50 are involved in tourism directly, through employment at the site or having a stall of some sort, or through selling local produce, meat or handicrafts to the stalls (which matches our calculations). The average household size in Ban Thapen is 5 people, meaning that 250 people are benefiting directly from tourism through family members’ earnings. Many households are mixed – a wife may sell t-shirts in the market, while her husband is a farmer. An untapped number of indirect beneficiaries include poorer residents who are employed to farm the land of families who are involved in tourism and thus do not have time to tend their land. One stall saleswoman had employed about 60 people in the past season, on a day-to-day basis.

Ban Na Ouane is a much poorer, marginalised village of Hmong families who have been resettled, and for 40 families the small amount of income received from handicraft sales is vital. Some families also produce for the Luang Prabang market, or conversely buy products from other Hmong communities to sell in the village.

<table>
<thead>
<tr>
<th>Ban Thapene Beneficiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Households</td>
</tr>
<tr>
<td>Population</td>
</tr>
<tr>
<td>Ethnicities</td>
</tr>
<tr>
<td>Number of poor families</td>
</tr>
<tr>
<td>Number of sufficient families</td>
</tr>
<tr>
<td>Number of secure families</td>
</tr>
<tr>
<td>Households/people benefiting from tourism:</td>
</tr>
<tr>
<td>• Restaurants/food stalls</td>
</tr>
<tr>
<td>• Supplying vegetables/meat</td>
</tr>
<tr>
<td>• Selling handicrafts/souvenirs</td>
</tr>
<tr>
<td>• Making handicrafts</td>
</tr>
<tr>
<td>• Guides</td>
</tr>
<tr>
<td>• Guesthouses/accommodation</td>
</tr>
<tr>
<td>• Transport (boat, tuk-tuks)</td>
</tr>
<tr>
<td>• Others</td>
</tr>
<tr>
<td><strong>50</strong></td>
</tr>
</tbody>
</table>

* This number may not equal the total households involved in each sector, due to overlap between households involved in more than one activity (i.e. selling handicrafts as well as vegetables).

<table>
<thead>
<tr>
<th>Ban Na Ouane Beneficiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Households</td>
</tr>
<tr>
<td>Population</td>
</tr>
<tr>
<td>Ethnicities</td>
</tr>
<tr>
<td>Number of poor families</td>
</tr>
<tr>
<td>Number of sufficient families</td>
</tr>
<tr>
<td>Number of secure families</td>
</tr>
<tr>
<td>Households/people benefiting from tourism:</td>
</tr>
<tr>
<td>• Selling handicrafts/souvenirs</td>
</tr>
<tr>
<td>• Making handicrafts</td>
</tr>
<tr>
<td>• Selling snacks/drinks</td>
</tr>
<tr>
<td><strong>40</strong></td>
</tr>
</tbody>
</table>

* This number may not equal the total households involved in each sector, due to overlap between households involved in more than one activity (i.e. selling handicrafts as well as vegetables).
Constraints and Opportunities

- The physical area allotted to the tourist businesses around Kuangsi is limited, not integrated into the site, and not conducive to ‘browsing’ (i.e. one large parking lot with stalls on the edges).
- With the improved road, faster travelling times can mean shorter visits (and less on-site spending)

  + With high visitor numbers – 72,540 in 2006 – even if locals capture even a small percentage of the market with their services, they can gain significant benefits
  + A diverse market of locals, domestic and international visitors means visitation patterns are less seasonal than in an attraction for only international visitors, and provides a more varied demand for food, handicrafts, and services.
  + If accommodation standards and marketing were improved, more tourists may stay overnight
  + Ban Na Ouane is a convenient halfway stop for tourists on their way to the waterfalls; with better interpretation and product development, this advantage could be used to add to an already important source of income.

Summary

Most of the direct beneficiaries of tourism in Ban Thapen are not poor, and the village itself is not poor, with an estimated 50 families considered secure and only 4 families considered poor (with rice shortages). This has been attributed to tourism – many local households have switched from being primarily rice farmers, to being mixed-income. As a primarily ethnic minority village (95% Khmu), the benefits to minorities, and women (all stalls were run primarily by women) is significant. It is also important to note the demand for local produce from restaurants brings an average of US$620 to 26 families per year.

For Ban Na Ouane, a village of resettled Hmong upland rice farmers, selling handicrafts is an important source of cash income. Residents report that since the improvement of the walkway and construction of two toilets, visitor numbers have increased. Selling handicrafts has a low start-up cost (between US$50-$100) and can be done by women in the home, making it an accessible livelihood. However, with better product development, quality and interpretation, sales could be higher. Also, some women say that guides accompanying tourists dissuade them from purchasing, which is heard by many rural handicraft sellers and needs to be addressed by tour operators and guide training.

None of those local residents currently involved in tourism had any particular difficulty in entering the market, but it is now almost impossible for any new people to start tourism-related stalls. The stalls are currently restricted to the area around the parking lot, of which all spaces are already occupied. One far end of the parking lot still has some availability, but the lack of tourist traffic means that business would be limited.

Further, visits to the site tend to be short, and though the tarred road means more visits, it also means that tourists can leave from town after breakfast, and be back in town for lunch. Opportunities to expand the benefits from tourism in the village would be through more creative activities such as guided nature walks, satellite entrances and development of outlying sites as visitation numbers increase, and handicraft development based on local products.

2. Meuang Ngoi

Meuang Ngoi is a small village to the north of Luang Prabang province, reached by travelling by car for 3 hours to Nong Khiao, then continuing by boat 1 hour up the Nam Ou river. The village was ‘discovered’ around the year 2000, and the area is famous for its beautiful scenery, with karst mountains and dense forests. The area was initially a strictly backpacker destination, and is still primarily so, though small tour groups and ‘flashpackers’ are becoming more common. The accommodation is changing as well, from only small bamboo bungalows to a few more upmarket places using combined wood and concrete rooms with attached baths. The village still lacks electricity, a clean water system, and any road access, which limits the size it can grow and markets it can cater to, but also contributes to its rustic charm.

Nong Khiao is the district capital and the gateway to Meuang Ngoi with the boat landing and bus station. Nong Khiao is frequented by more upmarket tourists as it has electricity, a newly opened
mid-market riverside lodge, and it is more easily accessed. The town has less tourists overall though, and most residents earn their livelihoods from trading (as it is the largest and most central town for many villages up the river and in the surrounding districts) and working for the government.

**Markets**

The area is still primarily a backpacker destination – informal accounts by locals say 70% to 90% of the visitors. Tour companies interviewed mentioned more upmarket tourists interested in going to Nong Khiaw and Meuang Ngoi, but that until the past year and a half, the accommodation standards were too low. This year, the Nong Khiaw Riverside Resort opened in Nong Khiaw, with more luxurious bungalows for US$30, and in Meuang Ngoi, four guesthouses have upgraded rooms with attached baths and amenities. The 'flashpacker' market is increasing, and the Nong Khiau Riverside Resort reports that 70% of their clients come with tour companies.

