

**Working Paper 273**

**Participation by the poor in Luang Prabang tourism economy:  
Current earnings and opportunities for expansion**

**Caroline Ashley**



November 2006

Overseas Development Institute  
111 Westminster Bridge Road  
London SE1 7JD  
UK

ISBN 0 85003 821 9

© Overseas Development Institute 2006 and SNV Netherlands Development Corporation  
This report is also available from SNV as an SNV ODI publication.

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior written permission of the publishers.

# Contents

<b>Preface</b>	<b>v</b>
<b>Acknowledgements</b>	<b>v</b>
<b>Abbreviations and Acronyms</b>	<b>v</b>
<b>Executive Summary</b>	<b>vi</b>
Earnings of semi-skilled and un-skilled people	vi
Implications for increasing participation of the poor in Luang Prabang	vii
<b>Introduction</b>	<b>1</b>
Purpose and structure of this report	1
Methodology, approach, scope and caveats	2
<b>1 Demand for services: Tourism arrivals and segments</b>	<b>4</b>
<b>2 Supply: The tourism economy, enterprises, and the poor</b>	<b>6</b>
Number and types of enterprises	6
Poor and no-longer poor participants	10
<b>3 Aggregate tourism expenditure in Luang Prabang</b>	<b>14</b>
Expenditure per tourist	14
Expenditure per year and per sub-chain in LPB	14
<b>4 Accommodation</b>	<b>16</b>
Financial flows and incomes of the poor	16
Implications and areas for intervention	18
<b>5 Food and drink</b>	<b>20</b>
Financial flows and incomes of the poor	20
Implications and areas for intervention	21
<b>6 Craft spending</b>	<b>23</b>
Financial flows and incomes of the poor	23
Implications and areas for intervention	26
<b>7 Transport and excursions</b>	<b>28</b>
Financial flows and incomes of the poor	28
Implications and areas for intervention	35
<b>8 Overview: Benefit flows and strategies for expansion</b>	<b>38</b>
Overview of financial benefits to the poor	38
Strategic approaches to boosting incomes of the poor	41
<b>9 Recommendations by stakeholder and area of intervention</b>	<b>43</b>
Key factors to address	43
Recommendations to the PTO and tourism stakeholders	43
Beyond the tourism sector: Possible interventions with other sectors	50
Moving forward	51
<b>References, data sources and interviewees</b>	<b>53</b>
<b>Appendices</b>	<b>55</b>
Appendix 1: SNV's work with the Provincial Tourism Office	55
Appendix 2: Information on methodology, scope and caveats	55
Appendix 3: Further details of Tourist Arrivals	58
Appendix 4: Estimates of tourist expenditure	62
Appendix 5: Further detail of the Food Sub-sector	70
Appendix 6: Further detail of the Crafts Sub-sector	71
Appendix 7: Calculations of transport income	74
Appendix 8: Estimates of expenditure in villages	78

## Boxes, Figures, and Tables

Table 1 Summary of semi-skilled and un-skilled incomes across four chains	vii
Table 2 Summary of recommendations for pro-poor interventions	viii
Table 3: Visitors and accommodation supply by budget category	5
Table 4: Inventory of tourism-related businesses in LPB	7
Table 5: Receipts into LPB from tourism, \$ per sub-chain per year	14
Table 6: Rough estimates of worker income in the accommodation sector	16
Table 7: Estimates of local earnings from tourist food	20
Table 8: Three estimates of net income earned by tuk-tuk drivers	29
Table 9: Summary of different estimates of boat income	30
Table 10: Two guesstimates of annual guide income	31
Table 12: Summary of financial estimates across four chains	40
Table 13: Factors that would directly boost earnings of the poor	45
Table 14: Types of people interviewed for this report	54
Table 15: Growth in LPB tourism	58
Table 16: Arrivals by region of origin	59
Table 17: Visitors and accommodation supply by budget category	60
Table 18: Seasonality of arrivals to LPB	61
Table 19: Data sources on length of stay in LPB	62
Table 20: Estimates of tourism expenditure per day in LPB from different sources.	63
Table 21: Expenditure per trip and per day by budget category	64
Table 22: Tourist expenditure and LBP receipts by sub-chain	66
Table 23: Receipts into LPB from tourism, by sub-chain	66
Table 24: Expenditure to SS&US from each tourist category	67
Table 25: Calculations of restaurant expenditure on local labour and products	70
Table 26: Estimates of total expenditure on crafts, two types of calculation	71
Table 27: Estimates of approximate returns to SS&US participants in the craft chain	72
Table 28: Three calculations of tuk-tuk income	74
Table 29: Three estimates of income to boat owners and workers	76
Table 30: Excursion expenditure that reaches town suppliers and village-level providers, \$ per trip	78
Table 31: Earnings from tourism at Ngoi village	79
Figure 1: Types of enterprises in the LPB tourism economy	9
Figure 2: Tourism enterprise chain	13
Figure 3: Craft chain (Guesstimates of thousands of dollars earned by participants per year)	24
Figure 4: Excursions, transport and village Income	35
Figure 5: Summary of SS&US incomes across all four sub-sector chains	39
Box 1: Summary of opportunities for PPT intervention	46

## Preface

This report was commissioned by SNV Netherlands Development Organisation from the Overseas Development Institute. SNV wished for an analysis of the Luang Prabang tourism economy to assist them and their partners, the Provincial Tourism Office of Luang Prabang, in making pro-poor interventions. Thus this report was written for practitioners in Luang Prabang, rather than for an international audience. However, it is one of very few quantitative analyses of earnings of the poor at a destination and one of very few analyses of a tourism value chain with a pro-poor focus. Therefore, the findings are likely to be of interest to a wide range of practitioners and researchers interested in the economic impacts of tourism and pro-poor strategies, and perhaps to analysts of value chain approaches in general. For this reason, SNV is publishing the paper for a general readership (electronically at [www.snvworld.org](http://www.snvworld.org) and in hard copy) and has agreed for it to also be published as an ODI Working Paper.

## Acknowledgements

While the report findings are entirely the responsibility of author, the considerable input of others must be gratefully acknowledged. Thanks go to Sai Rattanavong (independent) for tireless collaboration before, during and after the fieldwork, Tara Guadjur (SNV) for providing invaluable guidance of all kinds and at all times, including conducting interviews when time was short, to Silisakhone Keophillalay (SNV) for gathering information in LPB, and to Robert Travers (SNV) for facilitating and reviewing the entire project. At ODI, thanks go to Gemma Jones for assisting with compiling and formatting the report and Jon Mitchell for discussion of methods and outputs.

## Abbreviations and Acronyms

EU	European Union
LPB	Luang Prabang
MTDP	Mekong Tourism Development Program
NGPES	National Growth and Poverty Eradication Strategy
p.a.	Per annum (per year)
PTO	Provincial Tourism Office
PPT	Pro-poor Tourism
PRA	Participatory Rural Appraisal
SS&US	Semi-skilled and un-skilled people
UNESCO	United Nations Education, Scientific and Cultural Organisation

## Executive Summary

This report explores the workings of the tourism economy of Luang Prabang from a pro-poor perspective. It makes rough estimates of where tourist expenditure goes, and where poor and poorish people are earning incomes from tourism. It assesses four sub-chains of the tourism value chain: accommodation, food and drink, handicrafts, and excursions. The estimates of expenditure and income are extremely rough. Nevertheless, they paint a picture of where money is flowing in the tourism economy. This provides a basis for making recommendations to SNV and its partner, the Luang Prabang Provincial Tourism Office, on interventions that would benefit the poor.

The findings show that semi-skilled and un-skilled (SS&US) people are earnings income in many different parts of the tourism economy, and thus a pro-poor tourism strategy should comprise many different types of interventions. The three main priority areas identified for action are:

- Increasing the supply of fresh fruit and vegetables from Laos farmers to restaurants (replacing imports)
- Increasing the supply of Laos silk and cotton for handicraft production (replacing imports)
- Re-vamping the product offer in rural villages and increasing tourist time and expenditure in rural areas.

In addition to these, there are a number of other strategic priorities and specific interventions recommended, summarised below.

At this broad-brush level of analysis, it is difficult to pinpoint how ‘poor’ are the SS&US participants. That said, among those defined as ‘semi-skilled and un-skilled’, many of the participants have some skills, financial or social capital, that enables them to access opportunities in employment, transport, or guiding. However, the three priority areas defined above also provide opportunities for rural residents with fewer skills.

### Earnings of semi-skilled and un-skilled people

It seems likely that at least \$ 6 million per year of tourist expenditure is flowing directly to semi-skilled and un-skilled producers, suppliers and workers. This is around 27% of the total receipts into LPB of around \$22.5 million. It should be borne in mind that while estimates have been triangulated where possible, they could easily be wrong by a factor of two in either direction, and some gaps in the analysis have been filled with mere guesstimates. While there is no directly comparable international research on this, the figure of 27% is likely to be high by international comparison, given the structure of the products, and particularly high consumption of labour-intensive handicrafts, transport and use of low priced restaurants and accommodation.

Most of the \$6 million is flowing to semi-skilled participants, with some capital or skills, and mainly within the immediate environs of LPB town. The groups earning most dollars are meat and fish producers, textile weavers, raw material suppliers, and transport owners.

The food and drink sub-chain is the largest source of earnings for the poor, both in terms of dollars (US\$3.4 million per year) and as a percentage of tourist expenditure (around 45% of turnover). Crafts are the second most important sub-chain (generating around \$1.8 million in SS&US earnings per year). In both food and craft chains, revenue is flowing both to producers within LPB province, and also to input suppliers (of vegetables and silk) in other provinces of Laos.

Excursions and accommodation both generate much lower amounts – probably around US\$600,000 per year – as income for the poor. Of this, the amount accruing to rural residents is probably only \$100,000 to \$200,000. However, there is considerable potential to upgrade the rural product, to the benefit of the destination, the customer, and rural residents.

Although accommodation is the sub-chain with the highest turnover, it has by far the lowest percentage of turnover accruing to the semi-skilled and un-skilled, at just 6%. This is because of low wage rates plus the high use of family labour (in guest houses), and the high share of turnover spent on operational costs such as energy and marketing (in hotels).

Table 1 summarises key findings across the four value chains, showing the percentages accruing to SS&US people, and also specifically identifying where ‘the poor’ are likely to be involved.

**Table 1 Summary of semi-skilled and un-skilled incomes across four chains**

Sector:	Accommodation	Food and drink	Curios and craft	Transport, excursions
Approx. LPB turnover p.a.	\$8.7 m	\$7 m	\$4.4 m	\$1.8 m
% accruing to SS&US	6%	45-50%	40%	33% +
Approx earnings of SS&US, US\$ p.a.	\$555,000	\$3,000,000	\$1,800,000	\$600,000
Main SS&US earners (with approx income per group per year)	Hotel workers (\$290,000) Guest house workers (\$215,000)	Meat and fish producers (\$2,400,000). Fresh food producers (up to \$883,000)	Weavers (\$550,000) Silver and other suppliers (\$505,000) Silk suppliers \$(265,000) Vendors (\$200,000)	Tuk-tuk drivers (\$300,000) Boat owners (\$110,000) Guides (\$150,000)
Income to the ‘poor’	Very little. Some poor relatives employed.	Farmers (rice, veg, fruit) producing \$883,000 worth of fresh produce (wholesale prices)	Suppliers of silk, wood products, and Hmong silver, selling around \$770,000 of raw material p.a.	Villagers – fees, shopping, baci, homestay. Possibly \$100,000 p.a. or \$200,000.
Main opportunities for increase		More Lao fresh food supply and speciality food products.	Increases in Lao silk supply, sales in rural areas, & higher value-added, tailor-made products.	Revamped rural product offer to increase tourist spend and time in rural areas.

p.a. = per annum. Mn = million. SS&US = semi-skilled and un-skilled people. Veg = vegetables

## Implications for increasing participation of the poor in Luang Prabang

Knowing where the poor currently earn money does not necessarily tell us where the greatest opportunities to *increase* their earnings are. That said, there appear to be several opportunities in the excursions, crafts, and food chains to boost incomes of the poor. This is either by helping current participants to upgrade, or expanding production to bring in new suppliers. In the accommodation sector there are some issues to pursue with hoteliers but no obvious measure to increase earnings of the poor. The transport sector (boats and tuk-tuks) is important as livelihood for some and as a conduit to rural excursions, but does not in itself present immediate options for expanding incomes. The PPT recommendations in each section are summarised in Table 2.

**Table 2 Summary of recommendations for pro-poor interventions**

**Rural excursions:**

**Seek to revamp the rural product offer in terms of activities and shopping items, and increase the time spent by tourists in rural areas.**

- Encourage more tourists to spend nights in the rural areas: e.g. extend the visa period, and promote village overnights in marketing and pre-departure information.
- Seek to revamp the product offer available in villages near tourists sites/activities. E.g. identify entrepreneurs to work with in those villages on upgrading and diversification of products and services. Help villagers to understand tourist tastes.
- Assist villagers to develop fee-paying activities that enable tourists to participate in and learn about local life, and turn a local product (weaving, sticky rice, coconuts) into a tourist excursion.
- Assist villagers near the main tourism sites to work with tour operators to meet health and safety requirements so that food for tour groups is purchased locally and not in town.
- Review the system of entry fees that is applied across attractions and develop consensus within government and villagers on a fair distribution between residents, government, and maintenance. Address entrance fee distribution in the current Kuangsi management plan process.
- Continue investing in basic village infrastructure, such as toilets and transport access, which facilitate stop-offs by tourists and provide a magnet for other enterprise development.
- Assess, with the private sector, whether and where there is scope to assist villagers to establish simple accommodation facilities and start developing additional rural spots as a destination in their own right.
- Evolution of sites through market pressures should generally be welcomed, not resisted as an upset to plans. Set the context for the market (tourists) and entrepreneurs to develop rural tourism.
- Continue investing in a quality guide cadre to maintain standards and a 'local flavour' to excursions. Maximise access for rural/poorer participants and emphasise skills for being a knowledgeable and sympathetic interlocutor between tourists and rural Laos.

**Food sector:**

**Seek to increase supply of Laos fresh food into LPB restaurants, and support expansion of speciality food sales to tourists:**

- Establish collaboration with partners with agricultural expertise and further assess sources of supply for different food items. Then;
- Where feasible, assist farmers to increase out-of-season production of fruit and vegetables to cater to the tourist trade.
- Strengthen market mechanisms between farmers and restaurants so that demand and supply are complementary.
- Explore potential to further improve and upgrade local speciality foods as shopping items. Assess the Lao tourism market and better understand the regional market, to help producers cater to these markets.

**Craft sector:**

**Increase inputs of Laos silk and cotton if feasible, support further upgrading of handicraft production, and assist poor producers in the market.**

- Explore feasibility and partnerships for expanded production of Lao silk to supply the textile chain (and possibly cotton for Hmong fabric).
- Support local producers/vendors at rural tourism sites, so that weavers in rural villages can sell directly to tourists.
- Assist producers to upgrade into new tailor-made products with higher value added. For example, textile and paper products (bags, purses, notebooks) that are personalised for the customer, or include explanation of product origins and how they were made; processed food products with English labelling and travel-friendly packaging; expansion of local speciality food product ranges for Asian tourists.
- Encourage producers and shops to secure export orders which would secure their business in the event of tourism down-turn and iron out seasonality.
- Maintain the night market and shopping as integral parts of the LPB product as the destination evolves.



**Accommodation sector:**

Engage in discussion and collaboration with hoteliers to improve:

- Training in hospitality skills, including for SS&US people;
- Low-season occupancies and reduced seasonality;
- Further development of business tourism, and incorporation of local products into conference packages;
- Options to improve labour conditions, such as job security, health care, progression and benefits.

**Cross-cutting strategies:**

Further explore where people from 'poor' rather than 'sufficient' households have access to opportunities in each chain above, and whether targeted training, business support, or facilitation could increase their share of participation.

Work with the private sector to invest in hospitality skills to enable local people to operate the industry as it evolves.

Develop understanding of PPT within government and the private sector, so that all see it a principle to incorporate into how daily work is done (i.e. always with a view to checking, expanding and prioritising options for the poor) and not as a single product.

Further assess the different spending patterns of specific segments: Thai, other Asian, up-market, and business travellers, to assess any differential pro-poor impacts, in order to inform strategy for market expansion.

There is no single organisation that can take forward all the above recommendations. Many fall within the tourism management responsibilities of the Provincial Tourism Office, but most will need collaboration across stakeholders (government, private sector and non-governmental) for implementation. A suggested first step is to discuss the findings of this report with a range of stakeholders from tourism, agriculture and handicrafts in order to discuss implications and build partnerships.

The priority recommendations for the Provincial Tourism Office to take forward with other tourism stakeholders are:

- Further promoting rural excursions and a revamp of village products
- Further develop handicraft production and sales
- Support poor producers in the speciality food sector
- Work with hoteliers on destination development, particularly of skills and low season occupancy.
- Invest long-term in upgrading hospitality skills
- Let PPT considerations influence strategic choices for destination development: maintain crafts, culture, local transport as integral parts of the LPB product. Promote rural life and culture. Further assess spending patterns and impacts of different segments.
- Create a conducive climate in which the private sector and poor entrepreneurs can innovate, expecting risks not blueprints.
- Assess and manage the trade-off between assisting the 'poor' to enter the market and supporting those with more skills and capital (i.e. 'sufficient' entrepreneurs) to flourish.

Two priority recommendations need to be taken forward with partners outside the tourism sector in LPB, and SNV should explore these:

- Expanding Lao production of fruit and vegetables and helping farmers to sell to tourism restaurants.
- Increasing Lao production of silk (possibly cotton) to increase Lao input into the textile chain.

Finally, there are implications for other tourism practitioners outside LPB. The approach of combining a value chain assessment with a focus on incomes and options of the poor at the bottom of the value chain proved useful in LPB. There is scope to apply this approach in other destinations to inform local

decision-making. At the same time this could enhance the methodology and provide comparable data from different destinations for learning more about how types of tourism determine differential impacts on the poor.

# Introduction

## Purpose and structure of this report

The research presented here seeks to map the flow of goods, services, and money in the tourism economy of Luang Prabang's (LPB), in order to understand

- How poor(ish) people are currently participating in the tourism economy
- What opportunities exist for increasing their participation and earnings, in different parts of the tourism value chain.<sup>1</sup>

This information is intended to assist in assessing strategic opportunities for promoting 'pro poor tourism' or tourism that increases benefits to the poor. Within PPT initiatives, the focus is often one or two specific products or segments, such as community campsite, community treks, or sale of crafts. Local economic mapping or a value chain analysis aims to enable stakeholders to take a broad view of the tourism economy to see where the full range of strategic opportunities may lie.

Such analysis is particularly useful in Luang Prabang as the tourism economy is growing rapidly and evolving. The report was written for SNV and its partners, in particular the Provincial Tourism Office (PTO) of Luang Prabang Province. The PTO and its partners (the Mekong Tourism Development Program (MTDP) and SNV) are committed to pro-poor tourism, and are embarking on a review of tourism strategy. SNV has been working with the PTO since 2001. Its current advisory work includes support to the PTO to implement the Community Based Tourism element of the MTDP (see Appendix 1). Within a broader framework of tourism sector development, the PTO/MTDP have been supporting new rural treks, while assisting specific village tourism destinations with small-scale development. There is now a wish to look at wider options and thus this is a good time to consider strategic opportunities. Meanwhile, SNV with its wider range of sectors (business development, private sector, gender) is in a strong position to develop cross-sectoral partnerships to link tourism to poor producers in other sectors.

Internationally, there is widespread interest in the ideas of pro-poor tourism, but remarkably little quantitative information on the earnings of the poor from tourism beyond the level of a single campsite or lodge. There is a dearth of analysis of how different types of tourism, or specific products, offer opportunities for the poor. This analysis of LPB helps provide some data – albeit rough – for informed policy making.

The remainder of this section summarises the methodology and provides many 'health warnings' on the rough and ready nature of the findings. Sections 2 and 3 outline the demand for, and supply of, tourism services in LPB: section 2 providing data on visitor arrivals, and section 3 on the types of enterprises existing. Section 3 also considers who the poor are, and where are they in the tourism chain. Still on the big picture, Section 4 summarises data on expenditure by tourists while in LPB.

Sections 5 to 8 provide the findings of the local economic mapping. Each sub-chain, accommodation, food and drink, crafts, and transport/ excursions, are considered in turn. Participation and earnings of the semi-skilled and un-skilled are estimated, and PPT implications for that sub-chain outlined. Finally Section 9 summarises the results with an overview of financial benefits to the poor, and presentation of PPT recommendations.

---

<sup>1</sup> A simple definition of a value chain is: 'Value chains are a series of business activities that turn raw materials into products that are sold to final customers' (MesoPartner 2006). This report looks at those business activities in and outside LPB that contribute to tourism goods and services that are sold to tourists in LPB. It draws on techniques of value chain analysis (see Appendix 2 on methodology). However, it does not map the entire value chain, and in particular international components of the value chain are excluded. The report could also be described as assessing the 'supply chain' of the four main tourist products (accommodation, meals, crafts and trips).

## Methodology, approach, scope and caveats

The research is based primarily on interviews with stakeholders in tourism in Luang Prabang during May 2006. Interviews were mainly with providers of goods and services to tourists, such as owners/managers and employees of guest houses, hotels and restaurants, owners/operators of boats and tuk-tuks, and vendors and producers of curios and crafts. The assessment also draws heavily on existing reports and surveys, PTO data, and consultation with SNV staff. Interviewees are listed with references and data sources, at the end of the main report.

Existing tourism survey data (much from 2002) was complemented by a mini exit survey of 31 tourists at the bus station and airport. This used purposive sampling in order to learn about specific market segments: western backpackers (English interviews at the bus station), and Western and Asian up-market tourists (English, Thai and Lao interviews at the airport), with a focus on their expenditure. It is not a representative sample of all tourists. More details are presented in Section 3 and Appendix 4 on tourist expenditure.

