

Improving the Business Environment Through Constructive Dialogue



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Barriers to Tourism Development in Lao PDR

I. Background and Context

The tourism sector has emerged as a key component of the Lao PDR economy, with the potential to create a significant number of jobs. According to the 2017 Travel & Tourism Competitiveness Index, tourism's contribution to Lao PDR's GDP is 4.6% (US\$570.8 million). It also accounts for 3.9% of total employment (122,909 jobs).

From 1990 to 2015, the number of visitors to Lao PDR increased every year. From 2010 to 2016, revenue from tourism nearly doubled from US\$380 million to US\$720 million.¹ The number of visitors to the country increased from 2.5 million to 4.2 million during the same period.²

There was, however, a 9.6% decrease in the number of visitors to Lao PDR in 2016 and an additional decrease of 8.6% for 2017.³ China is the only country where Lao PDR experienced an increase in the number of visitors.



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This brief is published by the Secretariat of the Lao Business Forum, based at the Lao National Chamber of Commerce & Industry (LNCCI).

The LBF Brief provides a summary and analysis of a specific business issue that was highlighted as a priority during the annual LBF process and which significantly impacts the Lao PDR business environment. The views expressed in the LBF Brief reflect the opinions and perspectives held by relevant stakeholders.

The Ministry of Information, Culture and Tourism is conducting research and analysis, including consultation with other government departments and provincial authorities, to determine the precise reasons for the drop in the number of tourist visits. Possible explanations for the reduction include: 1) global economic and political conditions; 2) Lao PDR's higher costs relative to its GMS neighbors; 3) Special incentives offered by the Thai government to encourage its citizens to vacation more in the country have contributed to a smaller number of visitors to Lao PDR; 4) Lack of a broad variety of tourist activity options; 5) ineffective marketing of the country as a tourist destination.⁴

Despite the recent dip in visitor numbers to Lao PDR, overall trends clearly point to continued growth in the tourism sector in the years to come. However, this will only occur if the Lao government makes tourism competitiveness a central pillar of its economic development strategy. In addition, there are numerous challenges identified by private sector stakeholders that could negatively impact growth in tourism. Several of these issues were reviewed during LBF Tourism Working Group sessions in 2017-2018.

II. Barriers to Tourism Development and the LBF - Issue Analysis

Some of the key issues that have been identified by LBF tourism sector stakeholders are detailed below:

- **Competitiveness of the Lao PDR Tourism Sector.** The Lao PDR Government should make tourism sector development a centerpiece of the country's overall economic development strategy. The country ranks below some of its ASEAN neighbors – Myanmar and Cambodia in particular – in terms of the competitiveness of its tourism sector.
- **Weak Tourism Revenue.** Despite mostly positive growth trends in Lao PDR during the past 6 years, the country's tourism sector has the lowest expenditure level per visitor among countries in the Greater Mekong Subregion (GMS). This is one of the reasons why Lao PDR is the only GMS nation that earns less than US\$1 billion annually in tourism revenue.⁵ The following table compares Lao PDR's tourism revenue levels with those of its GMS neighbors.

GMS Member	2005	2010	2015	2016	15/16 Growth Rate (%)	2016 GMS Share (%)
Cambodia	840	1,519	3,130	3,207	2.4	5.1
Lao PDR	147	382	724	712	-1.7	1.1
Myanmar	67	72	2,101	2,177	3.5	3.4
Thailand	9,575	20,104	44,922	48,792	7.9	77.3
Viet Nam	2,300	4,450	7,350	8,250	10.9	13.1
Total (US\$)	12,292	26,527	58,304	63,138	7.8	100.0

Source: World Tourism Organisation (UNWTO), World Tourism Barometer

To address this issue, Lao PDR needs to broaden its tourist profile beyond its biggest markets, which include Thailand (1,797,803 visitors in 2017), Vietnam (891,643 visitors in 2017); and China (639,185 visitors in 2017).⁶ The following table lists the regions with the highest number of visitors to Lao PDR.