The average room price in Meuang Ngoi is still 20,000k per night, and there is no electricity (though generators are used regularly), so it will likely continue to attract primarily a cheaper market. However, the flurry of renovations and upgrades to local guesthouses there also indicate that locals see that there are tourists that are willing to pay 60,000k per night for a nicer room.

| Table 2. Visitors to Meuang Ngoi District (Meuang Ngoi Kao village and Nong Khiaw) |
|---------------------------------------------|-----|-----|-----|-----|-----|-----|
|                                             | 2003 | 2004 | 2005 | 2006 | 2007 | Avg. % |
| International                               | 16088 | 5341 | 9035 | 5863 | 8226 | 93%   |
| Domestic                                    | 113  | 1043 | 737  | 543  | 970  | 7%    |
| Total                                       | 16201 | 6384 | 9772 | 6406 | 9196 |       |

**Value Chain**

**Transport:** As tourists have to travel a distance to reach Meuang Ngoi, transportation is a significant portion of their spending (depending on the number of days and the type of transport used). Public transportation between Luang Prabang and Meuang Ngoi is $11 round trip, but up to $150 per round trip of a minivan and boat are privately hired. A large amount of turnover goes to petrol and association fees.

**Restaurants:** The food and beverage benefits are significant in both Meuang Ngoi and Nong Khiaw – tourists sleep an average of two nights in the area, spending roughly 30,000k per meal. In both towns, guesthouses and restaurants overlap – in Meuang Ngoi there are no restaurants not attached to guesthouses. Thus, the owners of these businesses are generally secure, having been able to invest an average of US$2,000 to construct their properties, and have two sources of income. Though salaried staff is rare, many businesses help to support husband and wife with children, as well as cousins and siblings that help out. In Meuang Ngoi, restaurants said that the limited electricity (‘generators off’ is at 9pm every night) means that their hours of business are restricted, as tourists would continue to drink beer late if they were able to stay open with lights.

**Food Supply:** Restaurant owners source their food and products from a variety of sources. Meat is mostly local, from the market or from upriver, as is fish, but chicken always comes from Luang Prabang, as do condiments and snacks and beverages. However, vegetables are a mix – many said they bought almost all their vegetables locally during the dry season, but during the rainy season source them almost completely from Luang Prabang. Tomatoes, carrots and potatoes always come from Luang Prabang. Local traders in Meuang Ngoi and Nong Khiaw and relatives based in Luang Prabang send products up from Luang Prabang, though some restaurants will make monthly trips themselves.
Accomm.: Accommodation is mostly low-budget and very simple, though standards are improving. Materials for constructing guesthouses are all sourced locally, though concrete, tiles and fixtures come from Luang Prabang, and many of them are constructed by the family members themselves, with some help from local labourers. Competition and the quality of guesthouses contribute to the low local room rates – down to 15,000k in the rainy season. Combined with high visitor seasonality, most guesthouse owners report sufficient earnings (not including their restaurant income) while the few guesthouses that have distinguished themselves with more upmarket rooms do quite well. All the guesthouses operate with minimal staff – generally a wife and husband alone.

Handicrafts: Handicrafts are a tiny segment of tourist spending, with only one handicraft producer in Nong Khiaw (a silversmith who sells jewellery he produces as well as textiles bought from others), and five women weavers in Meuang Ngoi. Villagers reported that Ban Na, which is just outside of Meuang Ngoi but is being administratively combined, produces baskets, which they will then come to sell in Meuang Ngoi on an intermittent basis. One weaver located on the main ‘strip’ in Meuang Ngoi reported that she is able to sell when she weaves in her front yard, and if all the women set up a small shop or market where they could weave together, they would probably be able to garner a lot of interest and sales.
Meuang Ngoi Value Chain and Beneficiary Map

Visitors to Meuang Ngoi
6,406 in 2006

Boats
Turnover: $10,800/yr
Drivers/owners
$6,480
Beneficiaries: 54
sufficient hh, 297p
Association
$1,080

Restaurants
Turnover: $86,500/yr
Beneficiaries: 17
owners, secure hh, 93p

Handicrafts
Turnover: $2,080/yr
Handicrafts Producers
$1,040
Beneficiaries: 5
sufficient hh, 26p

Food Supply (incl. beverages)
$63,000
Beneficiaries: 5
sufficient hh, 26p

Local Food Supply
$10,600

Small shops
Turnover: $6,000/yr
Beneficiaries: 12
sufficient hh, 66p

Non-Local Supplies
$3,120

Guesthouses
$40,944
Beneficiaries: 16
secure hh, 88p

Tour company
N/A
Beneficiaries: 3
sufficient hh, 16p (guides only)

Petrol
$2,970

Total Turnover: US$146,000
Total Beneficiaries: 108 hh, 594 p

Not accounted for:
• Traders (those selling beer, vegetables, manufactured goods originating in Luang Prabang or Oudomxai)
  based in Meuang Ngoi or Nong Khiaw
• Employees of GHs, restaurants, tour company
  – less than 10. Unsalaried family members not included.
Nong Khiaw Value Chain and Beneficiary Map

Visitors to Nong Khiaw 1832 in 2006

Transport
Turnover: $48,600/yr

Boats
Turnover: $28,800/yr
- Boat Owner/Drivers
  - Turnover: $7,500
  - Beneficiaries: 60
    - sufficient hh, 330p
- Association
  - $1,440

Buses/Trucks
Turnover: $19,800/yr
- Drivers
  - Turnover: $7,700
  - Beneficiaries: 33
    - sufficient hh, 181p
- Association
  - $990

Handicrafts
Turnover: $760/yr
- Beneficiaries: 1
  - sufficient hh, 5p

Restaurants
Turnover: $84,000/yr
- Beneficiaries: 7 owners,
  - secure hh, 38p

Food Supply (incl. beverages)
Turnover: $55,700
- Beneficiaries: 10
  - sufficient hh, 55p

Local Food Supply
Turnover: $20,000
- Beneficiaries: 10
  - sufficient hh, 55p

Guesthouses
- $12,375
  - Beneficiaries: 11
    - secure hh, 55p

Small shops
Turnover: $10,000/yr
- Beneficiaries: 5
  - sufficient hh, 27p

Non-Local Supplies
- $6400

Not accounted for:
- Traders in Nong Khiaw, selling goods between Phongsaly, Luang Prabang, Oudomxai for many businesses (not just tourism)
- Employees of GHs and Restaurants – not counting unsalaried family members, roughly estimated 15 total

Total Turnover: US$155,700
Total Beneficiaries: 126 hh, 686 p
Beneficiaries

A large number of families in both villages gain some income from tourism, though some of it may be marginal – such as the income for boat drivers from tourism, or for vegetable producers who sell to the local and tourist market. Tourism is much more integral to the livelihoods of families in Meuang Ngoi with its smaller economy, whereas Nong Khiaw has a large number of traders, market sellers, and government employees.

Restaurant and guesthouse owners are not poor by any definition, but boat drivers, vegetable suppliers, and handicrafts producers are usually sufficient and vulnerable to poverty. These beneficiaries are not 100% dependent on tourism, but it does provide an important supplementary livelihood. Indirect beneficiaries not assessed include traders who source produce from Luang Prabang and extended family members living and working with a relative’s tourism business. Salaried employment is almost non-existent, as is common in family-run businesses and rural areas, though three or four of the larger businesses (the resort, and two guesthouse/restaurants) provide a handful of jobs. The one tour operator in the area (Lao Youth Travel) and the Nong Khiau Riverside Resort both import staff from Luang Prabang.