For mapping the financial flows in the tourism value chain, the basic approach was to combine information from three directions

- from the consumer – how much tourists spend in the Luang Prabang (LPB) economy and on what
- from the enterprise or retail level: what restaurants, crafts vendors, drivers etc sell to tourists: turnover of goods and services sold to tourists; and
- from the producer level: what direct producers and workers earn.

In the analysis that follows, estimates of incomes earned by semi-skilled and un-skilled people are calculated from all three sources where possible, and then compared. To the extent possible, views were gathered from each on how the chain works and how it could work better, particularly in terms of opportunities for the poor.

Income that accrues to government from tourism was not measured. Nevertheless, the expenditure of government revenue may of course be highly significant to poverty reduction and thus tax from tourism may provide additional pro-poor impacts.

An important and immediate question was ‘who are the poor?’ and ‘how narrowly do we want to define the target group of beneficiaries?’ There is no simple answer to this, as income, assets, livelihood security, urban-rural location, and role in the household are all relevant to defining poverty and SNV’s target group. Overall, the work focuses on the ways in which benefits flow to un-skilled and semi-skilled Lao people, as outlined further in Section 3.2.

Some caveats and qualifications should be noted (detailed in Appendix 2)

- The focus was on the tourist activity and expenditure within Luang Prabang. The starting point was not total tourism expenditure on their trip, but their expenditure that enters LPB (net of overseas commissions, travel to LPB etc).
- ‘Luang Prabang’ can mean the District or the Province. This assessment focused on tourism within the town, and its linkages to activities in the immediate environs, and to a small extent its backward linkages to suppliers elsewhere in Laos. Tourism across the whole province is not analysed.
- The focus is on the economy of international tourism in LPB, broadly defined as ‘Asian’ and ‘Western’. Tourism by Lao residents has not been explored, with a couple of exceptions, as there is next to no information on this segment, in terms of their volume or spending.<sup>2</sup>

---

<sup>2</sup> PTO data reports 128,381 Lao arrivals for 2005 (PTO 2006a). However, the reliability of data is unclear as there is no clear way of distinguishing Laos ‘tourists’ from other Lao travellers (e.g. LPB residents who are traveling). Data from hotels and restaurants supplied to the PTO for April 2006 shows that 10% of their guests were Laos, but clearly there are many more Laos

- The fieldwork was done very rapidly, in many cases interviewing only one or two entrepreneurs within a sector. Thus their data cannot be assumed to be representative of the sector. The fieldwork was done in low-season, which is fortunate as it meant interviewees had time to talk, but may also provide a vaguer picture of high season reality (see high season adjustment notes in Appendix 2).

It is hoped that the information provided is sufficient to paint the big picture, provide samples of more detailed data, and highlight where further information is most important, and most importantly to draw out policy implications. But the data presented should be interpreted as ‘ball-park’ and indicative only.

The policy recommendations focus on how to increase the participation and earnings of the poor in different parts of the value chain. However, it should be recognised that:

- The recommendations stem from the economic analysis. One could also develop recommendations for pro-poor tourism based on an analysis of current policy or of private sector practice in employment and local linkages, on a PPT training needs assessment, or participatory appraisal with poor participants. Each of these would generate recommendations with a slightly different focus. Indeed, there are many studies in the world that contain recommendations for PPT but this is the first known to the author that is based almost entirely on local economic mapping. Thus the recommendations should not be interpreted as comprehensive and covering all aspects of pro-poor practice.
- There may be gaps in the recommendations relating to certain groups of entrepreneurs, simply because an issue did not come up in the fieldwork. For example the fact that there is little to recommend concerning tuk-tuk drivers, boat-men and night market vendors does not mean that there are certainly no PPT opportunities. Only that they were not spotted in the brief work.
- Some recommendations are clearly for the Provincial Tourism Office (responsible for managing tourism) or for SNV (acting as an advisor to the PTO and other partners). Others are issues that would need to be taken forward by other stakeholders, or, ideally, by a destination level partnership. While recommendations are specified to a particular party wherever possible (in the final section), the analysis also highlights some more general PPT opportunities which logically need to be pointed out, even if it would not be realistic to recommend them as current PTO or SNV actions.

See Appendix 2 for further information on the methodology.

## 1 Demand for services: Tourism arrivals and segments

Luang Prabang is a UNESCO-recognised World Heritage Site, the main urban centre of the northern provinces, and one of the most important tourism destinations in Laos. Tourism started developing around 1995 and took off after 1998. It has been growing rapidly in recent years. Key features of tourist arrivals are summarised here, and explained in more detail in Appendix 3.

*Arrivals and, growth:* In 2005, there were 133,569 international arrivals to LPB according to the PTO (PTO 2006a). In the rest of this report, annual arrivals are assumed to be 135,000 per annum (p.a.) Aside from a temporary dip in 2003, LPB has experienced sustained growth in the tourism economy in recent years, with arrivals more than doubling between 2000 and 2005, and a 27% growth in just one year from 2004 to 2005 (PTO 2006a).

*Seasonality:* tourism operators in LPB refer to October to April as high season, May to September as low season, and seem to perceive an enormous difference between the two. PTO arrival statistics suggest that arrivals during this 'high season' are actually only double those of this low season. The busiest four months are in fact January, February, March and August, and these four months account for 45% of all arrivals.

*Nationality:* approximately 72% of LPB arrivals are 'western' of whom the majority are European (accounting for 50% of all arrivals), and 28% are Asian, of whom the majority are Thai (who account for 12-22% of arrivals, depending on the data source (MTDP 2005a, PTO 2006a)).

*Transport:* roughly half of arrivals fly in to LPB airport (half from overseas, half on domestic flights), and the other half arrive by boat or bus (PTO 2006b). Many over-landers come from the Golden Triangle (Thailand and then into northern Laos), then travel by boat (via Pak Beng) or go by bus to Luang Namtha and then LPB.

*Package vs. independent:* the majority of tourists are independent travellers. However, package groups are prevalent among the minority of up-market tourists, and particularly among Thai tourists. There is a lack of data on package tourists – although they account for around 7-10% of respondents in various tourism surveys, this may be a reflection of survey samples rather than of the tourism market (MTDP 2005a, MTDP 2005b, MTDP 2004, Dobbelstein 2002a, and Dobbelstein 2002b).

*Motivation for travel:* virtually all tourists (97%) are leisure tourists, visiting LPB for holiday or visiting friends and family (MTDP 2005a, Immigration Service 2006)). That said, there is a small workshop/conference market at the upmarket hotels which may be growing in significance particularly in low season. The main motives for visiting LPB are culture, temples, and people's way of living.

*Average length of stay* is around five days. The majority of tourists stay less than this (around 3) days, but a minority stay a great deal longer.

### ***Categorising different types of tourist***

There are broadly two very different types of tourist in LPB. These are:

- *Budget tourists*, who stay in cheap guest houses costing less than \$10 per room. They are virtually all western, travelling by bus or boat, under 40, and are on trips of several weeks or months away from home.
- *Up-market tourists*, who stay in hotels costing over \$40 per room per night. They generally fly in and out, and are over 40. They include Westerners on holiday and Thai and other Asian tourists who may be on short breaks, shopping breaks, visiting friends and family, or workshops. They are more likely to book through tour operators or travel agents, and to go on organised excursions.

Existing tourism data is not disaggregated by budget segment. While a complex segmentation could cover nationality, budget, purpose of travel, length of total trip etc, the research found it quite adequate to divide tourists according to the type of accommodation they stayed in, as summarised in Table 3. The following categories were used and accommodation data for April 2006 analysed to ascertain the percentage of tourists in each group:

- Category 1, up-market; staying in rooms that cost over \$40 per night: approximately 25%<sup>3</sup> of tourists
- Category 2, mid-market, staying in rooms that cost \$11-40 per night: approximately 17% of tourists
- Category 3, budget, staying in rooms that cost \$10 or less per night: approximately 58% of tourists.

**Table 3: Visitors and accommodation supply by budget category**

Category	\$ per room	Visitors		Accommodation supply			
		% of int'l tourists in April 2006	Imputed % of bed nights <sup>2</sup>	no. hotels / Guest houses	% of hotels / Guest houses	no. of rooms	% of rooms
Cat 1	\$40 +	<b>25%</b>	18%	12	10%	333	<b>26%</b>
Cat 2	\$11-40	<b>17%</b>	14%	17	15%	242	<b>19%</b>
Cat 3	up to \$10	<b>58%</b>	68%	88	75%	706	<b>55%</b>
<b>Total</b>		<b>100%</b>	100%	117	100%	1,281	<b>100%</b>

See Appendix 3 for more details and sources.

Budget tourists account for 58% of all arrivals and 68% of all bed nights (because they stay longer). Budget accommodation accounts for 55% of available rooms (and a higher percentage of establishments, because they have fewer rooms per establishment).

*LPB tourism in the context of overall Lao tourism:* compared with tourism statistics for Laos as a whole, LPB receives a much smaller share of 'regional' and a higher share of international tourists. This is because most of the 82% of tourists to Laos who are from Asia and Pacific visit border areas or towns, whereas LPB is more of a 'pure leisure' destination.

<sup>3</sup> The percentages given for each category are a percentage of all tourists staying in fee-paying accommodation and reported to the PTO in April 2006. Note that \$40 is the price per room, not necessarily per person.

## **2 Supply: The tourism economy, enterprises, and the poor**

### **Number and types of enterprises**

The tourism 'product' in LPB is centred on the World Heritage Buddhist temples and old town, complemented by relaxation on and around the Mekong river, the relaxed pace of life in LPB town, visiting nearby villages that are ethnic 'minority' villages or specialist (e.g. weaving) villages, shopping in craft shops and the 'night market', and opportunities to visit nearby natural assets, such as Kuangsi waterfalls.

Tourism in LPB is essentially operated by a multitude of relatively small locally owned businesses. In an international perspective, it is notable for the predominance of small family-run businesses and individual entrepreneurs that are providing goods and services. Also striking is the growth of new businesses, mainly in volume, but also to some extent in diversity. For example, internet centres and massage parlours have sprung up in recent years.

The businesses can be categorised into four broad groups, according to the type of product that they supply to tourism:

- Accommodation
- Food and drink
- Transport and excursions
- Crafts and shopping items.

Although there is some overlap, for example with guest houses that include a restaurant, the remainder of this report uses these four categories as four different value chains or sub-sectors. An inventory and short description of businesses in each of these chains is presented in Table 4.



Table 4: Inventory of tourism-related businesses in LPB

Sector:	Approx no. of enterprises, 2006	Size and status of a 'typical' enterprise
<b>Accommodation</b>		
Hotels	17 <sup>1</sup>	Hotels have over 15 rooms. Often family owned. A few with an international stake.
Guest houses	131 <sup>1</sup>	GH have up to 14 rooms (average 10). Virtually all are family-run local businesses, majority of registered owners are women.
<b>Food and drink</b>		
Restaurants	1242	The majority are family-run businesses, about 10-30 tables, about \$5 per meal. Several GH include a small restaurant. A few more up-market restaurants (e.g. with French input) exist.
Snack stops	Unknown	Large number of small outlets selling noodles, rice meals etc, and many more street vendors. Main clients are Lao, but also serve tourists.
Makers of specific local food products	632 <sup>2</sup> units, making 19 products. 159 produce chilli paste / river weed.	The 632 units include ten water factories, 96 abattoirs, and 182 producers of Lao rice whisky, plus producers of bread, noodles, pork crackers, fish sauce etc. Most serve tourist and non-tourist markets. Many are small family businesses.
<b>Transport and excursions</b>		
Tuk-tuks of all kinds	370 <sup>3</sup>	Most vehicles are owner-operated and provide the owners' main occupation. There are 8-seater tuk-tuks (about 40% of total), 3-wheeler jumbos (about 25%) and motorbikes with side car (sam lor, about 35%). Tourists are a major, but not sole, market.
Boats of all kinds	212 <sup>4</sup>	Some owners operate their boats, some hire drivers. As work is not daily, they have other jobs too. The 80 tour boats and 40 short haul boats serve mainly tourists. The 80 speed boats are in large part for tourism and 12 cargo boats only partly.
Tour operators	21 <sup>5</sup>	Companies with small offices in town, often a branch office of a Vientiane based operator.
Guides	78 <sup>6</sup> freelance guides (or more)	Mainly young men. Village and provincial guides undergo PTO training; national guides train with LNTA in Vientiane. They may be (recent) students, or working, for example in a hotel. Most work part-time as work is irregular.
Bicycle and motor bike hire		This is generally, though not always, integrated into an existing business, such as a guest house or tour operator.
<b>Crafts and curios</b>		
Craft shops	90 <sup>7</sup> shops (75 within LP town and about 15 in surrounding villages)	These include textile, silver, paper products, pottery, and wood carving shops. The shops are established businesses belonging to owners with capital, though they may have developed from a small household business.
Market vendors	390 <sup>8</sup> Or more	Vendors hire a spot at the day or night market, or both, and set out their wares or food each day. They have to transport their goods in and out daily, using bicycles or tuk-tuks. Many live in or near LPB. A few come for a fixed period from further away.
<b>Other</b>		
Massage parlours Grocery shops Internet cafes Travel agents Laundries		These are established outlets in town. The numbers of massage parlours and internet cafes have increased considerably in recent years. Most are owned and run by families that are secure, with the exception of laundry services.

*Note:* The table excludes formal sector businesses outside LPB that are involved in providing LPB tourism services, and government-run services, such as: hotel owners; tour operators, ground handlers; suppliers of processed food and bottled drinks; suppliers of consumables

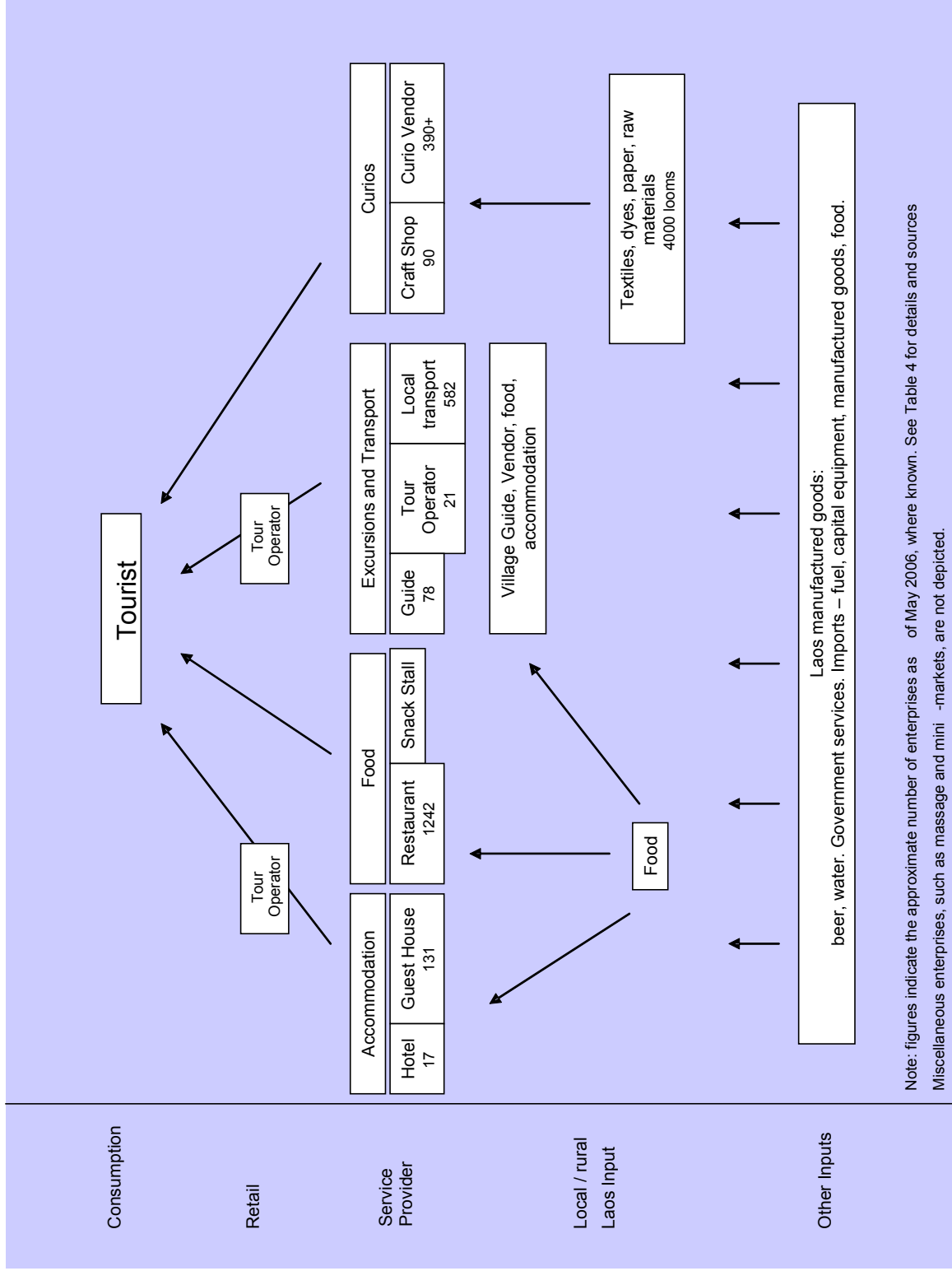
(soap, plates etc) and capital equipment (construction, transport, kitchens); suppliers of power and fuel; and long-distance transport operators.

*Sources:*

1. From PTO data gathered from guest houses and hotels (PTO accommodation database based on initial forms returned for new recording system).
2. From Luang Prabang District Financial Office, May 2006
3. From the Tuk-Tuk Association, May 2006
4. From the Luang Prabang Boat Association, May 2006. Includes the 12 cargo boats.
5. From PTO Business License and Administration Division, May 2006. MTDP data 2005 (MTDP 2005a) reported 17 tour operators, which may have been the number that was active at the time.
6. From the PTO Guides Management Section, May 2006. The 78 are registered with PTO. There are also others, e.g. national guides working in LPB, or Tour Operator employees not included in above.
7. The estimate of 90 craft shops is from on-site checking, May 2006, while the other figures come from the Handicrafts Department. According to an interviewee, there are around 30-40 textile shops. According to the Handicraft Department, there are 26 jewellery/silver/gold shops, 25 pottery shops, ten mulberry paper shops. There are also 81 wood-based shops, however, this includes both furniture outlets (not included in our numbers) and wood carving shops.
8. From on-site checking, May 2006. 390 is a low season figure. It assumes that most of the day-market vendors also sit at the night market. It excludes prepared food sellers.

Each of these enterprises which serve tourists, in turn draw on suppliers of labour, goods and services. Figure 1 shows a rough map of the tourism chains that link these enterprises, each of which is then explored in more detail below.

Figure 1: Types of enterprises in the LPB tourism economy



Note: figures indicate the approximate number of enterprises as of May 2006, where known. See Table 4 for details and sources. Miscellaneous enterprises, such as massage and mini-markets, are not depicted.

## ***Growth in enterprises***

There has been rapid growth of tourism businesses, with the accommodation and restaurant sector increasing by just under half since 2000. The recorded bed stock grew by 23% just between 2004 and 2005 according to PTO data (PTO 2006a). The fastest rate of growth (from virtually nothing) has been among registered tour guides, while it has been slowest among tour agencies. See Table 15 in Appendix 3 for details.

## **Poor and no-longer poor participants**

As this report aims to understand where ‘the poor’ do or could benefit from tourism, it is important to consider which type of entrepreneurs or producers might be included in ‘the poor’? Who are the target beneficiaries of pro poor tourism in the LPB tourism economy?

Pro poor tourism is not achieved by only helping the poor. It is recognised by PPT practitioners that:

- PPT is not an appropriate tool for reaching the poorest – those with fewest assets and skills, who are least able to engage in the commercial economy. It can however offer opportunities for a wide range of poor and poorish people who are seeking to expand their market engagement. Many may already be in households that are ‘sufficient’ though they have to continue on a daily basis to stay out of poverty, and would not be counted as ‘secure’
- Expanding opportunities for poor producers and entrepreneurs is likely simultaneously to expand opportunities for others, less poor, further up the chain – and sometimes vice versa. Only occasionally is PPT a matter of transferring gains (e.g. land royalties, supply contracts) away from one group to a poorer group. Thus helping the poor can mean directly helping their better-off clients or employers. Trying to avoid benefiting the non-poor is usually counter-productive.

It is also widely pointed out in the poverty literature that:

- Poverty is dynamic not static: households move in and out of poverty as circumstances change, so helping the just-above-poor, or ‘sufficient households’ to stay there is also valuable.

Therefore in this work the focus is on those who are ‘fairly poor’, which includes those who have moved out of poverty recently. It also pays attention to those who are not poor but may be important direct clients of the poor.

There are various indicators to define ‘the poor’ in Laos and most of these proved relevant to consideration of the ‘poor participants’ in LPB tourism:

- *By district:* the Government’s National Growth and Poverty Eradication Strategy (NGPES) focuses on defining districts which are poor. This definition combines indicators for household income (if 51% of households are poor the village is poor, and if 51% of villages are poor the district is poor), with indicators based on lack of village or district access to services such as schools and water. Luang Prabang Province has three poor districts (out of 11 districts in total). In those, 76% of the villages and 72% of the households are classified as poor.
- *By household/person income:* The NGPES poverty line for households was defined in 2001 as households with less than 100,000 kip per person per month for urban households and 82,000 kip for rural households,<sup>4</sup> equivalent (at 2001 exchange rates) to \$7 and \$5.5 per person per month respectively. If a household has five people, this translates into a total household income for the household of \$66 per urban household and \$55 per rural household per month in 2001.
- *The international poverty line* of \$1 per person per day is considerably higher. At \$1 per person per day, it translates into an income of \$150 per household of five per month – almost three times the Laos rural poverty line.

---

<sup>4</sup> The explanation is that this sum allows the purchase of 16kg of milled rice per person per month and the balance is insufficient for other necessities (Lao PDR, 2001).