Lao PDR visitor arrivals by region

Region	2011	2012	2013	2014	2015	2016	2017
ASEAN	2,191,224	2,712,478	3,041,233	3,224,080	3,588,538	3,083,383	2,747,096
Asia Pacific	273,427	348,637	431,878	630,361	778,942	836,282	884,875
Europe	181,539	185,802	212,566	209,331	217,307	221,908	161,194
Americas	69,990	75,851	85,899	86,027	88,987	86,211	64,227
Africa and Middle East	7,384	7,304	7,914	8,920	10,655	11,263	11,446
Grand Total	2,723,564	3,330,072	3,781,503	4,158,719	4,684,429	4,239,047	3,868,838

Source: Statistical Report on Tourism in Laos – 2017. Ministry of Information, Culture and Tourism and Asian Development Bank (ADB)

Lao PDR visitor arrivals by market share

Region	2011	2012	2013	2014	2015	2016	2017
ASEAN	80.45%	81.45%	80.47%	77.53%	76.61%	72.74%	71.01%
Asia Pacific	10.04%	10.47%	11.43%	15.16%	16.63%	19.73%	22.87%
Europe	6.67%	5.58%	5.62%	5.03%	4.64%	5.23%	4.17%
Americas	2.57%	2.28%	2.27%	2.07%	1.90%	2.03%	1.66%
Africa and Middle East	0.27%	0.22%	0.21%	0.21%	0.23%	0.27%	0.30%
Grand Total	100%	100%	100%	100%	100%	100%	100%

Source: Statistical Report on Tourism in Laos – 2017. Ministry of Information, Culture and Tourism and Asian Development Bank (ADB)

Visitors from Lao PDR’s largest markets tend to stay a shorter amount of time in the country and spend less. Visitors from smaller markets (such as Europe and North America) tend to stay longer and spend more.



Image Source: J. Spence Photography



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- **Aligning Lao PDR Tourism Products to Market Trends.** Research has shown that tourists are increasingly drawn to countries where they can immerse themselves thoroughly into the local culture and engage directly with citizens. Laos is well-positioned to deliver this type of experience for its visitors; however, it will need to focus on improving its infrastructure and enhancing service standards to align with these trends.
- **Capacity Building for Tourism Sector Workers.** Lao PDR lacks a pool of skilled workers in the tourism sector; consequently, companies tend to rely on foreign workers who have the requisite technical and managerial skills. The principal reasons why there is dearth of skilled labor in Lao PDR's tourism sector include: 1) tourism is not well-regarded as a prestigious career option; 2) Lao PDR's tourism training curricula are not aligned with industry requirements; 3) limited English and other foreign language skills; 4) lack of hands-on experience from trainers and instructors; 5) absence of an entrepreneurial culture within Lao PDR.
- **Fragmented Leadership in the Tourism Sector.** Government agencies, private sector operators and donor agencies do not effectively collaborate in the tourism sector. There is a lack of communication and coordination that impedes the overall effectiveness of tourism-related initiatives. There is an urgent need for an entity – or a coalition of key stakeholders across government, the private sector, and the donor community – to lead Lao PDR's tourism strategy.



Image Source: J Spence Photography

Actions Taken to Address Issues Raised by the Tourism Working Group of the LBF

During 2017-2018, the Tourism Working Group of the Lao Business Forum engaged with their public sector counterparts to discuss a range of issues related to tourism development. During an LBF Public Private Consultation (PPC) meeting in early 2018, the Lao PDR Government announced the following measures:

- The government is drafting a law on the management of the country's tourist sites
- The government launched the Visit Lao Year 2018 campaign
- The government has recommended the Lao Travel Association as a focal point to engage with the Ministry of Information, Culture and Tourism regarding the establishment of a Tourism Promotion Board
- A tourism promotion fund is being developed by the Ministry of Finance to collect funds at border crossings; the specific allocation of these funds will be detailed in a decree related to the Tourism Promotion Fund
- The government is developing a marketing strategy for tourism
- A notification has been issued by the Ministry of Public Security which details the documentation requirements that tour operators must submit in advance before obtaining letters of approvals from relevant authorities

III. Barriers to Tourism Development – International Perspectives

The ASEAN Tourism Strategic Plan (2016-2025) provides a useful blueprint for a country such as Lao PDR to develop a national tourism competitiveness roadmap that is aligned with its fellow ASEAN members. By adopting such an approach, Lao PDR can leverage the resources of its larger members; and achieve economies of scale. This makes sense for a country where tourism accounts for more than 10% of GDP (a figure which will likely increase significantly in coming years).