### Nong Khiaw Beneficiaries

<table>
<thead>
<tr>
<th>Number of Households</th>
<th>191</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>1041</td>
</tr>
<tr>
<td>Ethnicities</td>
<td>Lao: 67%, Khmu: 32%, Hmong: 1%</td>
</tr>
<tr>
<td>Number of poor families</td>
<td>12</td>
</tr>
<tr>
<td>Number of sufficient families</td>
<td>121</td>
</tr>
<tr>
<td>Number of secure families</td>
<td>70</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Households/people benefiting from tourism:</th>
<th>126</th>
<th>686</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restaurants</td>
<td>7</td>
<td>38</td>
</tr>
<tr>
<td>Selling snacks/drinks</td>
<td>5</td>
<td>27</td>
</tr>
<tr>
<td>Supplying vegetables/meat</td>
<td>19</td>
<td>103</td>
</tr>
<tr>
<td>Selling handicrafts/souvenirs</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Making handicrafts</td>
<td>3</td>
<td>16</td>
</tr>
<tr>
<td>Guides</td>
<td>2</td>
<td>11</td>
</tr>
<tr>
<td>Guesthouses/accommodation</td>
<td>11</td>
<td>60</td>
</tr>
<tr>
<td>Employees</td>
<td>15*</td>
<td></td>
</tr>
<tr>
<td>Transport</td>
<td>60 boats</td>
<td>327</td>
</tr>
<tr>
<td></td>
<td>25 tuk-tuks</td>
<td>136</td>
</tr>
</tbody>
</table>

* Rough estimate, including 7 confirmed employees of Resort and 4 employees elsewhere. Not all employees of Resort are local.

### Ban Meuang Ngoi Kao Beneficiaries

<table>
<thead>
<tr>
<th>Number of Households</th>
<th>137</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>751</td>
</tr>
<tr>
<td>Ethnicities</td>
<td>Lao: 100%</td>
</tr>
<tr>
<td>Number of poor families</td>
<td>8</td>
</tr>
<tr>
<td>Number of sufficient families</td>
<td>123</td>
</tr>
<tr>
<td>Number of secure families</td>
<td>6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Households/people benefiting from tourism:</th>
<th>108</th>
<th>594</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restaurants</td>
<td>17</td>
<td>93</td>
</tr>
<tr>
<td>Selling snacks/drinks</td>
<td>12</td>
<td>66</td>
</tr>
<tr>
<td>Supplying vegetables/meat</td>
<td>6</td>
<td>33</td>
</tr>
<tr>
<td>Selling handicrafts</td>
<td>5</td>
<td>27</td>
</tr>
<tr>
<td>Making handicrafts</td>
<td>5</td>
<td>27</td>
</tr>
<tr>
<td>Guides</td>
<td>7</td>
<td>38</td>
</tr>
<tr>
<td>Guesthouses/accommodation</td>
<td>16</td>
<td>88</td>
</tr>
<tr>
<td>Transport (boats)</td>
<td>54</td>
<td>297</td>
</tr>
<tr>
<td>Others (cave tickets)</td>
<td>1</td>
<td>5</td>
</tr>
</tbody>
</table>
Constraints and Opportunities

- Lack of electricity limits amenities that would attract a more diverse market of tourists in Meuang Ngoi.

+ Tourists usually stay 2 nights in the area, providing a ‘captive audience’ for shopping, activities, and restaurants.

+ Handicrafts are an underutilised product – if producers teamed up to create a small handicraft workshop and store in Meuang Ngoi and/or Nong Khiaw, they could take advantage of the visitors already looking for activities/shopping.

+ Could develop activities for increasing numbers of upmarket visitors, who are starting to visit due to the new availability of upmarket accommodation.

Summary

Meuang Ngoi and Nong Khiaw can be considered ‘true’ rural excursions, as they are a significant distance from Luang Prabang (at least 3 hours by road), generally require tourists to stay overnight, and lack the basic services, human resources, and supply of goods of attractions nearer to town. As a case study, the area is a good one for demonstrating the economic impact of tourism development – a combined estimate of 234 families, or 1,280 people, are currently benefiting from over US$300,000 being generated from tourism, that did not exist before 2000. Neither village could be considered poor, but Meuang Ngoi has certainly been transformed by tourism and may have brought poor families to sufficiency, and sufficient families to stability, by providing income for almost 80% of the village.

The tourist market to the area is still primarily low-spending, particular in regards to accommodation, though as visitors spend an average of two nights in the area, their spending on food and drinks is significant. Further handicraft development and activity development are opportunities to increase their spending. However, extreme seasonality and the lack of basic services and amenities are persistent constraints.

3. Fair Trek

The Fair Trek product officially opened on 1 July 2007, pioneering a new model in Luang Prabang using contracts between the private sector, government, and local villages to try to improve site management and benefits. The stakeholders include Tiger Trail tour company, the Provincial Tourism Department, the Xieng Ngern District Office, the Provincial Forestry Office, and 7 villages in Xieng Ngern district. Training, small infrastructure and equipment were provided through the ADB MTDP. Villages are to benefit from home stays, utilisation of village guides, cooking and handicrafts groups, local produce, and a village fund.

This model was based on experiences in Luang Namtha province, where trekking and village home stays were developed by the Nam Ha Ecotourism project, and the Akha Experience (a partnership between Exotissimo, GTZ and Akha villages in Muang Sing) was launched.

Markets

There were 552 visitors to the Fair Trek between July and October 2007, generating an estimated US$6,000 for village services and US$1,108 for a fund which is to be divided equally between the villages and the Provincial Forestry Office. The overwhelming majority of the visitors were European (60%), followed by North Americans, with the UK, US and Germany representing the top three nationalities. Less than 3% of the visitors originated in Asian countries, though this may be more an indication of Tiger Trail’s marketing strategy than differing market interests in responsible tourism.

Value Chain

There are several itineraries sold by Tiger Trail that involve the Fair Trek, including one day treks combined with elephant rides, two or three days with overnights in a village and kayaking, or biking activities. For one of the more typical 1 night/2 day itineraries, with two passengers, the costs were calculated as below.
With this itinerary, the village should be receiving about 10% of what the visitor pays – probably not what the tourist is expecting or might consider ‘fair’. The tour company margin is the highest percentage, but transport costs are also high, which seems to be a reality for almost all rural excursions. However, the discrepancy between shares of benefits going to locals or transport or commissions is not necessarily a cause for concern. If there are large visitation numbers, and the actual amount that villages are earning is significant, then a pro-poor approach would argue that it is not important how much is going elsewhere.

However, it is unlikely that the Fair Trek villages are even receiving this 10%. Field surveys indicated that only one village (Ban Houay Fai) is receiving regular tourism benefits, due to being well-placed for overnight stops, but in that village, the vast majority is only going to the three wealthiest families. Those three families own the three guesthouses; each has one of the four village guides, and provide all the cooking services for the visitors (at the guesthouses). It is estimated that about 30 other families provide fruit and vegetables to those three families for tourists, on an intermittent basis.