- *Urban/rural*: while there is no formal prioritisation of rural households over urban households in either the NGPES criteria or in the internal positions of SNV, it is recognised in Laos that the majority of the poor are rural.
- *Assets*: poverty analysis and particularly PRA have long used indicators such as quality of housing and ownership of consumer durables in ranking the poor and non-poor. Livelihoods approaches developed in the late nineties prioritise a range of assets (financial, physical, human, etc).
- *Marginalised groups*: women and ethnic minorities are so often subject to institutionalised marginalisation so they become target beneficiaries of pro-poor intervention by virtue of their group status.
- *Insecurity*: a less tangible distinction between the poor and non-poor can be the degree of livelihood insecurity and vulnerability to shocks.

If the participants in LPB tourism are considered against this range of criteria, there are two straightforward issues to point out:

- Participation by the ‘geographically’ poor is low. There is minimal tourism in the three poor districts. As tourism is concentrated in LPB town rather than dispersed through LPB Province, so too the benefits are concentrated among urban rather than rural households. There are some elements of the tourism economy that reach out to rural households via excursions, food production, and silk/cotton production.
- Participation by marginalised groups is high: a high percentage of people operating or supplying tourism enterprises are women. With the exception of the transport and guiding sector, it seems likely that they are in the majority in all other sectors. Around a third of the vendors selling crafts are from the Hmong minority, and this is a major part of the LPB tourism economy.

Considering participants against the other, more economic, criteria is more difficult. Overall, in terms of those who directly participate in the tourism enterprises, relatively few are evidently income-poor (as defined by the Lao poverty line), and more are just-above poor, or now sufficient. But they should not be dismissed as irrelevant from a pro-poor perspective, because:

- A substantial proportion of direct participants may have risen out of income poverty due to their tourism income.
- While the majority are probably in households above the Lao poverty line, the majority are probably below the international poverty line.
- Many have been able to build up their productive and consumer assets considerably via tourism; however, many still earn their living on a day-to-day basis with some degree of insecurity.

There are many other rural people who supply inputs to the tourism chains and are likely to fall under the Lao poverty line, such as farmers and silk producers. However, most supply tourism indirectly – they sell into a market which then sells to tourist-related businesses. Thus tourism income is fragmented and not clearly visible, and is probably a small amount spread among many dispersed producers. It was clear in the fieldwork that fruit, vegetables, rice and silk used in LPB tourism businesses come from across many different provinces of Laos. However, it was not possible to gain a clearer picture of how many, of which types of farmers, in which locations, are the main suppliers. Further analysis of this would help to understand whether it is indirectly making a significant contribution to the market demand for many poor farmers.

The analysis that follows uses the following broad category:

- *Un-skilled and semi-skilled people in Laos (SS&US)*. They may be local producers, vendors, self-employed service providers, or waged workers. This is the broadest ‘catch all’ that includes the poor and other people that may now be well above the Lao poverty line and have built up their assets, but still rely on their own manual/semi-skilled labour for their livelihood on a daily basis. By international standards they are probably poor. Tuk-tuk drivers and guides are perhaps at the top of this, while guest house owners are excluded.

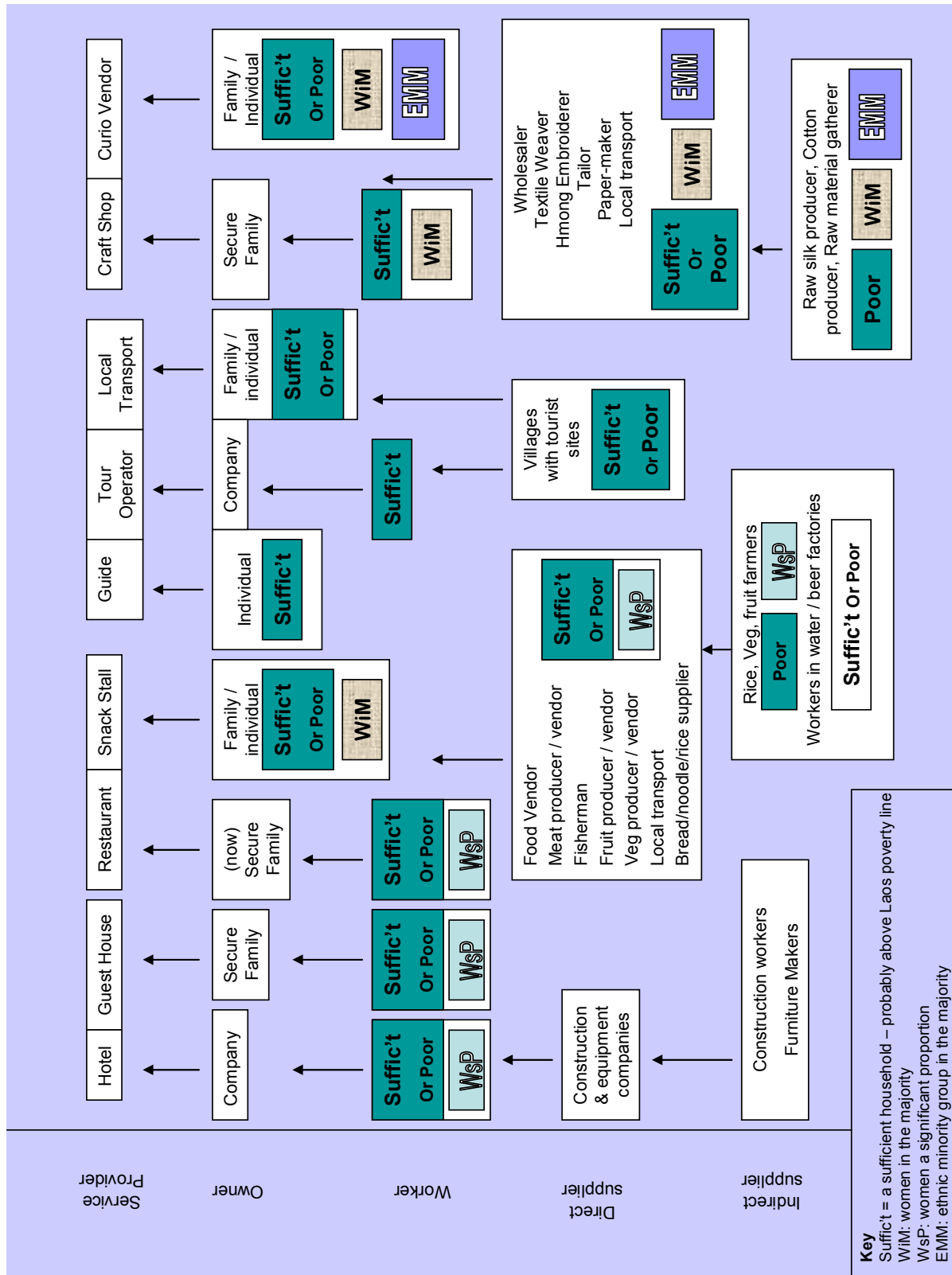
The focus of analysis: SS & US = semi-skilled and un-skilled people. i.e. those who are poor and poorish / sufficient

Where more detailed disaggregation is possible, the following groups are used:

- 'Poor producers' – usually rural, earning very low returns to unskilled labour to supplement agricultural income, by definition (though not research) poor.
- No-longer-Laos-poor or 'poorish' people who live in households that are 'sufficient'. They are entrepreneurs or employees that are earning a reasonable income, mainly from tourism, and are now above the Laos poverty line but probably not the international poverty line.
- Small family businesses: these entrepreneurs are from local families that are relatively wealthy. Though by international standards they are small enterprises (generally less than 20 or 50 employees), they are not part of the target beneficiaries. However, they are important clients of the poor.

In parallel to this economic-oriented approach, participation by women and by members of ethnic minority groups is important to note. Figure 2 depicts the main sub-sectors in the tourism chain and shows in which enterprises people who are Poor, Sufficient, Women, and Minority Groups participate.

Figure 2: Tourism enterprise chain



### 3 Aggregate tourism expenditure in Luang Prabang

Analysing tourism's local economic impacts requires calculation of expenditure per visitor. In order to trace how money is earned within LPB, we need to know the gross amount entering the economy. However, estimating this is difficult. Surveys are always beset by problems in defining exactly which expenditure is measured, and in interpreting how tourists answer the question (per person, per couple, per day, per trip etc.)

Appendix 4 summarises the estimates of tourist spending per day from various sources, explains some of the methodological differences between them, outlines the survey of visitor expenditure done as part of this work, and presents the estimates which are used for this analysis. Given the methodological challenges and the fact that all surveys have been either small or unrepresentative, the figures should be treated with caution.

#### Expenditure per tourist

- Net tourist expenditure into the LPB economy is estimated to be around \$40 per person per day, and an average of about \$177 per trip.
- This average hides wide variation between budget and high-end tourists, for whom trip expenditures are estimated to be roughly \$118 and \$344 respectively.
- For budget tourists, food and drink account for around 40% of expenditure. Accommodation, crafts, and excursions/transport each account for around 15-20%.
- For up-market tourists accommodation is by far the largest item. Data is incomplete but it may be over 60%. This leaves food and drink, and crafts, each accounting for around 16% of spend.

#### Expenditure per year and per sub-chain in LPB

Based on these expenditure estimates, Table 5 present estimates of total spending per year by tourists within the LPB economy, broken down by sub-chain and by tourist category.

**Table 5: Receipts into LPB from tourism, \$ per sub-chain per year**

	Budget	Mid	Upper	All tourists	
<b>Spend by sub-chain:<sup>1</sup></b>				<b>Total</b>	<b>% of total<sup>3</sup></b>
Accommodation	1,697,818	1,253,550	57,308,722	8,682,240 <sup>2</sup>	39%
Restaurant food	2,437,447	763,380	1,278,392	4,479,218	20%
Drinks	1,393,642	241,067	556,688	2,191,397	10%
Crafts	1,632,416	516,573	2,061,522	4,210,511	19%
Transport & guides	1,297,562	126,273	401,517	1,825,352	8%
Misc.	795,280	232,649	93,488	1,121,416	5%
<b>Total</b>	<b>9,254,165</b>	<b>3,133,492</b>	<b>10,122,478</b>	<b>22,510,135</b>	<b>100%</b>
<b>% of total</b>	<b>41%</b>	<b>14%</b>	<b>45%</b>	<b>100%</b>	

*Notes:*

1. The percentages on each sub-chain, and the overall total for tourist expenditure, are roughly comparable to other data from MTDP and SNV (see Appendix 4).

2. The spend by upmarket tourists on accommodation is by far the largest figure in this table, and thus strongly influences the totals and percentages. But it is the least reliable figure given how little is known about actual rates paid (gross and net) by this group. The amount for up-market accommodation has been reduced by 20% to allow for booking fees that are captured by overseas agents on those tourists in the up-market category that book through tour operators and travel agents. Upmarket tourist spend on accommodation could be 2 million higher or lower, depending on what assumptions are made. There is therefore considerable margin for error.

The estimates suggest that roughly \$8.6 million is spent on accommodation (but this is the figure most subject to error), over \$6 million on food and drink combined, over \$4 million on crafts, and nearly \$2 million on transport/excursions/guides. Of the total \$23 million spent in LPB, budget tourists (as a



group) and high end tourists appear to be contributing approximately the same amount, at \$9-10 million per year.

The following sections now explore how that money is spent in each expenditure category, and how much reaches the semi-skilled and unskilled. Possible areas for PPT intervention within each sub-chain are identified. The final section brings together the overview picture of financial flows and summarises the recommendations.

## 4 Accommodation

### Financial flows and incomes of the poor

In the accommodation sector, the main benefit to accrue to SS&US participants is from employment in hotels and guest houses (assuming those that own the guest houses are 'secure'). This employment takes two forms:

- Regular employment and wages. In addition, the worker gets food and sometimes lodging. The worker may or may not be a relative.
- Casual employment of relatives, such as cousins. Often they are from outside Luang Prabang but come to stay, perhaps while studying, perhaps because their family needs money, or perhaps just because the guest house needs extra help in high season. They receive food, lodging, necessities and occasional cash, but not a regular wage.<sup>5</sup>

The number of 'employees' reported to the PTO is over 800, and wages appear to be around \$35 per month, though with up to around \$70 in hotels. The number of relatives is unknown but will certainly take the number of workers over 1000.

The wages are no doubt very significant to the 800 or so households, providing a scarce and relatively good wage in the private sector. But as a whole, employment income in hotels and guest houses is not such a large sum as might be imagined in this large sector, and is a very small percentage of total spend on accommodation. Staff overall earn perhaps \$350,000 to \$400,000 per year in wages, and perhaps just over \$0.5 million per year accrues to workers if values for tips, food, board and unpaid 'cousins' are included. Table 6 summarises estimates, although the final figure is dependent on guesstimates of 'cousin' labour, and of small tips in the sector.

**Table 6: Rough estimates of worker income in the accommodation sector**

	Category 1	Category 2 & 3	All accommodation
No of reported employees <sup>1</sup>	439	381	820
Average wage <sup>2</sup> p.m.	40	35	
Direct wages, \$ per year	210,720	610,121	370,841
<b>If we add in, \$ per month</b>			
Tips and services charges per worker of:	10	2	
Imputed <sup>3</sup> food, board, medical per worker of:	5	10	
Extra laundry earnings from 50% of hotels of:	20		
Plus another 50% of guest house workforce who are unpaid 'cousins' <sup>4</sup> with maintenance worth:		20	
Then:			
<b>Rough total for all workers per year is:</b>	<b>\$289,740</b>	<b>\$260,769</b>	<b>\$550,509</b>
Cf: estimated net spend into LPB economy on accommodation			
Tourist spend, \$ per year	5,730,872	2,951,367	8,682,240
Wages as % of accommodation turnover	5%	9%	6%

*Notes:*

1. Employee numbers based on employees reported to PTO, early 2006.
2. Wage rates, service charge and tips, based on interviews, May 2006.
3. Assumptions re value of food and lodging, laundry, and use of cousins: guesstimates
4. Relatives are often part-time, given food, accommodation and necessities, but not formal wages.

<sup>5</sup> This is in addition to work by the immediate family of the guest house owner, which is not included here as they are assumed to be 'secure'.

Of total worker remuneration, over half is from wages in Category 1 hotels.<sup>6</sup> This is because (1) they generally employ waged staff, rather than unpaid relatives; (2) remuneration per worker is higher, particularly if shares of a service charge are included; and (3), their ratio of staff to rooms is very different - around 1.3 staff per room, compared to 0.3 (reported) staff per room in Category 3 guest houses.<sup>7</sup>

Therefore in the accommodation sector, the presence of up-market hotels is very important for wage earners. However, it should be noted that this estimate of wage earnings accounts for a very low proportion of total expenditure on accommodation: 5% in Category 1 accommodation, and 9% in Categories 2 and 3. Hotels have many other expenses, such as consumables, energy,<sup>8</sup> and marketing, which account for the bulk of expenses. Therefore an increase in room capacity has limited direct impact on earnings of SS&US people. That said, the fact that hotels are not only dependent on package tours booked by overseas tour operators means that they will be securing a higher rate than they would in a pure package market.

If shortage of beds was a constraining factor on the total number of tourists in LPB, then expansion of bed capacity would be a priority for its knock-on effect on many other SS&US who benefit from the other expenditure that tourists make while staying in LPB.

Wages of \$30-40 are not enough to take a whole household above poverty if it is the only income, but if combined with another income, the household would be 'sufficient'. There is little information on how poor the workers are and whether the poor have more access to jobs in hotels (because they recruit) or guest houses (because they take poor cousins and require lower standards).

In general those with jobs appear to be mainly, though not all, from near LPB town. In a few cases cousins are employed because they are poor and thus their work provides a welfare flow and potentially valuable on-the-job experience to poorer villages. But on the whole (based on limited interviews) those who work in the accommodation sector are those with access to urban families with capital, and some skills. It may be worth further analysis to explore whether, and particularly how, poor people get access to jobs or temporary positions in the accommodation sector, how important this is, and whether more could be done to assist them. There is no data on how many are women, although PTO data does reveal that the majority of Guest House owners in Category 3 are women, while they account for around a third of owners in Categories 1 and 2.

Aside from employment, there appear to be few other linkages to poor producers during normal operation, except perhaps laundry services, which are often provided by women who are housewives. There are also food purchases for hotel or guest house restaurants, which are covered separately under the food chain (Section 5). Aside from these, hotel operation involves many external costs, such as for electricity, vehicles, diesel, guest consumables, office consumables, etc.

Hotels may draw heavily upon labour of the poor during the construction phase, both for building and for furniture, particularly wooden furniture. However, one hotel interview suggested that Vietnamese workers were often used for construction, due to their higher skill level. No information was gathered on levels of furniture inputs, though the figure of 81 wood-based outlets, which includes furniture makers, is notably high, and may reflect a sector stimulated by the tourism boom.

---

<sup>6</sup> The proportion of total wages contributed by hotels would be much less if imputed earnings and subsistence of family members in guest houses were valued at a higher rate.

<sup>7</sup> Based on analysis of accommodation data supplied to the PTO in April 2006. For each budget category of accommodation, total rooms reported were divided by the total number of employees reported.

<sup>8</sup> For example, one hotel manager reported that air conditioning left on all day costs \$7 per room per day. This is a big share of the rate received by the hotel, which varies from \$45 (low season contract rate) to \$120 (high season rack rate).

## **Implications and areas for intervention**

This financial analysis suggests that accommodation is not an immediate priority for PPT action unless bed stock is constraining tourism numbers for the whole destination.

### ***Direct benefits to workers***

There seems to be relatively little scope for directly increasing participation or wages of the poor in the accommodation sector. If the sector expands it benefits waged workers. Each Category 1 room appears to generate around 1.3 jobs, so there is a direct employment effect. But as wages are so low, the percentage return to labour on investment or increased turnover is low. Guest house expansion has relatively little effect on formal employment. Decisions whether bed stock needs to expand must clearly be driven by wider market factors rather than the (small) employment effect this had.

- Bed stock should be allowed to increase if supply is short and is creating a bottle-neck on tourism, but it would not be sensible to encourage accommodation expansion specifically for its employment effect as it is small (indeed an over-supply which would undermine viability of hotels and guest houses should be avoided).

For the over 800 workers in the sector, there may also be potential to improve working conditions:

- Assess whether there is need and scope to encourage hotels and guest houses to improve labour conditions, such as job security, health care, progression and benefits.

If there is potential to increase local supply into construction (or other linkages that are currently missing in current practice and in this analysis) this could be explored.

### ***Interaction with hoteliers***

Aside from the financial flows identified above, there are four additional areas where interaction with hoteliers would be useful to the poor:

- **Training:** in most destinations, hoteliers are the main private sector providers of tourism training. Training in hotels seems to currently be ad hoc and on the job. While government needs also to invest considerably in training, it could explore how to oblige all hoteliers to invest in training, and to ensure the SS&US are included.
- **Boosting low season occupancy.** Each hotel will be seeking ways to boost their occupancy. This benefits the destination as a whole and all producers. Thus if there are (fair) ways for government to support this, they should be explored.
- **Community partnerships:** where new investors want to build accommodation in LPB, particularly outside the town in rural areas, the principle of private-community partnership should be explored. Local people need secure tenure over a tourism asset, plus outside advice and facilitation.
- **Business tourism:** hotels that provide packages for conferences and workshops may be able to upgrade their package to include products and services of the poor, such as bags and paper with the conference logo (see Handicraft section).

**Summary of financial flows:**

- Earnings and benefits to workers area approx. \$6mn p.a. or 6% of turnover.
- \$290,000 from Category 1 and \$260,000 from Categories 2 and 3.

**Poverty significance:**

- Over 800 employees, plus unknown family workers in guest houses. Most seem to be from LPB, women are well-represented, and some rural relatives get temporary work. For those with jobs, the wage would help lift a household from poverty

**PPT opportunities: no immediate priorities:**

- No obvious option for increasing jobs or wages. Working conditions could be explored further, as could access of the poor to jobs.
- Useful to engage hoteliers on enhanced training, use of local crafts for incentive tourists, and collaboration on low-season marketing. With new investors outside LPB, explore community partnerships.
- Sufficient bed capacity is essential for facilitating the wider tourism economy and flow of benefits to the poor.

## 5 Food and drink

### Financial flows and incomes of the poor

It is estimated that tourists eat over a million meals per year and spend about \$7 million on food and drink while in Luang Prabang. A little of this accrues to workers in restaurants as wages, or to snack stall owners who could also count as SS&US. But a great deal more accrues to food producers who supply the restaurants. As indicated in Table 7<sup>9</sup> nearly half of all expenditure, or around \$3-3.5 million per year (depending on assumptions about transport costs), accrues to producers of Lao meat, vegetables, fruit, rice, and local speciality products. Although the data is rough, it is clearly one of the largest income flows to local producers from tourism.

It is estimated that around \$2.3 million of this \$3-3.5 million accrues to producers and vendors of meat, chicken and fish, who are probably the least poor of the food suppliers.<sup>10</sup> The other producers – of vegetables, fruit, rice, noodles – probably are rural and poor. Only some of these are in Luang Prabang Province. Market vendors reported that, in the wet season, vegetables generally come from Vientiane. Rice is imported from all over Laos but mainly from neighbouring provinces (Oudomxay, Sayabouly, Vientiane) and also from Vientiane city. Thus the farmers involved in the tourism food supply chain are well dispersed.

Table 7: Estimates of local earnings from tourist food

Approx. total expenditure on meals and drink p.a.		\$ 6,670,616		
Approx no. of tourist meals per year:		1,161,268		
Restaurant expenditure on: <sup>1</sup>	\$ p.a.	% in Laos	\$ p.a. to Laos producers	As % of F&B Turnover
Labour	163,200	100%	163,200	2%
Lao vegetables	792,000	80%	633,600	9%
Lao fruit - if 30% is local	360,000	30%	108,000	2%
Meat and fish	2,376,000	100%	2,376,000	36%
Rice and noodles	86,400	75%	64,800	1%
Local specialities <sup>2</sup>	76,560	100%	76,560	1%
Sub-total			3,422,160	51%
		<b>If % to labour</b>		
Lao beer	414,720	10%	41,472	1%
Lao water	414,720	10%	41,472	1%
<b>Total all products</b>			<b>3,505,104</b>	<b>53%</b>
<b>Less transport and mark-ups: highly variable,<sup>3</sup> but average 15%?</b>			<b>2,979,338</b>	<b>45%</b>

*Notes:*

1. See Table 25 in Appendix 5 for more details.

2. Specialities such as chilli paste, river weed.

3. There is insufficient information on the proportion of supply that comes from long-distance wholesalers versus local sale direct from a producer or with just one intermediary. The percentage of food spending that accrues to poor producers will vary significantly according to the percentage discount that is applied for transport costs and wholesaler mark-ups.