The ASEAN tourism vision for 2025 is as follows: “By 2025, ASEAN will be a quality tourism destination offering a unique, diverse ASEAN experience, and will be committed to responsible, sustainable, inclusive and balanced tourism development, so as to contribute significantly to the socioeconomic well-being of ASEAN people.”

The Asean Tourism Framework is detailed below.

Strategic Direction 1	Strategic Direction 2
<i>Enhance competitiveness of ASEAN as a single tourism destination</i>	<i>Ensure that ASEAN tourism is sustainable and inclusive</i>
STRATEGIC ACTIONS	
<ul style="list-style-type: none"> Intensify Promotion and Marketing Diversify Tourism Product Attract Tourism Investments Raise Capacity and Capability of Human Capital Implement and Expand ASEAN Tourism Standards for Facilities, Services and Destinations Implement and Expand Connectivity and Destination Infrastructure Enhance Travel Facilitation 	<ul style="list-style-type: none"> Upgrade Local Communities and Public-Private Sector Participation in the Tourism Value Chain Ensure Safety and Security, Prioritize Protection and Management of Heritage Sites Increase Responsiveness to Environmental Protection and Climate Change

Source: Asean Tourism Strategic Plan 2016-2025

IV. Gender Inclusion and Barriers to Tourism Development

Although the LBF has not applied a gender lens analysis to Lao PDR’s tourism sector, continued growth in tourism in Lao PDR will likely have a positive impact on related sectors with a heavy representation of women-owned businesses, such as handicrafts.

A World Bank global study on women and tourism highlighted several common issues impacting women in the sector. Illustrative examples include the following:⁷

- Extensive stereotyping with a concentration of women in lower paid, part-time or seasonal roles in the tourism sector
- Limited number of women in higher-paying positions such as tour guides
- Significant gender gap in terms of women’s representation in senior managerial and technical roles in tourism sector
- Discriminatory legal and regulatory regime in some countries which impedes the ability of women to launch their own businesses
- Limited access to capital for women entrepreneurs in the tourism sector



Image Source: J Spence Photography

V. Post-LBF Update and Next Steps

Based on the deliberations of the Tourism Working Group of the LBF and position papers prepared by key tourism sector stakeholders, the following final recommendations were proposed by the private sector during the LBF plenary meeting on July 5, 2018:

- Align Lao PDR's tourism strategy with the country's overall economic development strategy through the creation of a National Tourism Development Roadmap
- Create an intergovernmental task force to oversee development of the tourism sector
- Create an entity focused on tourism marketing and promotion
- Streamline and increase transparency of regulations and procedures for launching and operating businesses in the tourism sector, particularly tour operator businesses
- Ensure transparency and consistency of passport stamp fees at border points throughout Lao PDR

Government Responses to Private Sector Recommendations

The Vice Minister of the Ministry of Information, Culture and Tourism (MoICT) made the following points in response to the private sector's recommendations:

- The MoICT will work with other government agencies to identify ways to reduce high costs in the tourism sector
- Instead of creating a tourism development board, the Lao Association of Travel Agents and the Lao Association of Hotels and Restaurants should be the principal platforms for public-private engagement in the tourism sector

- Limited government funds have prevented the ministry from launching an international tourism marketing campaign
- The MoICT has engaged with the Ministry of Public Works and Transport to work on tourism-related infrastructure improvements; however, there are limited public funds available for these specific activities since most funds are allocated toward improving the country's national road network
- The MoICT abides by the terms of PMO Notification No. 1997/PMO dated 19 December 2016 which streamlines documentation requirements related to tourist entry
- The MoICT is coordinating with other line agencies to implement an electronic system to collect fees at border points for the tourism development fund
- The MoICT is preparing an instruction related to tourism promotion fund management and it is also working with the Ministry of Finance to coordinate management of tourism promotion funds
- The MoICT is coordinating with relevant line agencies to streamline the procedures for obtaining tourism filming permits



Image Source: J Spence Photography

The Vice Minister of the Ministry of Public Security (MoPS) made the following comments in response to the presentation of the tourism sector representative:

- The Department of Public Security issued two notifications after PMO Notification No. 1997 related to the cancellation of the documentation requirements for tourist entry (TELEX) and the facilitation of tourist entry into the country
- The MoPS reiterated its commitment to a centralized (single window) mechanism for border fee collection, infrastructural improvements and consistency of standards at border posts across the country
- The MoPS will further investigate problematic regulations and procedures for travel operators and take proactive measures to eliminate them

Post-LBF Assessment from Tourism Sector Representative

A post-LBF interview was conducted with a key private sector attendee and representatives from the tourism operator industry in order to assess their overall view of the forum as well as the government's responses to the key recommendations presented.

- The representative noted that the person who leads the tourism sector within the MoICT - the Vice Minister of Tourism - was not present at the LBF; this individual was represented by another colleague within the MoICT who was not well-versed in the tourist sector
- The tourism sector needs a broader set of stakeholders - not just travel operators and hotel and restaurant representatives. The government's idea of using the existing associations as a platform for engagement with broader tourism sector is not feasible

- Tourism sector development in Lao PDR requires a high-level public-private board with private sector leadership. The Ministry of Information, Culture and Tourism is not well-equipped or positioned to lead a tourism marketing initiative
- The Government's tourism promotion fund (based on US\$2 tourist fee) is intended to focus on marketing initiatives; however, the MoICT has already indicated that it has inadequate funds for this initiative. It is not clear how funds are being collected and allocated.
- Thai tourists as well as those in other GMS countries are primarily "day trippers"; there is potential for attracting longer-staying (and bigger-spending) ASEAN tourists, but there is no strategy to enhance Laos' tourist offering to appeal to these potential tourists (i.e., creating a unique experience to encourage them to stay longer) or to develop a more specialized targeting strategy
- The collection and analysis of data on tourists entering the country, led by Ministry of the Interior, is inadequate
- Donor organizations in Lao PDR can be potentially helpful in funding initiatives to improve LBF follow up. The Government and private sector should work more closely together and donors can facilitate public-private sector cooperation
- Administrative barriers in the tourism sector persist
 - TELEX requirements. All Lao Travel Agents need to complete extensive paperwork providing detailed information on their customers and obtain stamps for the tourism police and Ministry of Information, Culture and Tourism. Although Telex has been abolished, authorities – particularly

at the provincial level - have come up with new ways to create bureaucratic impediments

- It is difficult for tourists to obtain approval for foreign companies visiting Lao to conduct filming/photo shoots. This is counterproductive as facilitating the entry of companies that conduct short films and photo shoots would provide a source of free marketing for the country
- Tourist sector stakeholders should continue to engage with LBF; however, it is essential to regularly track progress (i.e., prepare quarterly progress reports)
- LBF meetings should be smaller in size and the agenda should be more focused



Image Source: Pixabay

Notes

¹ Summary of Prioritized Issues and Progress - Public-Private Dialogue through the Lao Business Forum, Lao Business Forum (LBF) Secretariat, 2018, pp. 27-31.

² Ibid.

³ *Statistical Report on Tourism in Laos – 2017*. Ministry of Information, Culture and Tourism and Asian Development Bank (ADB), 2018

⁴ Vaenkeo, Souksakhone “Tourist arrivals fall by 9 percent in Jan-Sept,” *Vientiane Times*, 20 December 2017

⁵ World Tourism Organization, *World Tourism Barometer*, 2017

⁶ *Statistical Report on Tourism in Laos – 2017*

⁷ *Tourism for Development – Women and Tourism: Designing for Inclusion*, World Bank, 2017



Image Source: J Spence Photography

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The Lao Business Forum is a public-private dialogue platform that was launched in March 2005. The objectives of the LBF are to: 1) facilitate public and private sector dialogue, including participation by the broadest range of private sector companies, from domestic SMEs to foreign investors; 2) ensure consistent enforcement and transparent interpretation of laws and regulations; 3) remove the bureaucratic impediments that businesses encounter in entry and exit processes and provide feedback on business-related policies, laws and regulations that impact the private sector; and, 4) provide feedback on draft government laws and regulations that could potentially impact the business community and assist the Lao government in private sector-related policy development.