Two other villages were surveyed. In Ban Houay Yen, one family earns money through selling soft drinks, and two families sell baskets to Tiger Trail (not to the tourists themselves), netting an average of 500,000k per month. The four village guides have never been used. A village guesthouse has been constructed, but guests have only stayed there three or four times, so the earnings have gone to the man responsible for the guesthouse and the village fund.

In Ban Houay Nok, only one village guide goes out regularly (the others have given it up), netting him roughly 300,000k per month. Two families have hosted tourists in their houses on an intermittent basis in the past, but now a village guesthouse has been constructed, though it is not yet in use. The village is not a regular overnight stop, but villagers said they intend to set up guesthouse, cooking and handicrafts production groups.

The villagers were unable to give even a broad estimate of how much they had earned from tourism, and Tiger Trail’s records were limited to nationalities of visitors and the amount of money deposited in the village/conservation fund. However, if half of the 552 visitors were estimated to have done an overnight trek (netting the villages $16 per visitor), and the other half a day trip (netting $5.50 per visitor), then an estimated $5934 is going to villages, at the most.
**Beneficiaries**
Baseline data for all 7 villages was not available, but of the 3 villages surveyed, it was possible to obtain a fairly accurate picture of the number of households and people benefiting. As already discussed, in Ban Houay Fai, the village with most benefits, the majority of income is flowing to the 3 wealthiest families.

<table>
<thead>
<tr>
<th>Ban Houay Fai Beneficiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Households</td>
</tr>
<tr>
<td>Population</td>
</tr>
<tr>
<td>Ethnicities</td>
</tr>
<tr>
<td>Number of poor families</td>
</tr>
<tr>
<td>Number of sufficient families</td>
</tr>
<tr>
<td>Number of secure families</td>
</tr>
<tr>
<td>Households/people benefiting from tourism:</td>
</tr>
<tr>
<td>• Cooking</td>
</tr>
<tr>
<td>• Supplying vegetables/meat</td>
</tr>
<tr>
<td>• Selling handicrafts/souvenirs</td>
</tr>
<tr>
<td>• Making handicrafts</td>
</tr>
<tr>
<td>• Guides</td>
</tr>
<tr>
<td>• Guesthouses/accommodation</td>
</tr>
<tr>
<td>• Transport (boat, tuk-tuks)</td>
</tr>
<tr>
<td>• Others</td>
</tr>
<tr>
<td>34*</td>
</tr>
<tr>
<td>15</td>
</tr>
<tr>
<td>0</td>
</tr>
<tr>
<td>20</td>
</tr>
<tr>
<td>15</td>
</tr>
<tr>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ban Houay Yen Beneficiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Households</td>
</tr>
<tr>
<td>Population</td>
</tr>
<tr>
<td>Ethnicities</td>
</tr>
<tr>
<td>Number of poor families</td>
</tr>
<tr>
<td>Number of sufficient families</td>
</tr>
<tr>
<td>Number of secure families</td>
</tr>
<tr>
<td>Households/people benefiting from tourism:</td>
</tr>
<tr>
<td>• Cooking</td>
</tr>
<tr>
<td>• Supplying vegetables/meat</td>
</tr>
<tr>
<td>• Selling snacks/drinks</td>
</tr>
<tr>
<td>• Making handicrafts</td>
</tr>
<tr>
<td>• Guides</td>
</tr>
<tr>
<td>• Guesthouses/accommodation</td>
</tr>
<tr>
<td>• Transport (boat, tuk-tuks)</td>
</tr>
<tr>
<td>• Others</td>
</tr>
<tr>
<td>34*</td>
</tr>
</tbody>
</table>

* Village chief could not find his numbers

<table>
<thead>
<tr>
<th>Ban Houay Nok Beneficiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Households</td>
</tr>
<tr>
<td>Population</td>
</tr>
<tr>
<td>Ethnicities</td>
</tr>
<tr>
<td>Number of poor families</td>
</tr>
<tr>
<td>Number of sufficient families</td>
</tr>
<tr>
<td>Number of secure families</td>
</tr>
</tbody>
</table>
Households/people benefiting from tourism:

<table>
<thead>
<tr>
<th>Activity</th>
<th>34*</th>
<th>13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cooking</td>
<td>2</td>
<td>1150</td>
</tr>
<tr>
<td>Supplying vegetables/meat</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Selling handicrafts/souvenirs</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Making handicrafts</td>
<td>4 (only 1 works)</td>
<td>6</td>
</tr>
<tr>
<td>Guides</td>
<td>2</td>
<td>13</td>
</tr>
<tr>
<td>Guesthouses/accommodation</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Transport (boat, tuk-tuks)</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Others</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Constraints and Opportunities

- Inadequate time and follow-up has been allotted to setting up service groups and payment mechanisms in villages.
- Villages do not recognise the village fund as a benefit as yet, as the distribution has not yet taken place. It is unclear whether the funds allocated to the 7 villages will be considered significant by the villagers themselves.
- Villages generally feel that they have had to accept a decrease in visitors they receive from having an ‘exclusive’ contract, but without corresponding increases in benefits.
- Difficult to enforce the ‘exclusive’ rights of the tour company in Luang Prabang.

+ The branding “Fair Trek” helps to distinguish this product from the many other trekking products in Luang Prabang.
+ In an area with less competition, this model allows for transparent and concrete benefits for villages.

Summary

The concept of controlling access, developing benefit-distribution mechanisms, and sharing responsibilities of a site through agreements can mean better management and clearer community benefits. In Luang Namtha, this model is the norm, and makes it very easy to understand how much villages are benefiting from tourism. However, Luang Namtha only developed tourism about 5 years ago using this model exclusively, and has a much smaller tourism industry, with only two or three tour companies in operation with a local guide unit, making monitoring easy. In Luang Prabang, the excursion sector has developed more organically with many tour companies, freelance guides, competition, and dozens of routes. Enforcing rights over an area needs strong regulation from the government, and Tiger Trail has said that so far, the Tourism Police have not been willing to do so. Protecting the branding rights of the company that enters into such a contract will also need to be protected.

Further, the benefit mechanisms are not yet operating properly – in none of the villages are cooking groups, village guesthouses, or handicrafts production operating regularly. This means that in the village with the most benefits, Ban Huay Fai, the three richest families in the village receive the lion’s share. Most food is also still brought in from the Luang Prabang markets, and the Tiger Trail guides do not always use the village guides. It is too early to tell whether the village fund mechanism will prove to be valued by the communities, but currently, they do not recognise this fee mechanism as a benefit.

This model could mean significant, transparent benefits for communities (of a relatively small size) but only if adequate time is put into setting up the village management mechanisms, the government is willing to enforce and protect the rights of the tour company, and all parties are compelled to abide by their contractual obligations. However, as it currently operates, villages simply feel that they are receiving less visitors and less benefits from tourism than they were under an ‘open’ system, and no significant changes to the supply chain have been effected.