<sup>9</sup> Estimates are based on detailed information from only one typical restaurant, supplemented by information from a hotel kitchen and market vendors.

<sup>10</sup> For example, one producer of pigs and whisky in a tourist village near Tam Ting Caves is able to earn around \$1500 per month from selling 20 pigs. He used to be a teacher, and has purchased a house in Luang Prabang. Some fishermen may be fairly poor.

In the food sector, there seems to be relatively little difference in spending patterns between upmarket and budget tourists, as even the upmarket tourists are likely to eat in local restaurants rather than stay in their hotels (a hotel manager reported that guests typically only eat one meal there). Asian and Western tourists appear to spend around the same, but with Asian tourists more likely to eat or buy the local specialities, and Western tourists drinking more beer (the average seems to be about one beer per Western tourist per day. As this is produced in Laos, a share of their beer money - perhaps \$40-50,000 p.a. if wages account for 10% of turnover - will accrue to factory workers).

## Implications and areas for intervention

### *Food supplies*

The estimate of \$633,000 spent on Lao vegetables and \$108,000 on Laos fruit is based on assumptions that 80% of vegetables and 30% of fruit are from Laos. Whether or not these percentages are correct, the use of imported produce was identified as an issue and an opportunity for the poor and for the industry. It was reported that the range of produce from Laos had increased in recent years. However, food purchasers and wholesalers explained that the main problem with Laos produce is lack of availability out of season. Quality and volume are also constraints, as are established perceptions that Thai products are better. Therefore areas for action are to:

- Further explore the food supply chain, establish collaboration with partners with agricultural expertise. Then:
- Assess prospects for increasing out-of-season farm production and ways to help farmers tap into hotel and restaurant markets.<sup>11</sup>

This requires SNV collaboration with agricultural experts at the start. It could be discussed with the EU programme on peri-urban agriculture run through Heritage House in LPB.

While creating agro-tourism linkages is not easy, it is an intervention which could be supported by restaurateurs because of the cost-advantage to them, and it is an intervention which can benefit the rural poor. Experience from the Caribbean suggests that strengthening links between farmers and the tourism sector is not always easy, but results can be substantial when it succeeds. Success depends on tackling three things simultaneously: supply from farmers, demand from hotels, market linkages (transport, communications, logistics, pricing) between them both.<sup>12</sup> Therefore collaboration between tourism, agriculture, and marketing stakeholders is critical and a first step is to find out more about hotel/restaurant food requirements, where supply currently comes from, farmers' potential, and what marketing/communication channels are or can be used.

### *Speciality products*

Another area worth noting is the LPB speciality food products, such as chilli paste and river weed, which are distinctive to LPB. These fall somewhere between the food chain and the crafts chain, as they are sold both as shopping items and for immediate consumption. The main chilli paste maker in LPB reports that Lao tourists from other provinces or overseas account for 70% of his customers (and much more of his turnover). His family business has expanded to the point where it turns over more than \$50,000 per year, and spends around \$36,000 on local vegetables supplies, much of which comes

<sup>11</sup> In the case of LPB, it is not just a matter of the market not linking farmers and tourist businesses adequately, but of production being insufficient. In fact, LPB does not produce enough agricultural output to meet provincial needs (touristic or other). The Deputy Director of the PTO reports that the Province acquires about 70% of its food from other provinces or countries, particularly rice. Thus for LPB farmers, there is a general opportunity to increase agricultural production, plus a specific opportunity to meet the needs of the tourism market.

<sup>12</sup> For guidelines on boosting agricultural inputs to hotels see:

[http://www.odi.org.uk/poortourism/projects/linkages\\_carib/final\\_report.pdf](http://www.odi.org.uk/poortourism/projects/linkages_carib/final_report.pdf)

from Laos. While he is a market leader, there may be potential for others to flourish. While such products may seem very small now, in the long term locally branded and packaged products sold to tourists can gain an international reputation, with tourist shopping reinforcing export sales and vice versa.<sup>13</sup> Areas for action are:

- explore potential to improve further and upgrade such speciality foods as shopping items.
- assess the Lao tourism market and better understand the regional market so as to explore opportunities to cater for Laos and Asian tourists.

**Summary of financial flows:**

- Tourism expenditure on food and drink around \$7 million per year
- Around 45%, or \$3 million, accrues to Laos vendors and producers of fresh food and of local speciality food. The bulk is to meat and fish suppliers.

**Poverty relevance:**

- Sums are large and the number of food suppliers is probably also large. Better-off producers may earn large amounts, e.g. from pork production. But a large number of other farmers and food gatherers earn from selling food (often indirectly) into the tourism supply chain.

**PPT opportunities:**

- Increasing Lao vegetable and fruit supplies (replacing imports);
- Upgrading production and marketing of local specialty foods.

---

<sup>13</sup> For example, tourists to Hawaii are said to have reinforced export sales of Hawaiian pineapples. On the German island of Rugen, several products packaged under the 'Rugen product' brand for tourists are now exported (Meyer 2005).



## 6 Craft spending

### Financial flows and incomes of the poor

Luang Prabang is a popular place for shopping. At the well-established night market there are around 400 stalls, of which more than half sell either Hmong embroidery or woven silk and textiles. The remainder include mulberry paper products, cotton clothes and T-shirts, jewellery, antiques, and a few imports. The day market is smaller but ensures there is virtually 24/7 opportunities for tourists to spend their money. For the more up-market tourists there are a number of boutique textile shops, wood carving and paper shops, and around 26 silver/gold/jewellery shops which are said to be very popular with Thai and other Asian tourists.

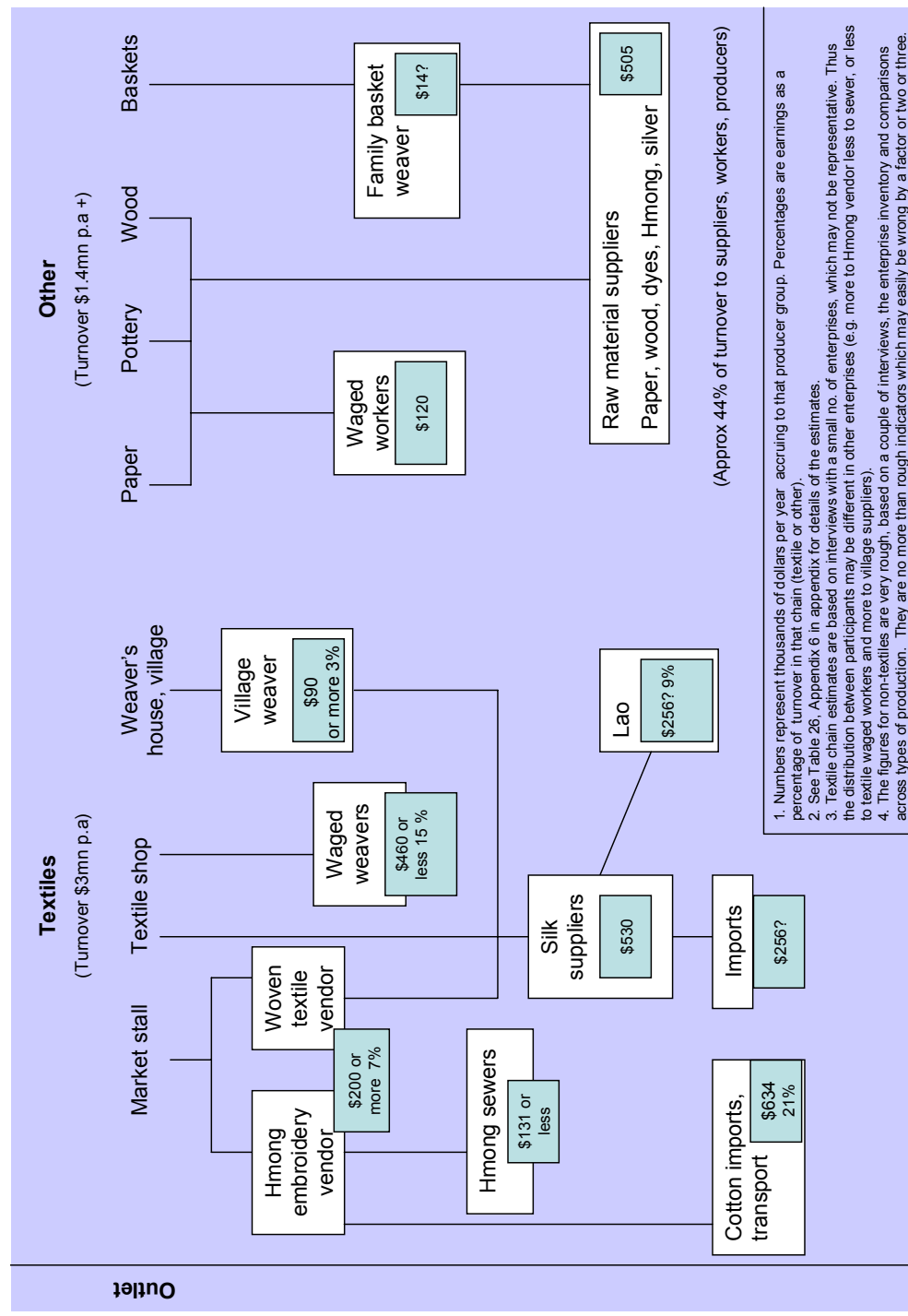
In total, tourists spend about \$4.2 million per year on crafts and curios according to tourism expenditure data from 2006 and 2002 (Tourist questionnaires at LPB airport and bus station May 2006, Dobbelstein 2002b), or slightly more (\$4.5 million plus) according to income estimates of producers, vendors and shops. The \$4.5 million figure may still under-represent non-textile income, on which little data was collected. The two approaches to estimating craft revenue into LPB are in Table 26 in Appendix 6.

Analysis of the craft supply chain suggests that a high proportion of this \$4.5 million accrues to local producers and small scale vendors. Figure 3 outlines the textile chain and a non-textile chain, and presents estimates and guesstimates of incomes accruing to local producers and vendors, in thousands of dollars per year. Figures for textiles are based on estimates and calculations, but for non-textiles they are rough estimates. Where possible, known input and operating costs have been taken into account (silk, cotton, market stall rental), but some costs in the chain, particularly transport<sup>14</sup> and taxes, are probably under-accounted.

---

<sup>14</sup> Producers and vendors often use their own transport: bicycles in the case of vendors, vehicles in the case of shops who go to buy from producers. Others use tuk-tuks for local transport, thus some of this still accrues locally, though outside the craft chain. However, long distance transport (e.g. of raw silk) will involve buses, boats and perhaps lorries, and more fuel, which are not accounted for here.

Figure 3: Craft chain (Guesstimates of thousands of dollars earned by participants per year)



Calculations for the textile chain, encompassing Hmong embroidery plus silk and cotton weaving (Table 27, Appendix 6) show that:

- Of the \$3 million tourist expenditure per year, approximately \$1.1 million (38%) accrues to local producers, vendors and workers.
- Half of this is income to weavers – both waged weavers working for shops and village weavers who sell direct or to vendors (in the calculations, the bulk of this accrues to waged workers, but this may only reflect the production structure of the few interviewees). Many of these households will be earning \$30 per month or so from weaving. Combined with another household income, this could take them above the Lao poverty line.
- Vendors at the night and day markets possibly earn around \$200,000 or more in total per year, which would average to around \$900 each – enough to take a household out of poverty. However, this figure is highly sensitive to assumptions made: if they sell at their minimum price, do not have their own transport and employ piece-work sewers, their return per item can easily diminish to almost zero. Most of these vendors, though not all, are from within the LPB town area, though many are also from ethnic minorities.
- The third substantial item is income to silk producers. If we assume 50% of silk is from Laos, then silkworm farmers are earnings around \$265,000 per year in total, or less depending on transport/marketing costs for silk from further a field. These producers are likely to be from rural households, and poorer than the urban participants in the craft chain. The majority of silk comes from Huaphan and Xieng Kuang provinces, according to a textile shop owner, though not exclusively so. Although it is reported that those households producing silk are ‘doing well’, if this is so then their silk income is probably critical to their livelihood.
- The fact that 100% of cotton and around 50% of silk is imported means that around \$900,000 per year goes out of the country to pay for imported inputs rather than accruing to local producers. If these were produced within Laos, then the share of total textile expenditure accruing to local producers and suppliers would almost double<sup>15</sup>.

Non-textile products include mulberry paper, silver, pottery and wood products. Very rough estimates (based mainly on an interview with a silversmith and a paper product producer, plus official information on the number of enterprises), suggest that 44% of the imputed spend of \$1.4 million accrues to waged workers, producers, and raw material supplies. By far the largest amount is to raw material suppliers, because much of the silver (an estimated 50% but this may be too high) comes from Hmong families who are selling off old French piasters (colonial coins). Aside from this silver income, there is also income to gatherers and producers of wood, bark, natural dyes, and clay, who are likely to be among the poor.

On the basis of the available data, it seems likely that upmarket tourists spend about three times as much as back-packers on crafts and curios. This average probably covers very high-spenders and the non-shoppers. It also seems likely that Asian tourists spend even more, though more research is needed on this<sup>16</sup>. Laos tourists and probably Asian tourists also apparently spend significant amounts of local food specialities. As noted in section 5 on food, one chilli paste producer appears to be selling around \$40,000 worth of production to (mainly local) tourists per year. In the night market, there are the first signs of food products tailored to western tourists - small packets of local tea, coffee and spice, with labels in English. This is another product range that is likely to develop and it could be worth assessing options to enable the poor producers to undertake directly the value-added activities of adding information and packaging.

---

<sup>15</sup> 68% of revenue would be spent on local producers and supplies, but this figure would need to be reduced to allow for wholesale, marketing, transport, and any factory-operations, particularly in the cotton supply.

<sup>16</sup> It was notable in the airport survey that several upmarket tourists had not spent anything on shopping, either because they were at a workshop, or had not had time or energy in their short trip. There is no obvious recommendation here to capture these potentially-high spending minority. A rotational system for direct sale at hotels may encourage them to spend, but would also risk undermining the substantive benefits of the night market. However, some products aimed directly at businessmen in need of easy-to-buy presents may be useful, as would tailor-made conference products if the purchasing could be secured.

Overall, crafts and curios emerge as a very significant item of tourist expenditure for poor and sufficient households. The proportion of spend that accrues to these households is relatively high for two reasons: the nature of the products, which rely heavily on local materials and traditional skills; and the type of outlets, which are generally small family-owned, buying direct from producers, thus involving relatively little in the way of middle-man mark-ups, commercial transport infrastructure, and vendor overheads. Even where products are sold in boutique shops (owned by secure families and not counted among 'local producers/vendors'), they generally purchase direct from producers and operate on a family-basis, and if 30-40% or so of revenue covers rent, operations and profit, then this still leaves 60% accruing to workers and producers. However, the fact that some core inputs, all cotton and some silk, are imported, substantially reduces the amount accruing to the local economy.

A large proportion, if not a majority, of SS&US people participating in crafts appear to be women and a significant minority are from ethnic minorities. Many of the local producers/vendors are doing well from tourism and are probably no longer poor but now sufficient. There is no evidence of a strong market or other alternatives to agriculture previously, so it is likely that many have risen out of poverty because of their craft work. Most of the raw materials for crafts come from rural areas. Given the nature of the work – collecting bark, farming mulberry worms – it is fair to assume that many are poor, and thus conclude that there are also a large number of probably-poor rural suppliers participating in the Luang Prabang craft chain.

### **Implications and areas for intervention**

It is worth noting that the night-market, which started in 2002/3, appears to be a very appropriate way of supporting the craft industry in Luang Prabang. Aside from offering tourists a popular product, it also provides many advantages to producers and to the destination:

- It is a relatively low-cost outlet that is therefore accessible to producers with little capital. A site costs 30 cents per day, or 60 cents with electricity. While these costs are certainly significant to local producers, they are much less than would be required for a permanent shop. Producers can come for temporary periods, thus enabling women from distant villages to come to sell their stock then return home.
- All the traditional benefits of a product 'cluster' can be generated from the proximity of similar producers: when some innovate, others can imitate, so the product gets upgraded. Economies of scale, such as in nightly transport, can be gained by sharing costs.
- Grouping different types of products in one place benefits from the 'expanding wallet' effect when tourists who might be primarily interested in one type of product see what else is on offer and end up buying a wider range of goods.
- The LPB night market has an international reputation (65,000 Google results<sup>17</sup>) and is a core part of the product offering and attraction of LPB. The shopping experience itself is a good one – notably less hassle of tourists than in some other tourist destinations. Shopping in LPB scored well in a ranking exercise done with around ten tourists in May 2006 (and notably better than excursions).
- The type of product on sale is generally well attuned to needs of tourists, in that they are generally light and easy to pack. For example, delicate lamp shades of mulberry paper are flat-packed and very light.

While it is not in LPB's interest for too many other destinations to develop a similar approach, the success of this approach is a notable lesson for others. In terms of the LPB economy, the night-market should be maintained (and if necessary protected) as a core asset. But at the same time it is important to consider ways to increase the amount of shopping that is done outside LPB town, so that more income flows to other producers in rural areas. As the market vendors become more established and better-off, this becomes all the more important.

---

<sup>17</sup> When 'Luang Prabang night market' was searched on Google on June 11 2006, it generated 65,000 results.

It is clear that crafts are already a very important economic opportunity for local households. The total amount of tourism expenditure is high, at around a fifth of all tourist expenditure, and of that a high proportion – around two-fifths – accrues to SS&US people. Thus any further expansion of craft sales would be valuable to SS&US people, but simply expanding existing supply is not necessarily the priority: if craft supply increased and diversified would tourists spend more? At the expense of shopping expenditure somewhere else on their trip? Shopping opportunities are already plentiful for the majority of tourists.

Rather than expansion of craft supply, it is probably more useful to consider diversification and upgrading opportunities for existing producers, plus ways to bring more Laos producers into the chain. For example: options (not only for the PTO but for those in the handicraft sector) for increasing SS&US income include:

- Expansion of raw silk production in Laos and exploration of feasibility of Laos cotton supply
- Geographical diversification of tourist sites outside the town, and parallel support to local producers/vendors at rural tourism sites, so that weavers in other villages can sell directly to tourists.
- Assistance to producers to upgrade into new tailor-made products with higher value added: for example, textile and paper products (bags, purses, notebooks) that are tailor made for workshops by adding the name of the event and sold via the hotel as part of the package; processed food products with English labelling and travel-friendly packaging; expansion of local speciality food product ranges for Asian tourists; textiles and paper products that include explanation of product origins, with how they were made and by whom.
- Assistance to producers and shops to secure export orders which would secure their business in the event of tourism down-turn and iron out seasonality.

**Summary of financial flows:**

- Total tourist expenditure: around \$4.4 million
- Approximately 40% accruing to local producers, vendors and input suppliers. i.e. around \$1.8 million
- High import content: mainly cotton, silk, silver.

**Significance to poverty:**

- Main beneficiaries are a mixture of waged workers, LPB town vendors, home-based weavers, and raw material suppliers, particularly Hmong silver, raw silk and paper products. A high proportion consists of women and ethnic minorities.
- Some craft makers and vendors are earning good income and have probably moved out of poverty. Many suppliers are rural and may well be poor.

**PPT opportunities: Several, with potentially high impact:**

- Increasing Lao production of silk (replacing imports)
- Upgrading production and marketing of specific crafts for higher value-added products.
- Supporting direct sales from rural producers, but while protecting the night market as an LPB asset.

## 7 Transport and excursions

### Financial flows and incomes of the poor

The most popular sites for tourists visiting LPB are the temples and museums that are directly inside the Heritage town. However, many tourists also take excursions a short distance from town to visit natural and cultural attractions. The most popular of these trips are to Kuangsi Waterfalls and Tam Ting<sup>18</sup> caves, both easily visited in a half day and easily combined with a stop-off in villages that specialise in, for example, textiles, and paper or whisky production. In addition to these standard excursions, there are guided soft adventure trips for kayaking, rafting, cycling or rock climbing. Tourists can also hire their own bicycles to explore independently. The majority of these excursions are not far from LPB town. Further a field (several hours by car and then by boat) is the village of Ngoi, which has become a back-packer retreat. While not falling within the scope of the 'LPB tourism economy' it provides useful information on the economic flows that can materialise when tourist accommodation is developed out of town.

Income to the unskilled and semi-skilled from the out-of-town excursions accrues broadly to three groups:

- Transport providers – owners and operators of boats and tuk-tuks.<sup>19</sup>
- Guides – both freelance and employed, formal and informal.
- Villagers living near tourism destinations, who may earn income from tourism in a variety of ways, outlined below.

The tourism expenditure data in Section 3 indicated that total spend per year by tourists on transport and excursions is around \$1.8 million per year. This includes excursions within LPB town as well as outside. For those outside, a high proportion of expenditure will go towards fuel, and indirectly to capital equipment involved in transport.

Excursions are organised in different ways, which affects where the money flows. The majority of tourists make their own arrangements for excursions, and thus spend their money on local tuk-tuks and boats. Or they pay at an informal travel agent (e.g. an internet café). The agent receives a 10% commission, but again the bulk of the fee goes to local transport providers. The typical price is \$4-5 for a half day tour by boat or tuk-tuk.

A minority of tourists (mainly Category 1) arrange their excursions through registered tour operators. Fees are quite different, around \$20 per person per day, depending on the trip and the group size. The tour operators offer the same standard tours (such as Kuangsi Waterfalls and Pa Koo caves), but also offer a range of other soft adventure tours (kayaking, cycling, climbing, trekking). The companies spend part of their revenue on guides, transport, local supplies of food or water, and sometimes on village fees.

Regular excursions and adventure tours are also available through informal guides, but we have no information on the size and structure of this sector.

### *Net income to tuk-tuk and boat owners from tourist excursions*

Net income to transport providers has been calculated using all three methods (tourist spend, trip estimates, and producer income estimates). The summary findings for tuk-tuk drivers (of all kinds) are shown in Table 8, and for Boat drivers in Table 9. The majority of this income comes from tourists in

<sup>18</sup> Also called Pak Ou caves – Pak Ou is the nearby village.

<sup>19</sup> In LPB there are three kinds of small motorised three-wheeled vehicles, of which 'tuk-tuk' is the name used for one type (the 8 seater). However, in this report 'tuk-tuk' generally refers to all three kinds unless specified otherwise.

Category 2 and 3, though some is from tour operators who also hire boats, and in high season may need to use more than their own vehicle.

It is likely that the tuk-tuk sector (in aggregate) is earning around \$300,000 (\$240,000 to \$360,000) per year, after paying operating costs but before covering capital depreciation and repairs. Individual drivers are probably earning between \$500 and \$1200 per year.

**Table 8: Three estimates of net income earned by tuk-tuk drivers**

	<b>Summary of three estimates of tuk-tuk income</b>	<b>Net margin p.a. to tuk-tuk owners</b>
<b>1</b>	<b>Estimate 1 from tourist spend</b>	<b>\$365,070</b>
Basis:	Total tourist expenditure on excursions	\$1.8 mn
	Assume 40% is on tuk-tuks, of which 50% is net income	
<b>2</b>	<b>Estimate 2 from trip data</b>	<b>\$239,745</b>
Basis	Estimated passengers to Kuangsi per year	50,000
	At \$15 per group, 6 pax per trip, and 50% operating costs, annual net income is:	\$50,000
	Plus roughly 220,000 bus station /airport trips p.a. at \$1. Additional net income:	\$109,830
	Add another 50% for other trips	\$80,000
<b>3</b>	<b>Estimate 3 from producer data plus inventory</b>	<b>\$262,755</b>
Basis	No of vehicles in operation	145 tuk-tuk, 87 jumbo, 137 sam lor
	Net margin per driver per year estimated by drivers	low: 382, 477 (jumbo); high 975, 1175 (tuk-tuk)

*Note:* See Table 28, Appendix 7 for further details of the calculations.

Owners of tuk-tuks and boats are clearly people with capital, given that the cost of a boat or tuk-tuk ranges from \$1,200 for a 3-wheel tuk-tuk to \$10,000 for a new short haul boat. Very rough producer income estimates suggest they are earning in the region of \$400 to \$1000 per year (taking a household near or well above the Lao poverty line). Some tuk-tuk drivers have left farming, and for most it is now their main household income. Some are reported to have sold off their farm land in order to buy their vehicle. So as a group, they are no longer poor but some may have been before the tourism boom. Newcomers appear to be coming into the business, with one long-standing driver complaining that competition, plus rising petrol prices, are now pushing profits down too far.

Estimates of boat income vary considerably due to lack of clear information on the volume of trips, but rough estimates of boat income from tourism per year are \$100,000, or possibly double that, to boat owners, plus a further \$10,000 a year or more to boat assistants, as shown in Table 9.

Table 9: Summary of different estimates of boat income

Boat type:	Short Haul Boat (LPB - Pak Beng)		Tour Boat to caves	Total
No of boats	40		80	
Contrasting estimates				
<b>Estimate 1: from Boat Association data</b>				
Trips per year	400		4140	
turnover per trip	304		40	
Net margin to boat owners per year				
Based on Association tax	20,063			
Based on trip estimates	25,915		<b>77,163</b>	<b>114,916</b>
<b>Estimate 2: from passenger visits estimates - caves only</b>				
Trips per year			3487.5	
turnover per trip			40	
Net margin to boat owners per year			<b>44,640</b>	i.e. lower
<b>Estimate 3: from producer income estimates</b>				
Net income for one owner			900	
Imputed total for all		higher	<b>72,000</b>	Similar
Net income for one owner			1080	
Imputed total for all			<b>86,400</b>	Similar
Estimated trips per year			17,200	unrealistic <sup>1</sup>
Imputed net income for all			320,581	
Add				
<b>Wages to boat assistants</b>			6,210	low est.
			25,800	high est.
<b>Aggregate implication:</b> around \$110,000 per year to all types of boat owners, plus \$10,000 or more to boat assistants. But the total could be possibly closer to \$200,000.				

*Note:* 1 Based on boatman estimates of 100 trips per day in HS which are totally different to Association estimates of 20 per day, and contradict all other data.

*Source:* See Table 29, Appendix 7 for calculations and notes.

Thus in total, around \$350,000 p.a., possibly \$450,000 is accruing to transport operators, after fuel payments but before depreciation. Most of this accrues to the 450 or so owners of boats and tuk-tuks who are therefore earning an rough average of around \$800-1,000 per year each (boat owners probably a bit more than tuk-tuk drivers). Given their relative income, high entry costs, and the fact that demand for their service is relatively inelastic, there is little obvious PPT intervention to increase the number of participants or the wages they earn. Nevertheless, tuk-tuk and boat drivers have an important role in developing links with remoter and poorer areas, so should be engaged in PPT consultation and collaboration.

### **Earnings of guides**

There are formal trained guides, some of whom are employed by tour operators, and some of whom are freelance, working both for operators and directly with tourists. There are also informal guides who pick up work from tourists. Guides are trained and qualified at village, provincial and national level. Though there is data on some guide numbers, the overall picture is not clear. MTDP data (2005) reports that there were 140 guides working in 17 tour companies in 2005, and that the number of provincial and village registered guides increased to 93 and 72 in 2005 respectively. In May 2006, the PTO reported



that there were 78 freelance guides who were registered with the PTO, and they had trained more than 100 guides in the last three years. In addition to the provincial and village guides, there are nationally trained guides (in Laos, not Luang Prabang), now numbering 338 according to LNTA, some of whom will account for those employed by tour operators in Luang Prabang. It is not at all clear how much these figures overlap, and thus how many employed guides, freelance qualified guides, and freelance informal guides there are operating in LPB.

Table 10 attempts to make some rough calculations, to give an indicator of guide incomes. This suggests that guides as a group are earning in the region of \$60,000 to \$120,000 annually. The majority of this income comes from Category 1 tourists. However, there may be a large missing market of informal guides used by any category.

**Table 10: Two guesstimates of annual guide income**

<b>Estimate 1: based on number of trips</b>			
If we assume...			
i	20% of visitors to Cave and Waterfall are with TO	14,748	pax
i	Average pax per trip	3-4	
Rough estimates of trip numbers			trips
i	Tour Op trips to Kuangsi and Caves <sup>1</sup>	4,000	
g	Tour Op trips to elsewhere	2,000	
g	Freelance guides with tourists (non Tour Op)	2,000	
Total Guided days per year		8,000	
i	Average guide income per day (whether freelance or salaried)	14	\$
Total guide income per year		<b>112,000</b>	\$
<b>Estimate 2: based on number of guides</b>			
i	Wage plus day fees for one salaried guide	816	
i	reported staff in all Tos	140	
Sub-total for employed guides p.a.		114,240	
Freelance guides		78	
g	If average three trips pm (HS and LS), \$15 per day, income per year	540	\$ p.a.
Sub-total for freelance guides:		42,120	
Total all guides		<b>156,360</b>	
Key unknown variable: number of trips per year with a guide			

Key:

i = the assumption is based on a calculation that uses information provided in interviews or records

g = the assumption is based on a guess and opinions of the team

Note 1. Organised excursions account for a minority of trips, but the number and percentage is not known. Information from Tam Ting caves for May 2006 suggests 20% of visitors are with tour companies. Applying this to Tam Ting Caves and Kuangsi gives around 4,000 trips per year with tour operators, to which another 50% elsewhere are added. The 20% figure tallies with the fact that 25% of tourists are in Category 1, so seems reasonable.

Guides are among the most highly-skilled tourism service providers if they have good English language skills. There are several examples of students learning English to become a guide, or a worker in a restaurant or guest house moving into guiding. However, they are not necessarily from the better-off households. Many guides have previously been ordained as monks in temples. Monks are more likely to be coming from poor families, as studying in temples is their only means of getting education.

### ***Excursion income accruing to rural villages***

Tourists often stop in villages as part of their excursion, though usually briefly. A small minority of trips involve an overnight in a rural village.<sup>20</sup> There are some two or three day soft adventure trips, including the village treks supported by the PTO.

There are four main ways that rural residents can earn income from tourists that pass through their area:

- Entrance fees to a site that is managed by the village (rare)
- Tourist discretionary expenditure during their visit, e.g. on food, drink, shopping
- Payments by tour operators, such as a village fee, or payment for a service such as baci or pottering.
- If tourists stay overnight in a village, villagers can also earn money for providing accommodation, dinner/breakfast, and a baci ceremony.

#### **Entrance fees**

At Tam Ting caves, foreign tourists pay \$1 each to enter, and Laos tourists pay 50 cents. According to a village informant, a unit of eight families from the village over the river collect the fees for one year. From this they have to pay the government \$27,000 and anything over this they keep. Based on PTO entry data, they should be taking around \$30,000 per year,<sup>21</sup> though it may well be more or supplemented by offerings within the cave. There are nine such units, which rotate their turn annually. Pak Ou is now described locally as extremely well off by comparison with other villages. While the system for sharing funds seems somewhat bizarre (some households are earning at least \$30 per month while some have to wait nine years for a turn, and nothing accrues to other nearby villages), the principle of villagers collecting entrance fees and keeping a share is shown to be a very important way for benefits to reach rural households. How this principle could be applied elsewhere would be worth looking at. It seems that villagers do not get entrance fees elsewhere, for example at Kuangsi waterfall.

#### **Tourist discretionary spend**

It is difficult to estimate how much tourists spend on food, drink or curios on their out-of-town trips. At Ban Xieng Liek, a well-developed textile village with a variety of shops just on the edge of Luang Prabang, tourists may do a fair proportion of their shopping. But at other villages, there is little. Around Kuangsi Waterfalls, there is a small range of textiles, wood and food products. Near Tam Ting caves, tourists can buy home-woven fabrics for around \$2-8, or a bottle of rice whisky for \$1. Thus, on these trips and adventure tours it is likely that most purchases are relatively small, perhaps averaging \$2 per head. If not provisioned by a tour operator, they are also likely to buy a bottle of water (\$1), and, if available, snacks or lunch, although not knowing what is available many will come with provisions from town.

However, what was evident on a trip to Tam Ting caves and two nearby villages was just how little was available to purchase, particularly in the way of drinks and snacks. Tourist leaving their guest house at 7.30, and returning to town around 1.30, carrying their own supplies, are probably a ripe target for Laos coffee and tea, fresh fried snacks, seasonal fruit shakes. But the opportunities are missed. There was also a dearth of other goods or services for tourists to pay for. The village product is simply walking around a village, which tourists do for free. There is nothing to watch, visit, participate in or learn about that involves a fee. Several tourists interviewed in May 2006 complained that they were just dropped in a village for half an hour by their driver, and left to wander in a village and stare at people, with no interpretation, translation or activity.

---

<sup>20</sup> Neighbourhoods within the LPB town environs are also referred to as 'villages', but this section refers to rural villages meaning those that are not within or adjoined to the town.

<sup>21</sup> According to PTO 2005 data (incomplete but with imputed estimates for the gap months), there were around 31,500 visitors to the caves in 2005. Most pay \$1 each, but it is not known how many are Laos visitors paying less. On the other hand the actual total number of visitors may well be higher than is recorded.

### Fees paid by tour operators

In some cases, tour operators pay a fee to the village chief or village fund. In return, a village porter, an eating space for the tourists, or perhaps a baci ceremony is provided. In other cases they pay a specific local person or group for a baci ceremony. Sometimes they pay for a local lunch, but tour operators also said that there are problems with health and hygiene issues, so this depends on the type of guest. Tour operators also buy water where it is available, but often it is not, so must be brought from town. If the trip involves overnights, then operators pay for accommodation and food and, at more remote spots, they can pay up to \$3 for a bottle of water.

How much of total tour operator revenue reaches villages? Data from a few trips organised by tour operators shows the percentages are highly variable. Table 30 in Appendix 8 compares the amount that is spent 'locally in LPB area' (in town or village) and the amount spent at village level, as a percentage of turnover per trip. It shows that in general, around 40-60% is spent on 'local goods and services' from the Luang Prabang economy, and sometimes 80%. These are mainly guides, food, and transport. In contrast, payments at village level, comprising fees for entry, village visit, food, water, porters, baci, accommodation, are low, often around 2 % of turnover. However, the proportion goes up to 12 or 20% when there are payments for village fees, food and water, and up to 34% with an overnight stop. This 34% correlates with data from the community based treks supported by the PTO: in one year (05-06) villages earned around \$4,000 out of revenue of \$12,000 (PTO data 2006). Using these estimates, Table 11 calculates the range of possibilities for village income. At present, the low scenario is probably prevalent. The challenge is to reach the high scenario which would inject around \$100,000 per year into rural areas.

**Table 11: How much tour operator excursion expenditure reaches rural villages?**

<b>If there are:</b>			
TO trips per year	6000		
Avg \$ per trip per pax	22		
With 3 pax per trip, total turnover	396,000		
		<b>low est.</b>	<b>high est.</b>
TO spend on local goods and services %		40%	80%
TO spend on local goods and services \$		158,400	316,800
TO spend on village goods and services		2%	30%
TO spend on village goods and services, p.a.		7,920	118,800

*Notes:* TO = tour operator

<sup>1</sup> Estimates of low and high spend are based on existing tour operator operations, analysed in Table 30, Appendix 8.

There are several implications of note here.

- The amount reaching village level depends enormously on whether fees are being paid for entrance fees or to village chiefs, and if lunches are purchased locally. If they are not, village income would be only about \$6,000. If they were being paid in most cases, it would be around \$80,000 per year. As entrance fees are paid to the village at Tam Ting caves but not at Kuangsi<sup>22</sup> the likely current amount is between the two.
- The majority of tour operator lunches appear to be bought in town. If there are 18,000 lunches a year at around \$2 each, then up to \$36,000 is being spent in town that could be spent in villages if food standards and communication were sufficient.
- Although the dollar amount being spent in villages by TOs is small, there appears to be scope for large improvements if the percentage can be raised to nearer 20% for all trips.

<sup>22</sup> Entrance fees are paid, but the money goes to the government. Aside from a fraction that pays for some salaries and maintenance, the ticket money does not remain in the immediate area.

- The high end estimate of 30% is only based on current best practice reality. Beyond that, there are many other ways that local spin-offs from trips could be developed for integration into operators' packages. These could be development of drinks (coffee, fruit shakes), and added-value activities, such as hands-on demonstrations of village skills, which operators could include in the package.
- If tourists are spending an average of \$2 per person on curios while visiting villages, then this expenditure by tour operator passengers (around \$36,000 currently) may be as high as current income that is directly from tour operators. If the aim is to encourage spending outside LPB town, helping villagers sell more to package tourists on trips may be just as important as enhancing the structure of tour operator payments.

These considerations in turn suggest a number of possible action points (see below). However, it is important to note that TO excursions are just a minority of trips. Many changes could and should apply equally to informal trips. For example, helping villagers to develop more interactive value-added activities for guests can attract both independent and excursion tourists, as would processed drinks.

### **Overnight stays**

If tourists stay overnight in a village homestay, a range of earnings fees open up, such as for homestay, baci, dinner and breakfast, and cultural performances. For example, on a two day trek including Tam Ting caves, one adventure tour operator pays \$1 per tourist for accommodation, and \$0.5 per person as village fee (includes porter), plus \$4.5 per tourist for village dinner, breakfast and lunch, plus \$7 per group for baci and \$1 each to four cultural performers.

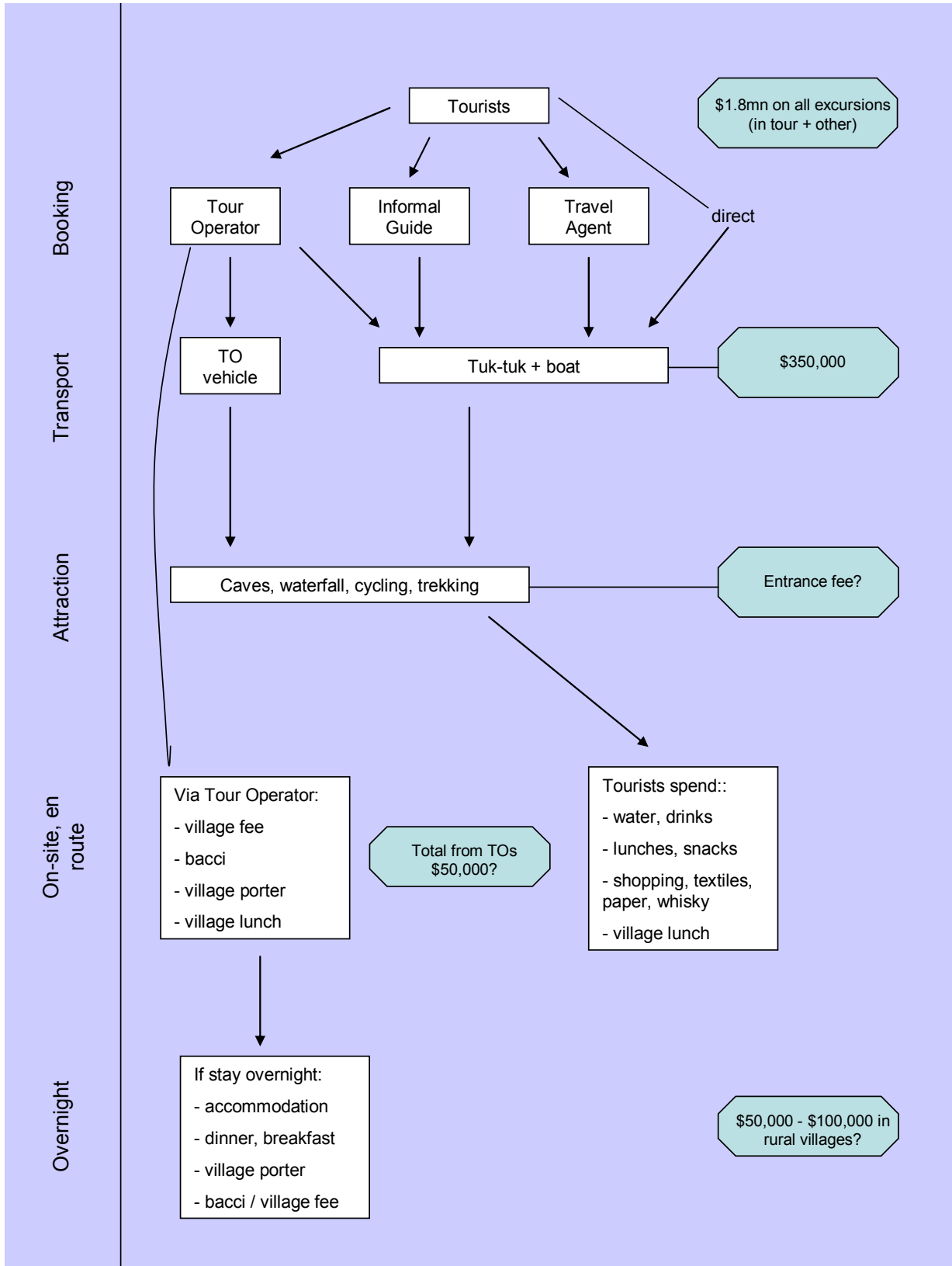
For this operator, about half of his Tam Ting cave trips include one or two overnights, but most of his full range of excursions are one day only. As he is at the more 'adventurous' end of the market, it is likely that across all excursions from LPB, the number involving an overnight is very small.

Most of the villages where tourists stop have no formal accommodation facilities for them to stay. However, Ngoi village (Luang Prabang Province but some 150 km from LPB town) was 'discovered' by back packers some years ago and has now evolved into an established destination with guest houses and restaurants. Tourists spend an estimated \$200,000-300,00 per year there, creating net income for villagers estimated at \$100,000- 150,000, and approaching an average of \$1,000 per year per household (See Table 31 in Appendix 8). This outweighs the estimates of total expenditure in all other villages from trips outside LPB. This is an indication of how much income can be anchored in more rural areas if accommodation and activities for the daytime can be developed.

### **Overview of financial flows to villages**

If there are around 70,000 visits to Tam Ting caves and Kuangsi waterfalls per year, there may be around 100,000 visits outside of the LPB town into rural areas. The villages outside LPB are earning a relatively small share of total tourism revenue, as shown in figure 4 below. However, for those that are earning, it is evident that they are doing very well from tourism and are reported to be noticeably better off than other villages. One village is earning a few thousand dollars from its share of entry fees to the Tam Ting caves. Some of the craft income accounted above (in Section 6.1) is taking place in villages – perhaps around \$50,000 to \$100,000 if the main textile 'village' (Ban Xieng Liek) on the edge of LPB is excluded. Sales of water and snacks could possibly amount to a further \$50,000. Payments by tour operators are somewhere over \$8,000 and possibly around \$20 or \$30,000. A tiny number of tourists stay overnight in villages, but when they do, revenue per tourist into the village economy is many times higher.

Figure 4: Excursions, transport and village Income



**Implications and areas for intervention**

*Transport:* tuk-tuk and boat drivers are an essential link in the chain for increasing tourist visits to rural areas. It is important that there is no supply constraint here but given increasing competition that seems unlikely. Beyond that, there does not appear to be any priority for PPT intervention.

*Guides:* development of a quality guide cadre is important for the destination and important for keeping both the flavour of the trip and the skills involved 'local'. Guides are an important interface between the guest and local people. Therefore

- government investment in training guides is important over the long term
- the training programme should periodically consider whether there are options for increasing access for poorer participants, whether as village or provincial guides
- guide training needs to produce a cadre of guides who are sympathetic and knowledgeable on village and cultural tourism. The ability to act effectively as an interlocutor with rural Laos is therefore a priority.