4. Pak Ou Caves

Pak Ou Caves (also known as Tham Ting Caves) are a culturally significant tourist attraction, and always included in itineraries of at least two days to Luang Prabang. The caves are not used as a...
recreational site by local and domestic visitors as Kuangsi waterfalls are, but are nevertheless an important attraction for Lao visitors to Luang Prabang from other provinces, visiting relatives, and for pilgrimage during Lao New Year. The caves are reached by car in 45 minutes, or by boat on the Mekong in 1.5 hours. Almost all visitors to the caves stop at Ban Sang Hai, the whiskey-making village, four kilometres before Pak Ou village, which has developed a handicrafts and whiskey-selling tourism industry. Information for this study was gathered at both Ban Pak Ou and Ban Sang Hai.

Pak Ou Caves are managed by an interesting local system; the Pak Ou District Office is responsible for the caves, but as of 2003, has given a concession for management of the caves to Pak Ou village. Pak Ou village lies just across the river from the caves, made up of 76 lowland Lao families, who have organised themselves into eleven units of seven to eight families. Each year, one unit gets responsibility for the concession, and is responsible for paying the concession fee to the District Office (in 2007, the fee is 400,000,000k), collecting tickets, and maintaining and guarding the site. That village unit can keep any earnings over and above the concession fee, and is responsible for dividing it up amongst themselves. In 2006, the unit earned 300,000,000k, which works out to just under US$4000 per family. It operates something like a bonus system – the income is not regular (only once every 11 years!), but is significant for a family, even in a village where the average income per person per year is US$650.

In addition to the earnings from the fee system, the village has just set up a parking fee last year, which is managed by the seven poorest families. In 2006, an estimated 36,500,000k was earned, 50% of which went to the families, and 50% to the village fund.

Markets
One consequence of the community management of the caves is that no systematic records are kept on the numbers of visitors! As long as the District Office receives its concession, the actual numbers of visitors is not important. The village chief gave an estimate for the earnings of 2006, but did not have numbers of domestic or international visitors. However, with earnings of roughly 565,000,000k in 2006, and estimating that 80% of visitors are international (ticket prices differ for domestic and international visitors), then Pak Ou caves received about 79,000 tourists.

Discussions with tour operators and Pak Ou residents indicate that 70% of the visitors come with some sort of guide, organised transport, or group, and that up to 50% of the visitors are Asian, primarily Thai, who come in large groups (20 people up).

Value Chain
Transport: All tuk-tuks, minivans and large boats that bring tourists from Luang Prabang originate in Luang Prabang, so the majority of the transport costs to the tourist do not reach Pak Ou. However, Pak Ou village has 59 households with boats which are used to ferry tourists across the river to the caves (for those who come by road). Operating in a queue system, one boat will make 7 trips per month, netting 40,000k per trip, or 280,000k per month. These families are sufficient to poor, but do own their own means for livelihood which they combine with rice farming and fishing.

Restaurants: There are three restaurants in Pak Ou, owned by local families, and for the most part, using family members as help (i.e. not salaried staff). These families are well off, with an average income of 1,000,000k per month, and start-up costs are relatively high, at US$10,000 – 20,000.

Food Supply: These three restaurants generate demand for an estimated $23,000 of food supplies per year – about 50% of this is produced locally, primarily fish. All meat and most vegetables come from Luang Prabang town.

Handicrafts: Handicrafts and local whiskey are sold in both Ban Sang Hai (75 stalls) and Ban Pak Ou (28 stalls) on a large scale, though only 35 families of the families in Ban Sang Hai produce handicrafts (including 10 who make whiskey), and only 1 family in Ban Pak Ou produces handicrafts. Selling handicrafts has a relatively low start-up cost, US$300 – $600, and enable local families (through the women) to supplement low household incomes. Selling primarily generic silk scarves bought from Luang Prabang town, their profit margin is low, only 10-15%, whereas those who produce their own handicrafts have a higher margin of about 30-40%. Traders from town will come to sell scarves to the stalls, thus almost all the stalls sell the same products,
many of which are from China or Vietnam. Vietnamese traders also come to sell trinkets and jewellery to the stalls on consignment, resulting in further duplication of products and deteriorating the 'local' feel of the stalls. Many stall holders also complain that because their products are the same as Luang Prabang, they are not able to sell well.

Fees: The local village has a concession for management of the caves, benefiting 7-8 families per year (in 2006 they received about US$31,000). The village has also set up a parking fee mechanism, which benefits the 7 poorest families in town, netting them roughly US$1,900 last year.
Pak Ou Value Chain and Beneficiary Map

Visitors to Pak Ou
79,000 (est.) in 2006

Handicrafts
Turnover: $294,000/yr

 Fee Structures
$31,000
Beneficiaries: 8
sufficient families, 40pp

Ban Sang Hai
$265,000

Ban Pak Ou
$29,000
Beneficiaries: 27 sufficient hh, 135p

Ban Pak Ou
$29,000
Beneficiaries: 27 sufficient hh, 135p

Ban Sang Hai
$265,000

Handicrafts
$243,000, 65
sufficient hh, 325p

Fee Structures
$31,000
Beneficiaries: 8
sufficient families, 40pp

Total Turnover: US$476,000
Total Beneficiaries: 151hh, 769p

Boats
Turnover: $62,000/yr

Drivers/owners
$20,650
Beneficiaries: 59
sufficient hh, 413p

Association
$31,000

Restaurants
Turnover: $89,000/yr
Beneficiaries: 3
owners/secure hh, 21p

Employees
$1,875
Beneficiaries: 5 poor/sufficient hh, 35p

Food Supply (incl. beverages)
$23,000

Handicraft Suppliers (LP Town)
$24,000

Petrol
$7,800

Whiskey Sellers/Producers
$22,000, 5 secure hh, 25p

Handicrafts
$243,000, 65 sufficient hh, 325p

Total Turnover: US$476,000
Total Beneficiaries: 151hh, 769p
**Beneficiaries**

Both Pak Ou and Sang Hai villages are well-off, with no poor residents, though most would be considered simply sufficient. This is another good example of villages that have turned tourism activities into important sources of supplementary cash income, and have likely taken many residents from ‘poor’ to ‘sufficient’.

<table>
<thead>
<tr>
<th>Ban Pak Ou Beneficiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Households</td>
</tr>
<tr>
<td>Population</td>
</tr>
<tr>
<td>Ethnicities</td>
</tr>
<tr>
<td>Number of poor families</td>
</tr>
<tr>
<td>Number of sufficient families</td>
</tr>
<tr>
<td>Number of secure families</td>
</tr>
</tbody>
</table>

Households/people benefiting from tourism:

- Restaurants/food stalls: 3
- Supplying vegetables/meat: 30
- Selling handicrafts/souvenirs: 27
- Making handicrafts: 1
- Guides: 0
- Guesthouses/accommodation: 0
- Employees: 5
- Transport (boat, tuk-tuks): 59
- Others (parking fees): 7

<table>
<thead>
<tr>
<th>Ban Sang Hai Beneficiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Households</td>
</tr>
<tr>
<td>Population</td>
</tr>
<tr>
<td>Ethnicities</td>
</tr>
<tr>
<td>Number of poor families</td>
</tr>
<tr>
<td>Number of sufficient families</td>
</tr>
<tr>
<td>Number of secure families</td>
</tr>
</tbody>
</table>

Households/people benefiting from tourism:

- Restaurants/food stalls: 6 (drink stalls)
- Supplying vegetables/meat: 0
- Selling handicrafts/souvenirs: 65
- Making handicrafts: 35
- Guides: 0
- Guesthouses/accommodation: 0
- Transport (boat, tuk-tuks): 0
- Others (whiskey distilling): 10

**Constraints and Opportunities**

- Handicraft and souvenir stalls are unable to distinguish their products, selling generic textiles sourced from passing traders and Luang Prabang markets, and Vietnamese tradesmen. As their products are the same as those found in town, their overall sales and profit margins are low.