*Rural income:* there is considerable potential for action to boost rural tourism income, though no single or easy action.

To summarise the current constraints on village income, these include:

- Tourists may not have time to spend overnights in village areas. A 15-day visa period (and the hassle or cost of extension), and sometimes a fixed itinerary, would make it difficult to add in an overnight trip if not planned before departure.
- Entrance fees rarely accrue to villages.
- In most villages where boats, tuk-tuks or tour operators stop, the 'product' is just seeing the village, and perhaps shopping. There is no village-based activity or interpretation for which tourists would pay (the treks are an exception) and no system of asking tourists for payment just to visit a village.
- Items for sale are very limited: more of the same curios, sometimes water, and some basic food.
- While some tour operators pay village fees to those villages they visit, the system is not uniform.
- While Ngoi village has developed as a tourism destination in its own right, other villages have not developed as more than a place to pass through.

These constraints suggest there are a number of actions which could be explored to boost income to villages outside LPB, though all would take time and an evolutionary approach. Many of these could be usefully discussed with the MTDP:

- Encouraging more tourists to spend nights in the rural areas. This could be done by extending the visa period, and promoting upfront (e.g. via a pop-up on the website) the idea of including nights in a village in marketing material, so that it is planned pre-departure.
- Analysing which villages are visited by tourists and identifying entrepreneurs to work with in those villages on upgrading and development of products and services.
- Supporting villagers to understand tourist tastes and offer a wider range of quality food, drinks, and shopping items.
- Assisting villagers to develop fee-paying activities that enable tourists to participate in and learn about local life, and turn a local product (weaving, sticky rice, coconuts) into a tourist excursion.
- Assisting villagers near the main tourism sites to work with tour operators to meet health and safety requirements so that food for tour groups is purchased locally and not in town.
- Reviewing the system of entry fees that is applied across attractions and developing consensus within government and villagers on a fair distribution between residents, government, and maintenance. Addressing entrance fee distribution in the current Kuangsi management plan process.
- Investing (as the PTO is doing) in basic village infrastructure, such as toilets and transport access), which facilitate stop-offs by tourists and provide a magnet for other enterprise development.
- Assessing whether and where there is scope to assist villagers to establish simple accommodation facilities and start developing additional rural spots as a destination in their own right.

While it is always important to develop services with a view to meeting the needs of the market, it does not seem that new activities have to be in the very same villages that are currently visited. Both tour operators and the boat drivers appear to move readily to new villages as opportunities change, and there was a clear statement from two operators that if better guest products were available they would use them. As more organised activities develop in some villages, some backpackers seeking a more 'authentic' experience will reject them and move onto more 'real' villages. But so long as the services continue to meet the needs of the regular passengers, the evolving involvement of newer villages is a bonus, not a problem.

- Evolution of sites through market pressures should generally be welcomed, not resisted as an upset to plans. The key is to develop the minimum necessary infrastructure, marketing and skills so that the market (tourists, operators) choose to spend longer and visit new villages, and entrepreneurs find ways to profit from meeting their needs.

#### **Summary of financial flows**

- Estimated tourist expenditure on transport and excursions: around \$1.8 million per year, including trips outside LPB town
- At least approximately 33% accrues to semi-skilled tuk-tuk and boat drivers (around \$350,000 net income, possibly \$450,000 or more), and guides (around \$150,000).
- Only about \$100,000 or perhaps \$200,000 is accruing to rural villages visited by tourists. In total this is less than is earned at one more distant successful village destination, Ngoi.

#### **Relevance to poverty**

- Around 400 drivers are earning around \$800 per year each, and around 150-250 guides may be earning \$500-800 per year. i.e. enough to keep a household above poverty. Drivers have substantial capital assets. Guides have skills but may have been poor. Most are urban.
- Village income is important for dispersing income outside LPB. Those few villages which have tourists are perceived as better off than others. Income may be earned by individuals, work groups, or the village fund.

#### **PPT opportunities**

The main opportunities lie in increasing activities and income in rural villages for tourists on excursions;

- Working with village entrepreneurs on new and existing products and services
- Encouraging tourists to spend longer, and to plan overnights
- Developing good practice codes for tour operator payments to villages and for distribution of entrance fees from sites

## 8 Overview: Benefit flows and strategies for expansion

### Overview of financial benefits to the poor

The estimates of expenditure and income above must be taken as very rough. Nevertheless, they paint a picture of where money is flowing in the tourism economy, and where the poor and sufficient households are most active. Figure 5, below, summarises where money is flowing across the four value chains.

It seems likely that around \$6 million per year of tourist expenditure is flowing directly to semi-skilled and un-skilled producers, suppliers and workers. This is around 27% of total receipts into LPB of around \$22.5 million. It should be borne in mind that while estimates have been triangulated where possible, they could easily be wrong by a factor of two in either direction, and some gaps in the analysis have been filled with mere guesstimates. While there is no directly comparable international research on this, the figure of 27% is likely to be high by international comparison, given the structure of the products.

Most of the \$6 million is flowing to semi-skilled participants, with some capital or skills, and mainly within the immediate environs of LPB town. The groups earning most dollars are meat and fish producers/vendors, weavers, raw material suppliers, and transport owners.

Although accommodation is the sub-chain with the highest turnover, it has by far the lowest percentage of turnover accruing to the semi-skilled and un-skilled, at just 6%. This is because of low wage rates, high use of family labour, and high expenditure on other operating costs. In contrast, around 40-50% of turnover in the food and craft sectors, and probably over 33% in transport and excursions, accrues to the semi-skilled and unskilled. As a result, the sector that is most important to SS&US is the food and drink sector. Crafts are the second most important. In both cases, revenue is flowing both to producers within LPB province, and also to input suppliers (of vegetables, silk) in other provinces of Laos.



Figure 5: Summary of SS&US incomes across all four sub-sector chains

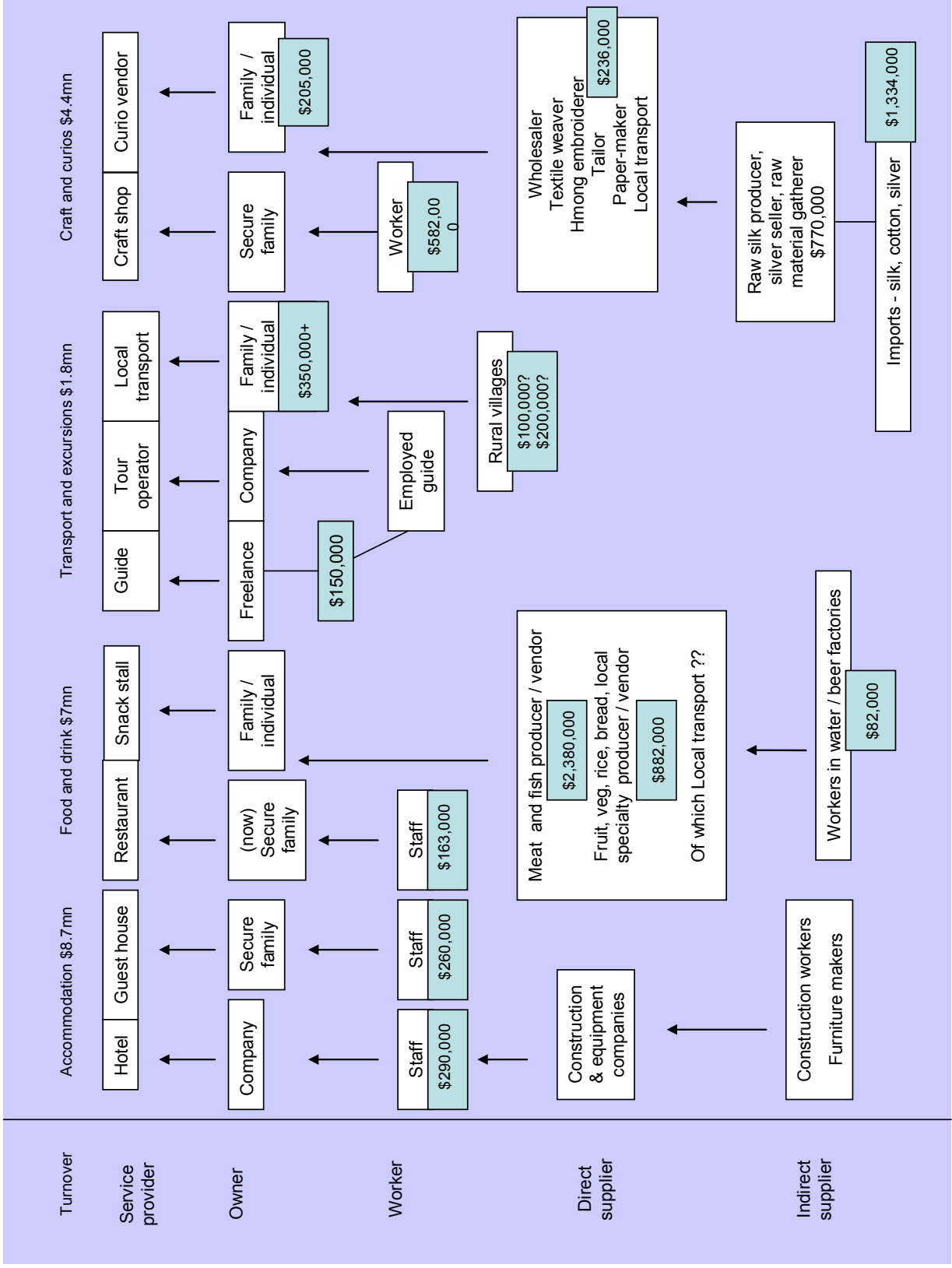


Table 12 summarises key findings across the four value chains, showing the percentages accruing to SS&US, and also specifically identifying where ‘the poor’ are likely to be involved. The three main areas involving the poor are:

- Supply of fresh food
- Supply of silk, silver, wood products and other raw materials for curios
- Payments to villages and villagers during excursions out of town.

These are also three of the main areas for recommended action.

**Table 12: Summary of financial estimates across four chains**

Sector:	Accommodation	Food and drink	Crafts and curios	Transport and excursions
<b>Approx. turnover in LPB, p.a.</b>	\$8.7 mn	\$ 7 mn	\$4.4 mn	\$1.8 mn
<b>% accruing to semi-skilled and un-skilled</b>	6%	45-50%	40%	33% +
<b>Approx \$ per annum</b>	\$ 555,000	\$ 3,000,000	\$1,800,000	\$600,000
<b>Main earners (approx aggregate income per year)</b>	Hotel workers (\$290,000) Guest house workers (\$215,000)	Meat and fish producers (\$2,400,000). Fresh food producers (up to \$883,000)	Weavers (\$550,000) Silver and other suppliers (\$505,000) Silk suppliers \$(265,000) Vendors (\$200,000)	Tuk-tuk drivers (\$300,000) Boat owners (\$110,000) Guides (\$150,000)
<b>Income to the ‘poor’</b>	Very little. Some ‘poor cousins’.	Farmers (rice, veg, fruit) producing \$883,000 worth of fresh produce (wholesale prices)	Silk producers, gatherers of wood products, sellers of Hmong silver. Producing around \$770,000 of raw material.	Villagers – fees, shopping, baci, homestay. Possibly \$100,000 p.a. or \$200,000.
<b>Opportunities for increase</b>	(increased employment via bed stock expansion)	More regular fruit and veg supply. Speciality food products and value added	More Laos silk supply. More rural point-of-sale. Higher value-added & tailor- made products.	More products and services in villages for tourists to spend money on. Expanding cadre of village guides.

Based on the incomplete data we have, estimates for the amount of SS&US income that is derived from different categories of tourist are:

- Per tourist, SS&US people earn around \$35 per budget and mid-market tourist, and around \$59 per up-market tourist.
- Per category of tourist, SS&US people are earning around \$2.75 million per year from budget tourists, \$2.0 million from up-market tourists, and around \$0.8 million from mid-market tourists.

This suggests that up-market tourists contribute more per person, but the difference compared with budget tourists is much less than the difference in their total expenditure, because so little accommodation expenditure accrues to SS&US people. As a group, the 78,000 budget tourists contribute more to SS&US than the 34,000 upmarket tourists. However, these estimates are based on the assumption that the percentage of expenditure in each sub-chain that accrues to SS&US is exactly the same for all tourists, except in the case of accommodation. This is probably wrong, but there is no

better information to adjust the percentages for a more accurate calculation. Table 24 in Appendix 4 presents the table on which these figures are drawn.

## Strategic approaches to boosting incomes of the poor

Before reviewing the various recommendations within each section, it is worth considering the basic approaches that can be used to boost incomes and participation of the poor. Four different approaches can be distinguished that focus on the poor (Kaplinsky and Morris, undated):

1. Expand the overall market size in order to increase demands for goods and services provided by the poor.
2. Seek to change the relative proportions of different products within the tourism sector, to expand the share of those provided by the poor.
3. Upgrade the production of the poor to more skill-intensive or information-intensive products or functions, to increase their value-added and earnings
4. Facilitate the entry of new poor producers into the value chain.

*Strategy 1*, expanding the sector, could be applied to the whole tourism sector in LPB. If the 27% figure is correct, roughly a \$100 increase in tourism revenue equates to \$25 to SS&US households.<sup>23</sup> Or to put it another way, each extra tourism day spent in LPB is estimated to generate \$41, and thus over \$10 to SS&US. And each extra visitor (averaged) is estimated to generate \$177, and thus nearly \$50 to SS&US.

*Strategy 2* depends on whether there are specific components of the tourism product that (a) have above average returns to the SS&US, and (b) have potential to strengthen their relative position in the LPB product. While food has the highest returns, it is not at all clear that it is feasible to increase the proportion of tourist expenditure on food, at least not without tilting it away from basic food items supplied by the poor. The main areas for specific attention for expansion are probably (1) excursions to villages and overnight stays in villages; and (2) increased demand for textiles and paper products in those tourism segments that currently under-spend relatively. There is inconclusive data about the pro-poor benefits of boosting specific segments of tourist arrivals (discussed below, pp 47-48).

*Strategy 3* is the conventional pro poor approach to globalisation: assist poor countries and poor producers to compete in a world economy where information and skills are the passports to profit by helping them upgrade and stay competitive. Several examples of upgrading are already evident, such as the chilli paste maker developing his labelling and packaging, and a successful Hmong embroidery vendor revitalising old designs and spending more time vending while paying others to sew. Equally it is evident that tourism skills are generally relatively low: several tourists interviewed commented that English language skills were much needed. While the service culture that is intrinsic to tourism rests relatively easily on Lao culture, and menus of banana pancakes have spread easily, there also seems more that smaller entrepreneurs could do if they had more understanding of tourist needs and expectations. If LPB is to remain competitive internationally, and if the SS&US are to remain competitive at providing services within an evolving LPB tourism economy, further investment in upgrading skills is important.

However, there is a tension here between a narrow definition of ‘the poor’ and this approach to upgrading: the definition of Lao poverty is so low, that those producers who could develop more skill-intensive and information-intensive products are almost by definition going to be above poor or will move out of ‘Lao poverty’. The chilli paste maker is probably from a ‘secure’ not ‘sufficient’ household. A village or household that was capable of developing a craft- or agricultural-based excursion would already have relatively good skills and capital. Nevertheless, the potential value of upgrading micro enterprises should not be neglected. The entrepreneurs may not be Laos-poor, but they are not wealthy. They not only provide jobs and a market for inputs as they expand, but keep the overall product competitive against other destinations and other claims on tourists pockets. Their innovation

---

<sup>23</sup> Given that booking fees and commissions have been excluded from all figures for Category 1 tourists, this is equivalent to an increase of more than \$100 in actual tourist expenditure.

can be copied by other producers over time (the innovators complain, but the process is beneficial), and as they move up the value chain they make space for others to come in on basic production. There is scope to apply upgrading principles to makers of paper products, bags and other textiles, and on-site producers in villages. But those for whom this strategy works will be the innovators, not the most risk-averse producers.

*Strategy 4:* in recent years, it is clear that newcomers have been entering the tourism chain. Paper-makers and tuk-tuk drivers complain of competition holding down profits which is a good sign of new producers entering the market. One area to explore is whether there are ways to help the poorer households, rather than those with more assets, to enter the expanding markets, whether this is in boats, tuk-tuks, textiles or guiding. For example, schemes for credit or training could be specifically targeted at the poor. There may also be opportunities to help newcomers into the tourism value chains in agriculture and silk (possibly cotton), as this is where local production is currently of insufficient quality or quantity and thus imports are used.

Finally, there is another strategy that is important to the poor engaged in tourism, and that is to assist them to avoid over-dependence on tourism and thus to minimise their exposure to the risk of a slump in arrivals. At the very least, it is crucially important to ensure participants in any new tourism initiative are aware of this risk, particularly if interventions are encouraging them to become tourism entrepreneurs. Beyond that, actions that help them develop links to other markets (other towns or overseas), or building up assets that can be applied in other work (reserves, computing skills and equipment, languages) help to reduce risk.

## 9 Recommendations by stakeholder and area of intervention

This section first reviews the issues and the opportunities for PPT intervention that have been identified in each section above. It then considers the recommendations that are specifically relevant to the Provincial Tourism Office, and those that need to be pursued with other stakeholders. It concludes with consideration of the ways to take this report forward.

### Key factors to address

Each sub-chain (accommodation, food, crafts and excursions) has been considered above, with specific recommendations made for each. Table 13 summarises, across the sub-chains, the key factors that would boost the earnings of the poor, both directly, and indirectly over the long term. Some of these factors are not easily amenable to influence, some could be influenced but require a substantial programme. Box 1 then summarises the interventions which are recommended to address these, although those with more knowledge of LPB tourism may well be able to identify further recommendations that would address the key factors.

Some recommendations fall clearly within tourism management, and others depend more on interventions in other sectors (agriculture, sericulture). The next sections therefore focus on recommendations for specific stakeholders: firstly those within tourism, and secondly those which SNV may explore with other partners.

### Recommendations to the PTO and tourism stakeholders

For the PTO, there is clearly a vast range of possible interventions that could be undertaken for PPT – indeed many more than could be manageable at one time. Therefore the first step is to review all the possible recommendations, and from that derive priorities. What follows is a first attempt to do that. However, further prioritisation is of course for the PTO and its partners. The fact that the PTO is already working on some of these interventions is welcome. But they are mentioned here to reinforce their value to PPT. The full list is clearly beyond the capacity of a small busy organisation. Nevertheless, it is important to list all the recommendations for stakeholders to discuss.

### *Promoting excursions and village income*

Increasing tourist expenditure in rural villages is one of the important ways to spread income beyond LPB town. In terms of the number of dollars per year it will remain small (compared with, for example, income from crafts or foods), but it is an area with potential to increase significantly over the long term, while at the same time strengthening the LPB product.

The many possible actions include:

- Engage with villagers on tourism routes to up-grade and diversify their existing products in terms of quality, information and interpretation available. Provide training or exchange visits to help them to understand tourist tastes or link with another organisation that provides training to small-scale entrepreneurs. A trainer or consultant could introduce ideas for new products (coffee, snacks, etc). A mobile training unit for villages receiving tourists would be ideal.
- Work with villagers and tour operators to explore the potential market for fee-paying activities that enable tourists to participate in and learn about local life, and turn a local product (weaving, sticky rice, coconuts) into a tourist excursion.
- Adapt marketing and tourism information to encourage more tourists to spend nights in the rural areas. In particular, pre-departure information should be revised to see if there are opportunities to promote this to tourists planning their itinerary. Engage with LNTA over information on the national Laos website.
- Engage in government discussions to extend the visa period, so that more tourists have time to spend in rural areas

- Work with villagers, tour operators, and small business or agro-processing specialists to see if villagers near the main tourism sites can meet health and safety requirements in order to become regular providers of lunches for tour groups. As the mobile phone network extends, it is invaluable to use this to enable local producers to respond to advance orders.
- Work with provincial and district government authorities to review the system of entry fees that is applied across attractions and developing consensus within government and villagers on a fair distribution between residents, government, and maintenance.
- Assess whether and where there is scope to assist villagers to establish simple accommodation facilities and start developing additional rural spots as a destination in their own right. Ensure any such strategy supports facilities that are market-led, market-responsive, and competitive, and not reliant on planners plans or permanent subsidy.
- Maintain investment in training guides at village and provincial level. Ensure that guides are well trained to provide an effective interface with rural Laos. The opportunities for village guides to market themselves and eventually graduate to provincial guide level should be assessed over time.
- Work with tour operators to develop good practice guidelines for payment of fees to villages, for visiting villages, use of guides, participation in baci ceremonies. Insist that tour operators report on their use of the code and report the results.

There is a great deal here that requires small business training, and some that requires commercial feasibility assessments for new tourism products. Tapping into such expertise through new partnerships would be invaluable.

### ***Developing handicraft production and sales***

Handicraft sales are a vital component of LPB tourism for the poor. The most significant implication for tourism management is that it is important that it remains this way. This means:

- Ensure that handicrafts in general, and the night market in particular, continue to be promoted and perceived as integral parts of the LPB product.
- Maintain and where necessary protect the night market as a tourism asset, i.e. as a market that is distinctive, and features local products. Maintain access of the poor to vending at the market, through low fees and simple procedures for vendors.

There are many other possible interventions for further upgrading craft production and producer income. However, these do not fall clearly under the responsibility of the PTO (see page 50 below). Areas where PTO input would be useful are:

- While promoting geographical diversification of tourist sites, simultaneously support local producers/vendors at these sites, so that rural weavers and other producers can sell directly to tourists.
- If others are to work with craft producers on product diversification, there should be further research into the handicraft spending of different types of tourists, particularly Asian tourists, to understand market potential.