+ Pak Ou has increasing visitor numbers and secure market demand for the attraction. Locals have managed to benefit from parking fees, boat crossing, whiskey demonstrations and sales, and handicraft stalls, but have the potential to increase their market share if products and services are better developed.

+ A local parking fee mechanism and concession system provide direct benefits from entrance fees to the community.
Summary
Pak Ou and Sang Hai have had the advantage of being located nearby a major tourist attraction, and for both villages, tourism activities have become important sources of cash income, helping to bring many households out of poverty. With a relatively low start-up cost, selling handicrafts is the main entry point allowing many women to penetrate the tourism economy and earn supplementary cash for the family. For the most part they are vendors, simply buying textiles or trinkets and selling them on, for a low profit margin (usually 5,000 – 10,000k per item, no matter what the cost price). The competition of many small stalls selling undifferentiated crafts that are already found in Luang Prabang means that few women earn large amounts, but many earn just enough to help the family’s cash flow. These families are just sufficient with household earnings of US$30-$50 per month, and are somewhat vulnerable to again becoming ‘poor’. It is important to note that the women that produce their own handicrafts for sale tend to have a higher profit margin and better earnings.

In Pak Ou, boat transport is also an important income earner, again for families which are just sufficient. Entry costs are low again, about US$300 – $400, which means competition is high, though the local association organises fares and trips.

The concession mechanism in use in Pak Ou is an admirable decentralised management mechanism, and allows the local community to earn money from entries to the actual tourism attraction in addition to running small businesses outside the site. However, the current system is irregular and somewhat risky. Families get their turn only once every 11 years, so it is not a stable source of income, and if the authorities decide to revoke the concession, some families may not have benefited at all. As a fee mechanism, there might be ways to improve its overall benefit to the community, but it is an interesting example of a public concession that provides significant benefits to a local village.

Comparisons and Trends of Rural Excursions

Benefits and Poverty Alleviation
This study has looked at specific activities, earnings, and beneficiaries of four rural excursions, which could also be said to represent four types of rural travel and destinations: a day-trip recreation site frequented by locals and tourists, a village getaway used by backpackers, a trek and home stay experience, and a cultural attraction near town. The estimated local earnings from tourism to these four destinations is summarised below, along with the number of household beneficiaries.

<table>
<thead>
<tr>
<th>Rural Excursion</th>
<th>Total Local Turnover *</th>
<th>Households Benefiting</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Kuangsi Waterfalls</td>
<td>US$ 117,700</td>
<td>90</td>
</tr>
<tr>
<td>2. Meuang Ngoi and Nong Khiaw</td>
<td>US$ 301,700</td>
<td>234</td>
</tr>
<tr>
<td>3. Fair Trek</td>
<td>US$ 6,000**</td>
<td>Unavailable</td>
</tr>
<tr>
<td>4. Pak Ou Caves</td>
<td>US$ 476,000</td>
<td>151</td>
</tr>
</tbody>
</table>

* Estimate from earnings of local beneficiaries
** Estimated from visitor numbers and cost of trek, however, only for 4 months of 2007

The Pak Ou Caves has the highest financial benefit levels, which can be attributed to high visitor numbers and the cost-sharing mechanism by which local families get a portion of the ticket fees. Kuangsi Waterfalls and Meuang Ngoi have comparable income levels from tourism; Kuangsi has high numbers of visitors, including a solid domestic market that reduces seasonality, and visitors to Meuang Ngoi spend an average of two nights, increasing their on-site spending on food, drink, and accommodation. The Fair Trek has much smaller earnings, primarily due to only being in operation for 4 months at the time of surveying, but also due to limited visitor numbers and spending opportunities.

In terms of poverty alleviation, several sites, including Ban Thapene near Kuangsi, Meuang Ngoi, and Ban Sang Hai near Pak Ou could be considered as having been transformed by tourism from poor to sufficient, by creating a source of supplementary cash income. Tourism continues to support families that are poor, or sufficient but bordering on poor, through handicraft production and sales (Ban Na Ouane, Ban Pak Ou, Ban Thapene), transport (boat drivers of Meuang Ngoi), and food
supply (Meuang Ngoi, Nong Khiaw, Ban Thapene, and Fair Trek). Villages such as Pak Ou and Nong Khiaw can be considered relatively well-off communities, with other sources of income not dependent on tourism. In all cases, a number of families have been taken from sufficiency to security through tourism enterprises, namely owners of guesthouses and restaurants.

Interestingly, employment is a negligible factor in rural excursions. Enterprises are small, family-run, and with low-turnover – several family members may live from tourism earnings, but salaried staff is almost non-existent. Thus, we can say that rural tourism provides benefits through micro-enterprise development and the supply of food, handicrafts, and services, but not by creating demand for labour.

The basic conclusions from the study and comparison of these four models of rural excursions are:
1. Major attractions with high visitor numbers provide the highest benefits for the greatest number of local residents, though those residents may no longer be poor
2. Local concession systems provide sizeable local benefits
3. Overnight excursions provide a greater proportion of benefits from fewer visitors
4. Village treks and remote excursions provide very limited overall benefits

Market Trends
The demand for rural excursions is likely to increase steadily, in line with the growth in tourism arrivals to Luang Prabang, and the interest of tour operators to keep clients in the area for a longer period of time. Group tourists, specifically the Thai market, and European and North American mid-market tourists, are growth markets, and the latter is specifically an opportunity for rural excursions.

Upmarket tourists and group tours on relatively short stays are seeking day or half day trips only, which are satisfied by a trip to Pak Ou Caves and Kuangsi Waterfalls. These visitors may also be taken to nearby handicraft villages, such as Ban Phanom or Ban Xang Kong. New day trips or attractions would be unlikely to attract these markets and the same numbers of people, as they lack the iconic “must see” status of the caves or Kuangsi and will not be programmed into short itineraries by tour operators. These markets can only be targeted by adding value to existing attractions, through handicraft development, activity and site development, and fee mechanisms.

Other markets, such as European mid-market tourists, flashpackers and backpackers can be drawn to existing day trips or excursions up to three days, as well as lesser-known or niche attractions which are upgraded. Any intervention that requires the marketing and development of a completely new or unfamiliar attraction would require a significant investment of time and resources and initial benefits and beneficiaries would be limited. It is important to note that these tourists will visit the major attractions as well.