Table 13: Factors that would directly boost earnings of the poor

Key factors	Most significant for affecting:	
	Total dollars p.a.	Incomes of poorest
<p><b>Food:</b></p> <ul style="list-style-type: none"> <li>• A greater proportion of Lao products in the food supply to restaurants.</li> <li>• Expansion in sales of local food speciality products to tourists, particularly if processing, packaging, labelling are done by the poor themselves.</li> </ul> <p><b>Crafts:</b></p> <ul style="list-style-type: none"> <li>• A greater proportion of silk and cotton used for tourist textiles coming from Lao producers.</li> <li>• Expansion of craft sales to tourists, or sales by tourist vendors to export markets.</li> <li>• Diversification and upgrading of craft products sold to tourists, particularly if upgrading is done by poor producers.</li> <li>• More craft sales to tourists in rural villages, directly from producers.</li> </ul> <p><b>Rural excursions:</b></p> <ul style="list-style-type: none"> <li>• An increase in the proportion of tourists that spend a night in villages and an increase in the range of villages visited by tourists, if complemented by:</li> <li>• Increased availability and quality of items for tourists to purchase while in villages, and introduction of fee-paying culture-base activities in villages.</li> <li>• A uniform system for tour operators to contribute to village funds when visiting villages.</li> <li>• A fair system for sharing entrance fees to cultural/natural attractions, which ensures a proportion to nearby villages, and an equitable distribution system within the villages.</li> <li>• Purchasing of lunches, water, and other food from villagers by tour operators when on excursions.</li> </ul>	<p>**</p> <p>**</p> <p>*</p> <p>*</p>	<p>**</p> <p>**</p> <p>**</p>
<p><b>Strategic factors that in the long term will maintain or boost earnings of the poor</b></p> <ul style="list-style-type: none"> <li>• Hospitality skills training, particularly for unskilled, semi-skilled and rural participants.</li> <li>• English language skills, particularly for unskilled, semi-skilled and rural participants.</li> <li>• Maintenance of the night market and of craft shopping as a core part of the LPB product.</li> <li>• Development of new rural destinations (apart from Ngoi) with overnight facilities and add-on activities and facilities.</li> <li>• A longer length of stay in LPB and its environs and thus a longer visa period.</li> <li>• Maintenance and expansion of crafts, village visits, 2-wheel and 3-wheel transport, boats, and local food as integral elements of what is marketed and perceived as the LPB tourism product.</li> <li>• Higher occupancies during low season.</li> <li>• Partnerships between communities and investors, so that communities can secure outside investment and expertise while remaining active partners.</li> <li>• Maintenance and growth of tourist arrivals to LPB, including a diversity of market segments.</li> </ul>		

**Box 1: Summary of opportunities for PPT intervention****Rural excursions:**

**Seek to revamp the rural product offer in terms of activities and shopping items, and increase the time spent by tourists in rural areas.**

- Encourage more tourists to spend nights in the rural areas: e.g. extend the visa period, and promote village overnights in marketing and pre-departure information.
- Seek to revamp the product offer available in villages near tourist sites/activities. e.g. identify entrepreneurs to work with in those villages on upgrading and diversification of products and services. Help villagers to understand tourist tastes.
- Assist villagers to develop fee-paying activities that enable tourists to participate in and learn about local life, and turn a local product (weaving, sticky rice, coconuts) into a tourist excursion.
- Assist villagers near the main tourism sites to work with tour operators to meet health and safety requirements so that food for tour groups is purchased locally and not in town.
- Review the system of entry fees that is applied across attractions and develop consensus within government and villagers on a fair distribution between residents, government, and maintenance. Address entrance fee distribution in the current Kuangsi management plan process.
- Continue investing in basic village infrastructure, such as toilets and transport access, which facilitate stop-offs by tourists and provide a magnet for other enterprise development.
- Assess, with the private sector, whether and where there is scope to assist villagers to establish simple accommodation facilities and start developing additional rural spots as a destination in their own right.
- Evolution of sites through market pressures should generally be welcomed, not resisted as an upset to plans. Set the context for the market (tourists) and entrepreneurs to develop rural tourism.
- Continue investing in a quality guide cadre to maintain quality and a 'local flavour' to excursions. Maximise access for rural/poorer participants and emphasise skills for being a knowledgeable and sympathetic interlocutor between tourists and rural Laos.

**Food sector:**

**Seek to increase supply of Laos fresh food into LPB restaurants, and support expansion of speciality food sales to tourists:**

- Establish collaboration with partners with agricultural expertise and further assess sources of supply for different food items. Then;
- Where feasible, assist farmers to increase out-of-season production of fruit and vegetables to cater to the tourist trade.
- Strengthen market mechanisms between farmers and restaurants so that demand and supply are complementary.
- Explore potential to improve and upgrade local speciality foods as shopping items. Assess the Lao tourism market and understand better the regional market, to help producers cater to these markets.

**Craft sector:**

**Increase inputs of Laos silk and cotton if feasible, support further upgrading of handicraft production, and assist poor producers in the market.**

- Explore feasibility and partnerships for expanded production of Lao silk to supply the textile chain (and possibly cotton for Hmong fabric).
- Support local producers/vendors at rural tourism sites, so that weavers in rural villages can sell directly to tourists.
- Assist producers to upgrade into new tailor-made products with higher value added. For example, textile and paper products (bags, purses, notebooks) that are personalised for the customer, or include explanation of product origins and how they were made; processed food products with English labelling and travel-friendly packaging; expansion of local speciality food product ranges for Asian tourists.
- Encourage producers and shops to secure export orders which would secure their business in the event of tourism down-turn and iron out seasonality.
- Maintain the night market and shopping as integral parts of the LPB product as the destination evolves.

**Accommodation sector:**

Engage in discussion and collaboration with hoteliers to improve:

- Training in hospitality skills, including for SS&US people;
- Low-season occupancies, reduced seasonality;
- Further development of business incentive tourism, and incorporation of local products into conference packages;
- Options to improve labour conditions, such as job security, health care, progression and benefits.



**Cross-cutting strategies:**

Further explore where people from ‘poor’ rather than ‘sufficient’ households have access to opportunities in each chain above and whether targeted training, business support, or facilitation could increase their participation.

Work with the private sector to invest in skill development to enable local people to operate the industry as it evolves.

Develop understanding of PPT within government and the private sector, so that all see it a principle to incorporate into how daily work is done (i.e. always with a view to checking, expanding and prioritising options for the poor) and not as a single product.

Maintain a diversity of market segments. Further assess the different spending patterns of specific segments – Thai, other Asian, up-market, and business travellers – to assess any differential pro-poor impacts, in order to inform strategy for market expansion.

***Supporting poor producers in the speciality food sector***

The priority action in the food sector is to boost local inputs into the food supply chain. While working with farmers across Laos is not a PTO responsibility, any such initiative will fail if it is not done in close collaboration with the tourism sector, specifically the hotels and restaurants, so that it meets their needs and develops appropriate market connections. Thus the PTO should:

- Support and engage in any agriculture -tourism linkage initiative, and use its authority to encourage hotels and restaurants to engage.

The other area for action is to develop further sales of speciality food products, such as chilli paste, local coffee and spices. Again, it is probably not a PTO lead responsibility, but any initiative needs to be based on a better understanding of different tourism markets and their needs, so the PTO should:

- Collaborate on food-product initiatives and develop greater understanding of the size and needs of different segments, particularly Laos and Thai tourists.

***Working with hoteliers***

Expansion of hotels and guest houses will be beneficial for a range of poor producers across the tourism chain if limited bed stock is imposing a constraint on tourism numbers. However, if it is not, impacts will be small. Any consideration of incentives for expansion needs to be based on a good understanding of current occupancy rates, particularly in Category 1 accommodation. This was not available in this research, though questions were raised as to whether occupancies are as high as they might be.

However, aside from incentives for hotel expansion, there are a number of other actions that could be undertaken with hotels, by the PTO:

- Require or incentivise training. Investment in skills is essential if LPB is to remain competitive, and if locals are to remain in controlling positions as the economy expands. Training currently seems to be ad hoc and mainly on-the-job. Where substantial hotel investments are planned, particularly where these involve foreigners, the government could impose requirements for investment in training.

e.g. As an example, in Tunisia, when Accor recently agreed a hotel expansion plan with the Government, it also agreed to fund a training school that would not only service its own staff but other tourism workers too.

- Assess business tourism PPT options: more information is needed on the significance and trends of conference tourism in LPB. Assuming it is significant or growing, discussions should be held with hoteliers about how they can strengthen links between local producers and business groups who are resource-rich but time-short, to the benefit of both. For example, by

developing tailor made paper or textile products, and providing easy opportunities to purchase local goods (crafts) or services (massage, guides).

e.g. As an example, at Sun City in South Africa, the resort is assisting a local glass recycling business to upgrade its equipment and skills, so that it can produce glasses engraved with the name of the company or seminar, and Sun City will include these items in the conference package it offers.

- Boost low season occupancy: it is in the interests of hotels and guest houses to smooth seasonal fluctuations, but it is also in the interests of all others in the tourism economy. Government could collaborate with hotels on efforts to attract low season tourists, such as through targeted marketing.
- Encourage fair employment practice: the PTO can encourage hotels to pay fair wages, offer secure contracts, and offer non-wage benefits such as medical insurance. Incentives for this would need to be developed, although simply requesting this information and monitoring it can start a process of discussion and eventual adoption.

### ***Upgrading skills***

Almost by definition, those who have or gain skills are no longer poor. Nevertheless, investment in local training is essential in the long term to keeping the destination competitive, maintaining local entrepreneurialism, and ensuring continued development of locally-owned products. The PTO should:

- Ensure funds and strategies are in place for continued investment in local hospitality skills over 10-20 years. This will no doubt involve exploring the contribution of hoteliers, other operators, education institutions, government and donors.
- Ensure that training is available to unskilled and semi-skilled workers and entrepreneurs, and also to rural residents.

### ***Maintaining pro-poor perspectives in destination development strategy***

If tourism arrivals to LPB continue their rapid growth, the shape of the tourism economy will no doubt evolve as it grows. The range of services offered to tourists will need to expand, with able entrepreneurs developing new trips and activities to capture tourist time and spending. While total earnings of SS&US people grow, it is likely that the percentage of revenue accruing to SS&US may decline, as higher value-added services and more up-market tourism develops. It is important that the PTO and its advisers such as SNV, consider how to ensure the destination remains relatively pro-poor, and that SS&US people are equipped to maintain or expand their participation. The PTO does not have control over what is marketed by companies or chosen by tourists. Nevertheless, it can influence where public investment, marketing expenditure, authorisations, and general leverage are applied.

In developing strategic priorities, a PPT perspective suggests:

- Promote LPB not only for the cultural heritage of the old town, but as a place where crafts, village visits, 2-wheel and 3-wheel transport, boats, and local food are integral elements of the product.
- Consider how local communities can enter into partnerships with new investors who want to build accommodation or restaurant facilities, or develop rural-based adventure activities. Partnerships enable local people to both earn and participate, without precluding the external investment that is needed to develop upgraded facilities. Experience in Southern Africa suggests that clear legal rights for communities plus independent facilitators are essential in establishing these, and independent monitoring is needed during operation.
- Find ways to assist villagers to develop new rural destinations in ways that are still market led (as the development of Ngoi was), not government planned, while using government intervention to facilitate arrivals and ensure quality standards, protection of assets and attention to social equity issues.

It is clear from the financial analysis that the budget back-packer market should not be dismissed as low value for LPB. Beyond that, there is no clear policy recommendation to whether high-end tourism should receive more or less priority compared with budget tourism, or whether outside investors should be encouraged from a PPT perspective. SS and US people appear to be earning somewhat more per tourist from high end tourists than from budget tourists but as the difference seems to be less than 2:1 and is based on incomplete information, this is inconclusive (particularly if attracting high-end tourists requires greater public investment). The only recommendations are:

- Both budget tourists and up-market tourists should be maintained as both are making substantive contributions to earnings of SS&US. A loss of either group would be very damaging.
- Further assessment of the PPT impact of different tourist types (which would require more segmented visitor information) would be useful to inform any strategic decisions to be made about which segments to prioritise.

If there is interest among outside investors and international chains in coming into LPB, there is no a priori evidence that this would be either good or bad from a PPT perspective. It depends on whether and how they influence overall destination image and marketing, act as market leaders in developing new products, invest in new facilities and infrastructure, are willing to maximise linkages with poor suppliers and producers, invest in training etc. Thus:

- International names should not be assumed to be good for PPT because they attract high paying tourists nor bad because they are foreign owned. Their influence on the overall destination needs to be assessed, and on a case-by-case basis the best deal for the local economy and poor producers negotiated.

There is no clear finding as to whether Thai and other Asian tourists spend in ways that are more or less pro-poor, though their handicraft spending may well be invaluable. What is striking is in fact the lack of information on this market segment:

- Gather information on the spending patterns of Asian tourists to assess whether they have a differential impact on the poor and whether, from a PPT perspective, more should be invested in attracting them.

### ***Setting the climate***

Promoting PPT is not always about what is done, but about how the day-to-day work of tourism management is done. The PTO can help set an effective climate for expansion of opportunities for the poor by:

- Ensuring that all stakeholders are clear about the government's commitment to PPT, and understand that it is not a separate product but a way of supporting commercial tourism in ways that maximise opportunities for the poor.
- Establishing that it becomes just a matter of course, a normal routine, to consider how developments impact on the poor, and how opportunities can be adapted to increase access to those with fewer skills, capital or urban connections.
- Distinguishing carefully between those PPT interventions that are the direct responsibility of government – such as investment in small scale infrastructure or training – and those that are the responsibility of the private sector (running enterprises), but which can be encouraged by government incentives.
- Acknowledging that some failures are inevitable (as in any business) and the failure of some PPT interventions does not mean the overall approach is a failure.
- Ensuring that small businesses and entrepreneurs are not disproportionately obstructed by red tape and bureaucracy.

- Collaborating with other sectors and encouraging them to recognise the potential that tourism offers to poor producers in their sectors, particularly crafts and agriculture.

### ***Balancing needs of poor and less-poor participants***

The majority of SS&US direct participants in the tourism economy are in fact the semi-skilled, and less poor. The PTO is aware of the challenge of increasing access for poorer participants. However, there is always a trade-off between investing resources in helping the less-skilled to enter the tourism economy, or helping the smallest entrepreneurs (with some skills or assets) who have entered business to flourish. In managing the trade-off the PTO should:

- Be aware that the bulk of opportunities for poorer household lie in supplying inputs to tourism businesses (food, silk etc). While these could well be quantified further to see who is benefiting how much, it seems to be as important, or more important, how to expand these supply chain opportunities as it is to help the poor become direct providers of tourist services.
- Keep a constant watch for ways to help poorer households become direct providers (e.g. with mobile training, business support services) or reduce the barriers to entry for tourism entrepreneurs (e.g. keeping market vendor fees low).

### **Beyond the tourism sector: Possible interventions with other sectors**

#### ***Food and agriculture***

The food and drink sub-sector is the largest earner for SS&US people. But at the same time, it is also the chain where imports are common. If it is feasible to increase the percentage of production that comes from Laos, this could have a big impact on the dollar flows to Lao farmers. The main areas to consider are:

- Rice (normal rice, not sticky rice)
- Vegetables
- Fruit

SNV could therefore

- Identify partners with agricultural expertise and an interest in helping local producers increase their market and incomes.
- With them, further assess the current food supply chain and assess prospects for helping farmers to increase quantity and reliability of production, particularly out-of-season fruit and vegetables.
- Catalyse a cross-sectoral partnership to link agricultural supply with demand in hotels and restaurants.

The second area to consider in the food sub-chain is the potential to increase sales of local speciality food. The recommendation here is to:

- Assess opportunities to increase the volume of sales of speciality foods by adapting them to wider markets, beyond the Laos tourist market, and developing new processed products.

This would require further assessment of the current market, potential for product and market upgrading, and for helping producers to engage in upgrading themselves.

#### ***Crafts and curios***

Crafts and curios are already an important part of the tourism product, and of benefits to SS&US people. The night market and day market are an excellent approach. Any further expansion of curio

sales is positive for the poor, given the relatively high ratio that accrues (around 40%), but as supply is already plentiful, it is not clear that simply expanding curio and craft production is feasible.

It would be more useful to consider diversification and up-grading opportunities for existing producers, plus ways to bring more Laos producers into the chain. For example, it would be useful to:

- Work with textile experts to assess the feasibility of expanding raw silk production in Laos and perhaps Laos cotton supply.
- Assist existing producers to upgrade into new tailor-made products with higher value added. For example, tailor-made textile and paper products (bags, purses, notebooks); processed food products with English labelling and travel-friendly packaging; textiles and paper products that include explanation of product origins: how they were made and by whom.
- Assist producers and shops to secure export orders which would secure their business in the event of tourism down-turn.

### ***Small business development***

In the food and craft sectors, and also across the rural villages visited by tourists, there is considerable potential to work with small business development expertise. Small entrepreneurs need not just tourism training but business development skills, access to credit, marketing support, and a range of business support services. If there is an opportunity to collaborate effectively with small business support services, this could be very effective.

### **Moving forward**

#### ***Stakeholder discussion and setting priorities***

The above interventions are suggested as possibilities, but prioritisation needs further assessment and feasibility analysis in LPB. Virtually all recommendations would benefit from wider consultation and engagement with a range of stakeholders. Such consultation may identify more feasible interventions to address the constraints and opportunities for SS&US income identified in this report.

Therefore the suggested next step is to stimulate discussions with tourism partners in LPB by presenting some of the aggregate findings of this analysis – with all due caveats about their robustness. Indeed, the first level of discussion should be on whether the findings are valid or need revisions. This would then lead to analysis of their implications for action. It could be worth linking up with others skilled in participatory enterprise development (such as PACA trainers) for taking forward an action-oriented process. The array of possible interventions needs to be prioritised in terms of what (1) would have significant impact on poor people, (2) is feasible to achieve and (3) fits with wider tourism objectives, such as enhancing the overall destination and product offer.

This analysis has not assessed the feasibility of interventions, nor estimated the potential returns to the poor of changes in the value chain. Understanding the current flows of income to SS&US helps to identify who is involved, where and how. But it does not tell us where the greatest opportunities lie to increase the flows. For example, as a group, staff in hotels, staff and ‘cousins’ in guest houses, and producers of local handicrafts each earn, in aggregate, in the region of \$250,000- \$300,000 per year from tourism. But which group has greatest potential for increased income? In fact, none of these three fall within the top three priorities for action based on existing information (and an outsider’s perspective and limited knowledge). In terms of maximising income of the SS&US and reaching out to some of the poorer participants, the following priorities are tentatively suggested:

- Increasing Laos inputs into the food chain, particularly fruit and vegetables. Imported fruit and vegetables for tourists may be in the region of \$400,000 per year (or half as much or twice as much).

- Increasing Laos supply of silk (if possible cotton). Perhaps \$250,000 per year of LPB tourist expenditure goes to imported silk and a further \$630,000 on cotton.

The feasibility of influencing these two supply chains is unknown. If any change is feasible, the dollar impact could be significant.

- Increasing tourist activity and expenditure in rural areas. This has many elements. The main priority here is to increase spend per tourist by enabling rural entrepreneurs to provide more fee-paying goods and services, whether this is hot coffee or an interactive chance to try weaving. Other elements are increasing the number of tourists in rural areas, particularly overnight. The dollar significance of this would be small at first (e.g. if it doubled, villagers would gain \$100,000 to \$200,000 per year. But over time if there were 100,000 village visits by tourists per year spending \$10 per visit each, this would generate \$1 million for rural households.

The latter recommendation has the added advantage that it also enhances the tourism product. The same applies to initiatives to upgrade guide skills, language skills, speciality food products, and tailor-made craft products. It is important that PPT actions are not isolated from the mainstream of tourism management but that PPT perspectives influence wider tourism strategic priorities, and vice versa, in order for PPT interventions to be effective.

### ***The wider context: information for policy-making***

All the recommendations here are for stakeholders in LPB. However, this work has also illustrated useful lessons for practitioners in tourism and local economic development elsewhere. One lesson is simply the value of having quantitative data on the tourism economy. It may confirm some common sense, but also provide some surprises (such as the overwhelming importance of food supply to pro-poor tourism in LPB). Examining the data leads immediately to policy ideas and implications. A second is the need for further information disaggregated by tourist segment. Key strategic decisions, such as whether to prioritise high spending or budget tourists, are being made in many destinations worldwide. But information on their respective local economic impact is lacking. Thirdly, comparable data from different destinations would be of great value. It would shed light on the key features of a destination that help determine the overall distribution of economic opportunities. It can be guessed that LPB compares well, in terms of pro-poor impact, with other destinations by virtue of the high participation of small businesses, reliance of virtually all tourists on local restaurants, and importance of crafts in the tourism experience. But there is no data for comparison. Finally, there is scope for sharing and further developing methodologies for appraising tourism in the local economy. These methodologies need to be robust and feasible, drawing on elements from value chain analysis, local economic development, and participatory appraisal, while strongly rooted at the bottom end of the value chain where the poor participate, and in the need to be policy-relevant.