Constraints
1. High transportation costs. Transportation accounts for a high proportion of the costs of rural excursions, simply for travellers to leave town and reach the destination. However, the vast majority benefits from transport do not stay in the rural area, as the trip originates in town. Even for rural transport, petrol costs and association fees make up a high percentage of trip costs. This is simply a reality of rural travel though, and must be factored into the cost of developing a rural excursion.
2. Lack of basic services. In some areas, such as Meuang Ngoi, the lack of electricity and running water will always limit the numbers and types of tourists that are willing to visit. In Nong Khiaw, businesses report that the lack of a water supply system makes it more difficult to run their restaurants and guesthouses. Destinations with basic services will always be able to cater to a greater number of tourists.
3. Limited supply of vegetables and goods. For most rural areas, fruit and vegetables are only available on a seasonal basis, but for tourist restaurants, menu items must be available consistently. Where possible, restaurants use local produce and meat, and none of those interviewed complained about the quality of locally available goods. However, for a variety of produce, for certain non-local vegetables (i.e. carrots and potatoes), and for some reason chicken, rural businesses still source from Luang Prabang. In the case of Ban Thapene, a Department of Forestry project assisted the village to produce different types of vegetables –
that type of intervention could increase the amount of local produce available. Again though, there will always be products that must be sourced from towns for rural destinations, such as condiments, cheese, and beverages.

4. **Limited benefits from village treks and community partnerships.** Village treks are an important rural excursion, but the time and resources needed to prepare villagers to receive tourists and develop market demand is significant. The money earned by rural people may be significant for cash-poor families, but the overall earnings and the number of beneficiaries is generally lower than what would be possible on non-trek excursions. For the most part, tour operators can and prefer to develop treks independently, so again, more opportunity exists to add value to pre-existing itineraries, or invest in attractions that are currently underdeveloped. Community partnerships and contracts also need to be well set-up and enforced to be successful, and is only appropriate in an area where the local authorities are able to take a strong role.

5. **Limited handicraft development and supply.** Areas without a recent tradition of handicrafts or arts have a harder time developing products for the market, but do have local vendors that sell products sourced from other areas. There is an increasing number of manufactured textiles entering the market (also in Luang Prabang town), but vendors also have difficulty distinguishing their products, sourcing good designs, and understanding what the tourist likes, limiting their overall earnings.

6. **Long development period for rural destinations.** The development of a new rural excursion generally takes 3 years and up; it takes time for the tourist and industry to adopt a new destination, familiarise themselves, integrate it into itineraries, and include it in guidebooks. The destination also takes time to develop quality services and products, infrastructure and an understanding of the tourism industry.

**Opportunities**

1. **Developing business opportunities around major attractions/destinations.** Following the destination development approach, seeking rural attractions or destinations that have an existing tourist market and adding value through handicrafts, interpretation, and local services is an opportunity. Very popular sites like Kuangsi or Pak Ou receive 70,000+ visitors, and if locals can capture just a small percentage of this market then significant benefits can be had. Smaller but established destinations are also an opportunity – handicraft villages such as Ban Phanom, or Tad Sae Waterfalls.

2. **Overnights.** The example of Meuang Ngoi demonstrates that overnight destinations can garner significant benefits from a lower number of visitors, as tourists are compelled to spend locally on accommodation, food, and souvenirs. Overnight destinations are harder to develop, as the attraction has to be appealing enough for tourists to want to spend the travel time to visit, and the accommodation and activities have to be of a good standard. Again, it may be possible to identify existing overnights and add value.

3. **Handicraft markets.** If a destination has a consistent number of visitors, a central handicraft market or shop can help to create enough tourist interest to buy. In Meuang Ngoi, 5 textile shops are scattered at women’s houses – tourists do not notice the products as such, and do not browse. Setting up a handicraft centre or market encourages tourists, craftspeople and vendors to converse.

4. **Handicraft supply from local markets.** Vendors near tourism attractions don’t always have clear supply chains, and many utilise the services of traders who come to the vendors themselves. Products may be manufactured imports from China and Vietnam, and there is a high degree of duplication among stalls. Assisting handicraft producers and sellers to link up through crafts fairs or transport options can improve the quality of the handicrafts sold in high traffic areas.

5. **Local concessions.** Most tourist attractions have entrance fees, most of which go directly to the provincial government. The Pak Ou Caves local concession is a good example of a community being given the opportunity to manage and benefit from a local attraction, though the interval of distribution is a bit unusual. Nevertheless, encouraging the authorities to promote local concessions and discouraging private concessions (which generally result in less pro-poor local benefits, as in the case of Tad Sae waterfalls) could also provide concrete tourism benefits.
Success Factors
Based on the lessons of the four rural excursion models analysed in this study, three strategic guidelines for SNV interventions in the field of rural tourism development are proposed. Any activities by SNV or its partners should use these factors as a starting point if any significant impact upon the poor is to be made. They are:

1. Market-Driven Rural Destinations
2. Minority Villages, Vulnerable Residents
3. Micro-Enterprise Development

Market-Driven Rural Destinations
The greatest opportunity for reaching a large number of beneficiaries is by targeting rural destinations that are already receiving tourists or have the potential to increase their visitation numbers, and adding value through new activities and interpretation, developing handicraft products, setting up a village handicraft market, expanding services and improving overall quality. In a major destination like Pak Ou, capturing just a small share of the 70,000 tourists could mean large local benefits. However, Pak Ou is also a relatively wealthy village – in terms of actual poverty alleviation, impacts would be low. It is possible to target the poorest and most vulnerable households of the village, such as women doing marginal handicraft sales or the boat drivers, but an assessment of the potential for overall improvement to livelihoods must be made.

Targeting villages that are on tourism routes is also a possibility, such as Ban Na Ouane on the way to Kuangsi. Installation of toilets and a path have increased the numbers of visitors, but improvement of product quality and interpretation could increase the number of sales. Tour operators often need to add activities to a route to fill a half-day or full-day schedule – identifying activities nearby or en route to other major destinations can create income opportunities.

Minority Villages, Vulnerable Residents
It may seem obvious, but working in ethnic minority villages that are near major tourism destinations guarantees ethnic minority beneficiaries. Ban Thapene is primarily Khmu, Ban Na Ouane is primarily Hmong – work with these villages ensures that more vulnerable populations benefit. The same can be done in identifying villages that have a higher number of poor residents, or a lower average yearly income. Tourism is not a good intervention for the poorest of the poor, as they lack the capital and skills needed to participate in the sector, but for those households which are somewhat poor or subsistence-oriented, tourism could provide important cash supplements. With simple baseline socio-economic information, the more vulnerable residents within a village can be identified to see how they fit into the local tourism value chain, and how they can potentially benefit. Oftentimes, poorer residents provide produce, labour for fields and construction (for those families which are rich enough to hire), and produce and sell handicrafts. It is relatively simple to target those activities where opportunities exist.

Micro-Enterprise Development
Employment opportunities from rural excursions are minimal – businesses do not have the size and turnover to warrant paying employees, especially when numerous family members are available to help out. Thus, the opportunities for tourism benefits and income must be derived from micro-enterprises and the provision of goods and services (such as food and handicrafts). The earnings from a rural tourism activity generally provide for an entire household of an average of 5 people. For larger businesses, this may be more, as extended family members from other households are used to help out. It is also important to note that food, handicraft, and snack stalls are almost always tended by women, whereas transport (boats, tuk-tuks) is run by men. Attention to these broad categories will affect whether men or women are the direct beneficiaries.

Many of these micro-enterprises do not think of themselves as businesses, and do not track their income or profit. However, providing training on handicraft quality, tourist preferences, and product development, linking them with suppliers, providing micro-credit for materials and investment, and identifying new business opportunities could improve their income and bring more households into the chain.
Proposed Interventions
Using these three strategic approaches to rural tourism development as a starting point, the greatest potential for contributing to pro-poor benefits is by adding value to existing iconic attractions and upgrading emerging destinations and excursions.

This can be most effectively achieved through interventions in the following broad categories:

1. Site Planning and Development
2. Restaurants and Food
3. Handicrafts
4. Accommodation

The specific mix of activities chosen will depend on the destination, SNV’s priorities and capabilities, and the willingness of local partners. SNV can choose to take a sectoral approach (looking at only handicrafts in several different destinations) or a geographical approach (Investing in one attraction and working with several actors to upgrade the destination as a whole). Again, this will depend on SNV’s country, regional and tourism strategies and human resources.

1. Site Planning and Development
Most tourism destinations in Laos have no overall site plan or strategy, and as such, are often not organised or managed in a way that maximises visitor satisfaction or opportunities for local businesses. Working with local authorities to analyse and improve an attraction will develop their skills at identifying how to make a destination more pro-poor. The main partners for site planning and development are the Provincial Tourism Department and the District Office.

Interventions include:
1. Identifying opportunities to expand local participation in a destination through a mini-value chain analysis and developing a tourism development plan with short to medium-term goals
2. Improving interpretation and signage of a site
3. Improving the zoning and layout of a site to promote business opportunities for locals and site use by visitors
4. Improving basic services (toilets, sanitation, water supply, electricity)
5. Developing further on-site activities and improving accommodation to encourage longer stays (whether for overnights or for longer day trips)
6. Developing services and standards for a diverse range of visitors to reduce seasonality and broaden benefits. This could include expanding menu selections, upgrading accommodation, or staggering prices.
7. Lobbying tourism authorities to develop local concession and fee payment systems
8. Linking tour operators to local businesses (restaurants, guesthouses, transport).

2. Restaurants and Food
A significant portion of tourist spending and local benefits come from expenditure on food and beverage. This has the potential to be increased through improvement in quality, service, and understanding of customer preferences, or simply expanding the number of locals supplying local produce or running food stalls. The Department of Trade and Commerce, the Restaurant Association (private sector), the Provincial Tourism Department, and the Provincial Agricultural and Forestry Office could be involved in upgrading this sector.

Interventions include:
1. Assist restaurant and food stall sellers improve quality of food and services through training and/or study tours to restaurants in town.
2. Promote local food production and supply with training from the Agriculture and Forestry Department.
3. Create food stall markets to expand the number of restaurants and promote browsing.
4. Encourage tour operators to link up with local restaurants that can provide picnics and meals on-site.

3. Handicrafts
Handicrafts have a major impact on the incomes of women, ethnic minorities and marginalised populations, and, as such, are an important entry point for pro-poor benefits from tourism. The
Department of Trade and Commerce, Lao Women’s Union, and the Luang Prabang Handcrafts Association are all important partners and actors.

Interventions include:

1. Link handicraft suppliers with handicraft vendors around tourist attractions. This could be done through handicraft fairs or simply bringing suppliers to vendors or vice versa.
2. Set up visitor-friendly handicraft markets that encourage browsing, more time investment, and spending, and that are accessible for new vendors.
3. Improve product quality and design through training on techniques, materials and tourist preferences.
4. Set up micro-credit schemes to provide handicraft producers and vendors with the capital needed to upgrade materials and inventory.

4. Accommodation

Overnight excursions generate a significant amount of local benefits as tourists are forced to spend locally on food, accommodation, and other services. Tourists and tour companies can be encouraged to overnight in rural areas if there are enough activities and attractions to warrant the extra time, and if standards are sufficient in accommodation establishments. The Department of Trade and Commerce, Hotel Association (private sector), and the Provincial Tourism Department would be crucial partners.

Interventions include:

1. Training on accommodation standards and services, with study tours to accommodation establishments in Luang Prabang town and feedback from tour operators
2. Assisting with credit mechanisms for accommodation establishments that need capital to upgrade
3. Small business management training to assist accommodation owners with pricing and marketing
4. Linking tour operators with local accommodation establishments

Potential Sites in Luang Prabang

Finally, the following rural sites are proposed as specific candidates for SNV intervention. These are based on information from the study as well as observation by the author outside of this assignment – however, it cannot be considered comprehensive, and it is recommended that SNV follow-up and expands on the suggestions based on its priorities and resources.

1. **Ban Na Ouane.** The Hmong village en route to Kuangsi Waterfalls could potentially receive 80,000+ visitors a year (based on visitor number of Kuangsi in 2007). It is already in a good location, being halfway between town and the falls, with an ADB-supported path and toilets. 40 handicraft stalls are doing business, almost all by women, but their product design (colour, sizes), product range, and overall quality could be improved, as could interpretation. Village interpretation points (of village history, Hmong culture, houses, crafts, and agricultural tools) could increase the interest level of the tourist and also encourage more purchases. Trainings for the sellers and producers could improve their quality and choice of colours and design. Though it may not be advisable until visitation is solid, a nominal parking or toilet fee (1,000k) could contribute to a village fund.

2. **Ban Xieng Mene.** Not included in this study, Xieng Mene village is directly across the Mekong River from Luang Prabang, but has had relatively few benefits from tourism. The village features several temples, views of Luang Prabang town, ‘local village life’, and can be easily accessed by independent and guided tourists. The EU micro-projects programme in Chomphet district began some tourism activities such as bike rental, a small map, and a building for tourism information, but since the project ended, there has been little follow up. This destination could be developed through basic tourism planning, interpretation materials, recreational activities (bicycling, trails) and micro-businesses (snack stalls, river view restaurants).

3. **Ban Chan.** Also across the Mekong River but further to the south, Ban Chan is a pottery village famous for its lamps and pots seen around Luang Prabang, and already receives some visitors. Most tourists go with a guide, who assists in interpretation, but with more structured information and activities, the village could become a tourist site. A half-day activity could include a village guide providing information on the village’s history with pottery, the process of excavating clay,
throwing pots, and firing in the underground kilns, with demonstrations, the tourists joining in, a walk to the clay fields, and finally purchasing small products made for the tourists.

**Conclusion**

To summarise, rural excursions do provide a strong opportunity for poverty alleviation, especially in a country where 80% of the population is rural and poor. However, the current benchmark for rural tourism in Laos has been the development of rural treks and village homestays, which have limited numbers of beneficiaries and overall earnings, require a large amount of human resources and training to develop, and have a long maturation period. This study has compared four models of rural tourism, which concluded that developing new rural treks in Luang Prabang has the least potential benefits and the highest risks.

It is recommended that SNV focus on adding value to existing rural tourism attractions or upgrading rural destinations that may be underdeveloped or emerging. Surveying a destination where tourists already visit, assessing the local poverty levels, and identifying the opportunities for adding value can reveal problem solving interventions in all major tourism sub-sectors. By choosing destinations with an assured market potential, targeting ethnic minority villages or vulnerable residents, and then developing and supporting micro-enterprises, pro-poor benefits can be generated in the medium-term.