## References, data sources and interviewees

- Ashley, C. (2005) Community Based Tourism (CBT) intervention in Laos, in the context of ADB MTDP. PPST EVALUATION, Case study 2. Report submitted to SNV (The Hague).
- Dobbelstein, R. (June 2002) Results of the Tourist questionnaire of May 2002. SNV.
- Dobbelstein, R. (December 2002) Results of the tourist questionnaire of November 2002, SNV.
- FIAS/OECD (2006) The tourism sector in Mozambique: A value chain analysis. Foreign Investment Advisory Service, International Monetary Fund, and Organisation of Economic Cooperation and Development, Development Centre. Washington DC.
- Handicrafts Department (2006) Handicrafts statistic 2004-2005.
- Immigration Service (2006). Data provided to the PTO from Immigration at airport for February 2006, Luang Prabang.
- Kaplinsky, R. and Morris, M (undated). A handbook for value chain research. International Development and Research Centre. <http://www.ids.ac.uk/ids/global/pdfs/VchNovo1.pdf>
- Lao PDR (2001) National Growth and Poverty Eradication Strategy (NGPES). Vientiane.
- LNTA (2004). Lao Tourism Statistics 2004. Lao National Tourism Authority, Vientiane.
- LNTA (2005) Lao Tourism Statistics 2005. Lao National Tourism Authority. Vientiane.
- McCormick, D. and Schmitz, H. (2001). Manual for value chain research on homeworkers in the garment industry. Institute of Development Studies, University of Nairobi, Kenya, and Institute of Development Studies, University of Sussex, UK. <http://www.ids.ac.uk/ids/global/pdfs/wiegomanualendnovo1.pdf>
- MesoPartner GmbH (Jörg Meyer-Stahmer, Frank Wältring) (2006). Value Chain Analysis and “making markets work for the poor” (M4P) - poverty reduction through value
- MTDP (2004). Annual comparisons, Provincial Level Monitoring Benchmarks for Component B, Mekong Tourism Development Programme., Vientiane.
- MTDP (2005a). Annual comparisons, Provincial Level Monitoring Benchmarks for Component B report, Mekong Tourism Development Programme, Vientiane.
- MTDP (2005b). Annual comparisons, Provincial Level Monitoring data set tabulation, Mekong Tourism Development Programme, Vientiane.
- MTDP (2006). Financial summary for LNTA-ADB products March 2005 - Feb 2006. Mekong Tourism Development Programme (Vientiane)
- National Museum (2006). Statistics on visitors and fees in 20005-6 (in Lao). Provided to the author in May 2006. National Museum, Luang Prabang.
- PTO (2005). Statistics Arrivals LQB, PTO Word file, sent to author May 2006. Luang Prabang Provincial Tourism Office, Luang Prabang.
- chain promotion. DRAFT. GTZ, Eschborn, Germany.
- PTO (2006b). Statistics for Entries, 02 03 04. (word file sent May 06). Luang Prabang Provincial Tourism Office, Luang Prabang.

### Additional sources of data

The report draws on data presented in the reports above, combined with analysis of data contained within:

- Accommodation forms returned by hotels and guests houses to the PTO recording visitors in April 2006;
- A PTO database compiled in May 2006 of the first data provided by hotels and guest houses in early 2006 for a new accommodation database to be run by the PTO.
- A mini exit-survey of 31 tourists (described in Appendix 4)

### Interviewees

Table 14 summarises the type of people interviewed for the work. The report also draws informally but heavily on the insights of SNV staff, and in turn on their consultations with their colleagues in the PTO and other contacts. The analysis draws on interviews in December 2005 conducted by the same international and national consultants, as part of the LPB component of SNV's review of Pro Poor Sustainable Tourism practice area (see Ashley 2005). These included interviews with the PTO director and staff, with local entrepreneurs in LPB at the night market, guest houses and restaurants, and with entrepreneurs in Ngoi village.

**Table 14: Types of people interviewed for this report**

SECTOR/BUSINESS	POSITION OF INTERVIEWEE	No. of interviewees
ACCOMMODATION		
Hotel	Manager	1
	Employee	1
Guest house	Owner/manager	4
	Employee	3
RESTAURANTS AND FOOD	Restaurant/cafe manager	3
	Restaurant/café worker	2
	Market seller	2
	Chilli paste maker	1
CRAFTS AND CURIOS	Market vendor/producer	4
	Shop owner	4
	Worker for shop	2
TRANSPORT AND EXCURSIONS	Boat Driver	3
	Boat Association	1
	Minivan owner	1
	Tuk-tuk association	1
	Tuk-tuk driver	3
PTO	Tour Operator manager	2
	Deputy Director	1

Most interviews were done by the international or national consultant, or both. Some were done by SNV staff. The interview with the PTO Deputy Director was done after the main fieldwork and included discussion of emerging recommendations.



## Appendices

### Appendix 1: SNV's work with the Provincial Tourism Office

(This summary is provided by SNV)

SNV has been supporting the Luang Prabang Provincial Tourism Office for over three years – first, from 2001-2002 with an advisor funded by the Royal Netherlands Embassy to explore the potential for community-based ecotourism, and then to establish a framework for its development. Since January 2004, SNV has had two Sustainable Tourism Advisors based at the PTO, one national and one international. Their terms of reference cover:

- Advising PTO and relevant stakeholders on the organisation, management, implementation and monitoring of the Community based Sustainable Tourism Programme.
- Capacity building: coach, advise and train staff of PTO and relevant stakeholders on sustainable tourism development and conservation issues
- Provide hands on support to staff of PTO and relevant stakeholders, with activities related to the Community based Sustainable Tourism Programme.
- Support and advise ecotourism programmes in other provinces based on results achieved in own programme, and contribute to teamwork and knowledge management.

The focus of their support has included providing support to the implementation of the Pro-Poor Community Based Tourism component of the ADB-funded Mekong Tourism Development Project and capacity-building of the PTO staff with regards to organisational development and tourism management implementation. Major activities under the MTDP have included surveying, identifying, and developing three community tourism products, formulating a community tourism development plan, setting up a tourism information centre, developing informational and promotional materials, and supporting community and guide trainings.

With regards to the more general capacities of the PTO, the advisors have facilitated an organisational assessment, teambuilding activities, planning skills improvement, budget for staff trainings, drafting strategies, and improving their statistics gathering methodology.

Attention to pro-poor principles has been an objective throughout their work – information materials include sections on community tourism and how to contribute to the local economy (i.e. buy handicrafts), community tourism activities have focused on enhancing the share of benefits for villagers (through service provision, fees, guides, handicrafts), and the strategic focus of poverty alleviation has been stressed in planning and strategy. However, the broad methodology of pro-poor tourism has not necessarily been explicit enough to their clients.

In particular, 'pro-poor' in Laos is often equated with 'community based'; largely due to the MTDP activities. This project has enabled focused interventions in the 'excursions' sub-sector, but has limited the scope of SNV and the PTO's impact to the 'trekking' and ecotourism niche market. Little work has been done to widen their interventions to include accommodation, handicrafts/shopping, transport, or restaurants. Currently, the PTO's approach in some of these sub-sectors is simply to regulate as best they can. In other cases, such as handicrafts and transport, the PTO is not the authority, and thus, has not become involved at all. Further institution-building to develop a network that accurately reflects the range of the tourism sector is needed.

### Appendix 2: Information on methodology, scope and caveats

The research focused on gaining sufficient data to paint a broad brush picture of the tourism value chain, and the flows of money to different entrepreneurs. Based on that picture, it makes

recommendations for pro poor tourism interventions. It should be understood to be a rapid appraisal,<sup>24</sup> not a thorough investigation. While a vast quantity of information was gathered for this work, there are undoubtedly large gaps and grey areas. This was partly due to practical limitations on what can be collected in the time available but also due to the nature of the work which is a policy-oriented assessment, not conventional research (which would entail more detailed analysis of all value chain components). It is hoped that the information provided is sufficient to paint the big picture, provided samples of more detailed data, and highlight where further information is most important, and most importantly to draw out policy implications. But the data presented should be interpreted as ‘ball-park’ and indicative only.

The analysis is based primarily on interviews with stakeholders in tourism in Luang Prabang during May 2006, plus use of existing reports and surveys, PTO data, and consultation with SNV staff. For mapping the financial flows in the tourism value chain, the basic approach was to combine information from three directions:

- from the consumer – how much tourists spend in the Luang Prabang (LPB) economy and on what
- from the enterprise level: what entrepreneurs, turnover of goods and services sold to tourists
- from the producer level: what direct producers, workers and suppliers earn

In the analysis that follows, estimates of incomes to semi-skilled and un-skilled people are calculated from all three sources where possible, and then compared. To the extent possible, views were gathered from each on how the chain works and how it could work better, particularly in terms of opportunities for the poor. However, a great deal more could have usefully been done on this if time permitted.

During the fieldwork, interviews were mainly with providers of goods and services to tourists, such as owners/managers and employees of guest houses, hotels and restaurants, owners/operators of boats and tuk-tuks, and vendors and producers of curios and crafts (see table of interviewees in Section 1.2 above).

While there is considerable data available on some issues, such as arrivals, there are gaps on others (such as information disaggregated for up-market or Thai segments), and inevitably some contradictions between sources. Where possible, the original data, questionnaire, or type of informant was checked in order to clarify the original sampling or how questions might have been interpreted or answers recorded. Existing tourism survey data (much from 2002) was complemented by a mini exit survey of 31 tourists at the bus station and airport. This used purposive sampling in order to learn about specific market segments: western backpackers (English interviews at the bus station), and Western and Asian up-market tourists (English, Thai and Lao interviews at the airport), with a focus on their expenditure. It is not a representative sample of all tourists (see appendix 10.4.2 and 10.4.3).

Given the objective of assisting SNV to support tourism that benefits the poor, an important and immediate question was ‘who are the poor?’ and ‘how narrowly do we want to define the target group of beneficiaries?’ There is no simple answer to this, as income, assets, livelihood security, urban-rural location, and role in the household are all relevant to defining poverty and SNV’s target group. Overall, the work focuses on the ways in which benefits flow to un-skilled and semi-skilled Lao people, and particularly to those above or below the Lao poverty line, with greater disaggregation wherever possible, as outlined further in Section 3.2. Again, there would be scope for a great deal more work on this in a more detailed analysis.

‘Luang Prabang’ can refer to the District or the Province. Tourism is concentrated in LPB town and its immediate vicinity (approximately 20km), with only a minority of tourists spending nights elsewhere in the Province. The analyses concentrated on LPB town and not on tourism across the whole province,

---

<sup>24</sup> Based on three weeks of international consultant input (7 days fieldwork) and two weeks on national consultant, plus considerable inputs of SNV staff.

although it pays attention where possible to income flows accruing to Lao outside the town (see Section 8.1.3 on village excursion income). However, it lacks a proper assessment of out-of-town provincial tourism, where returns to the poor may well be proportionately higher.

The focus is on the economy of international tourism in LPB, broadly defined as ‘Asian’ and ‘Western’. Arrivals from Thailand and other ASEAN countries are clearly important to LPB, and where possible this is taken into account, although there is a lack of regionally-disaggregated information. However, tourism by Lao residents has not been explored, with a couple of exceptions, as there is next to no information on this domestic segment, in terms of their volume or spending.

It should be noted that the focus was on the tourism expenditure and chains within Luang Prabang not on the entire holiday. The starting point was not total tourism expenditure on their trip, but their expenditure that enters LPB (net of overseas commissions, travel to LPB etc). This expenditure is not compared to the gross cost of the holiday to the tourist, as this is of less relevance to the poor (booking commissions are a fact of life and capturing more of them within LBP by changing channels might be desirable but is not going to be a high priority for PPT). While understanding where customers come from is important to the analysis, it was not a priority to track spending further up the chain to the booking process: in this the analysis differed from a conventional value chain analysis that follows every link in the chain from production to purchase. By implication, while the strengths and weaknesses of some elements of the tourism product within LPB are considered, the competitiveness of the overall LPB product in its broader context is not (for example, a recent value chain analysis of Mozambican tourism (FIAS/OECD 2006) tracks total trip expenditure of different types of tourists, with the aim of making recommendations about the overall competitiveness of the Mozambican product rather than distribution issues within specific segments).

The work was done in low-season, which is fortunate as it meant interviewees had time to talk, but may also provide a vaguer picture of high season reality. A problem throughout the fieldwork was that producers gave estimates of high season income that seemed unrealistically high if high season is six months of the year. Only one enterprise was able to report gross turnover for the year – the chilli paste maker. For all others we had to ask for average high season (HS) and average low season (LS) income. In many cases, HS was four to ten times higher than LS income, even though the number of tourists per month in HS is only about double that of LS. Thus it is assumed that producers are reporting their peak income of peak months not an average for all six months of HS. Adjustments were made on an ad hoc basis depending on the degree of discrepancy between LS and HS, in order to calculate an average annual income that was not only based on the peak income. In some cases, HS was used for just five months and LS income for seven months. In others, reported HS income was used for four months, reported LS income for four months, and mid-season income was imputed for the other 4, at around 120% of LS income.

The approach to the work drew on core techniques of value chain analysis (VCA) (Kaplinsky and Morris undated, McCormick and Schmidt 2001) such as mapping out the businesses in the chain, the returns (in this case net incomes) to each, and identifying some barriers to entry. It adapted typical VCA to the emphasis of this work – incomes and options of the poor - by focusing on incomes to those at the bottom of the chain, rather than returns to businesses at all levels, from production to retailing.

It also drew on thinking behind ‘Participatory Analysis of Competitive Advantage (PACA) even though this research was done in an extractive not a participatory way. PACA, developed by MesoPartners, uses participatory workshops as a key element for analysing local value chains and strategic opportunities (<http://www.paca-online.de/>). The aim is not only to draw out information but simultaneously catalyse action by stimulating discussion and communication among stakeholders. In this Luang Prabang work, it was felt that the initial information gathering needed to be done one-to-one, to gather information to present locally. While this is certainly intended to lead to stakeholder discussion and action in the long term, this stage comes once some initial information is available, and is the responsibility of SNV not this consultancy.

### Appendix 3: Further details of Tourist Arrivals

This appendix provides more detail for the arrivals data that was presented in summary form in Section 2 of the main report.

#### Arrivals and growth

In 2005, there were 133,569 international arrivals to LPB according to the PTO (PTO 2006a). This represents a 27% growth over 2004. Aside from a temporary dip in 2003, LPB has experienced sustained growth in the tourism economy in recent years. In the five years from 2000 to 2005, the numbers of arrivals and tourism businesses increased by roughly 50%. In the year from 2004 to 2005, international arrivals increased by 27%. As Table 15 also shows, this has been complemented by a 23% increase in bed capacity over 2004 to 2005.

Table 15: Growth in LPB tourism

Ref	Indicator	2000	2004	2005	% growth	
					00-05	04-05
Arrivals						
PTO 2006a	Intl arrivals	65,225	105,513	133,569	105%	27%
MTDP 2005a1	Border arrivals at LQB airport		26,604	33,064		24%
Services						
PTO 2006a <sup>1</sup>	Hotels	12	14	17	29%	21%
	Guest houses	80	125	146	45%	17%
	Bed capacity	1735	2668	3276	47%	23%
PTO 2006a	Restaurants	43	70	75	43%	7%
PTO 2006a <sup>2</sup>	Tour agencies	11	17	17	35%	0%
MTDP 2005a	Registered guides					
	national		52	100		92%
	provincial		73	93		27%
	village		51	72		41%

**Notes:**

1. Slightly different from MTDP data (MTDP 2005a) which has a 15% growth rate 2004-2005.
2. There was actually a decline in tour operator numbers, from a high of 21 in 2003. PTO in 2006 reports 21 again. It may be that only 17 are active much of the time.

#### Nationality

Data from the national tourism office, LNTA, suggests that 28% of international arrivals to LPB are Asian, and 72% 'Western' or non-Asian.<sup>25</sup> The largest Asian group is Thai, who represent around 12% of

<sup>25</sup> LNTA uses categories of ASEAN and all Asia and Pacific, with the latter including New Zealand and Australia. Given that the latter are more likely to behave and spend like European and American tourists, the statistics here instead use 'Asian' (i.e. ex Pacific) and 'Western' which is taken to denote everyone else. The term 'international' or 'non-regional' may be more politically correct but could lead to confusion with other terms used by LNTA, because 'regional' is used to describe those coming specifically from neighbouring countries (many with day passes), while 'internationals' require visas. For Lao tourism as a whole, this categorisation is helpful given that 'regionals' are here for short time and different reasons. For LPB tourism, one-day border-hops are much less relevant, while the distinction between Asian and Western is relevant to assessing impacts of tourism.

arrivals according to LNTA, though 22% according to alternative PTO data for 2005. Among the Westerners, the majority are Europeans, who account for around 50% of all LNTA arrivals. Thais are more strongly represented and Europeans more weakly represented among those for whom Laos airport is their immigration port of entry, which is not surprising given their different propensities to fly, and to make LPB their first port-of-call in Laos. In 2005, there was faster growth among Westerners than Asians in immigration arrivals.

**Table 16: Arrivals by region of origin**

		All LPB visitors, 2005		Airport immigration arrivals		
		no.	% of total	no.	% of total	% inc '0405
	<b>Asian</b>	37469	28%	10879	33%	13%
1	- % which are Thai	16,017	12%	8152	25%	10%
	<b>Western/international</b>	96100	72%	22185	67%	31%
	- %which are European	62638	47%	13969	42%	33%
	<b>All</b>	133569	100%	33064	100%	24%

Source: MTDP 2005a

1. PTO data for 2005 has a much higher percentage of Thai visitors: 23%. The source of this estimate, and of the discrepancy with LNTA data is not clear. Immigration data for border arrivals at LPB in 2005 (above, and also for Feb 2006) has 19-25% of passengers as Thai. If the same proportion of arrivals on domestic flights are Thai, and if PTO 2005 data is correct that approximately 50% of international tourists arrive by plane, and if virtually all Thais enter LPB by plane, then this suggests that Thais are only around 12% of international tourists (i.e. as per LNTA 2005 data). However, it may also be that this estimate is far too low.

### ***Budget category***

More important than the distinction by nationality is the distinction between budget and up-market tourists. The majority of tourists in LPB are back-packers who travelling for several weeks or months. They stay in budget accommodation, eat local food, drink beer, buy curios that are light, and arrange their own local transport and trips. They are generally under 40. The up-market tourists are quite different: their hotels or guest-houses cost ten to 30 times as much, they fly-in and out, they are more likely to book through travel agents and tour operators and go on organised excursions. They are generally over 40, but beyond this the segment is diverse including a substantial Thai component and other Asians, for whom conferences, workshops, shopping or visiting friends may be the driver and may be on short breaks, plus older Westerners who are time-constrained rather than budget-constrained compared to their younger counterparts. The segmentation between these two categories appeared strong during the fieldwork: all the back-packers were in budget accommodation. All the Asians, business travellers, and all the over 40 Westerners were using planes and in accommodation over \$40.

Existing tourism data is not disaggregated by budget segment. While a complex segmentation could cover nationality, budget, purpose of travel, length of total trip etc, the research uses the following categories:

- Category 1, up-market; staying in rooms that cost over \$40 per night<sup>26</sup>
- Category 2, mid-market, staying in rooms that cost \$11-40 per night
- Category 3, budget, staying in rooms that cost \$10 or less per night

Analysis of April 2006 data provided by hotels and guest-houses to the PTO provides the breakdown of accommodation supply by each category, and the breakdown of tourist arrivals and likely bed nights. It shows that budget tourists accounted for 58% of all recorded arrivals (and a higher percentage of bed nights because they stay longer). This broadly tallies with the fact that budget accommodation

<sup>26</sup> This is not the same as categorising them by their own per person spend on accommodation. LPB prices are per room, so spend per person depends on single or double room occupancy. One problem with this distinction is that room rates vary by season. We categorised hotels and guest houses in the Accommodation Database according to their *high season price*. However, the visitor classification was done on visitors staying in April 2006 (a busy month but officially low season). High season prices were not always reported and in general they were classified by their lower price. Thus merging the two sets of data, estimates for tourists may be slightly too high in the budget category relative to the estimates for rooms.

accounts for 55% of available rooms (and a higher percentage of establishments, because they have fewer rooms on average per establishment). Table 17 summarises the results and data sources.

**Table 17: Visitors and accommodation supply by budget category**

Category	\$ per room	Visitors	Accommodation supply <sup>3</sup>				
		% of int'l tourists <sup>1</sup> in April 2006	imputed % of bed nights <sup>2</sup>	no. hotels guest houses	% of hotels/ Guest houses	no. of rooms	% of Rooms
Cat 1	\$40 +	25%	18%	12	10%	333	26%
Cat 2	\$11-40	17%	14%	17	15%	242	19%
Cat 3	Up to \$10	58%	68%	88	75%	706	55%
Total		100%	100%	117	100%	1,281	100%
Column		1	2	3	4	5	6

Status of columns: High reliability: 1,3,4,5,6. Robust estimates: 2

**Sources:**

1. Monthly accommodation data for April 2006 data supplied by hotels and guest houses to PTO. The estimates thus assume all international passengers stay in hotels and guest houses and are reported. Lao tourists (10% of guests in hotels and guest houses) are excluded.
2. Calculated by using average length of stay estimates, for which see Table 19 below. Possibly an over-estimate.
3. New PTO database of hotels and guest houses, using new data from guest houses and hotels, April-May 2006 (PTO accommodation database based on initial forms returned for new recording system).  
Note: these estimates broadly tally with 2002 data (Dobbelstein 2002a), which found 52% of visitors were in guest houses under \$5 per night, 20% in guest houses over \$5 per night. 11% were in hotels under \$40 and 17% in hotels over \$40. Allowing for price increases of guest houses, this fits with the idea that just over half of all tourists are in accommodation of under \$10 per night. The percentage staying in top end accommodation appears to have increased since then (unless there were many guest houses of over \$40 per night at that time, or high-end tourists were under-represented in the 2002 survey).

## **Transport**

Most budget tourists travel by bus and boat, while upmarket tourists, and probably mid market tourists, fly in and out of LPB. PTO data for 2004 estimates that roughly half fly and half arrive by bus or boat.<sup>27</sup> A common route for budget tourists is an overland trip from Bangkok via Chiang Mai and the Golden Triangle, crossing the Mekong River into Huayxai (Bokeo Province) in Northern Laos. From there many take a two day slow boat ride down the Mekong, with an overnight in Pak Beng (Oudomxay province). Another route is from Huayxai to Luang Namtha by bus and then another eight hours bus ride to Luang Prabang. Among flying arrivals, airport Immigration data for February 2006 shows that they are equally divided between those that arrive from another country, and those that arrive on a domestic flight from Vientiane.

## **Motivation for travel**

According to Immigration data (for Feb 2006 only, MTDP 2005a0), 97% of fly-in tourists are leisure tourists – on holiday or visiting friends and family. This pattern also applies equally to Thai and Lao airport passengers. Tourists on business or official duty are a tiny segment. Nevertheless, it is worth noting that in our low-season survey, five out of 18 passengers departing by air were in LPB on business, most attending a workshop. This suggests that conference and incentive travel, though still very small, may be emerging as a low-season segment for the higher end hotels. Indeed, a manager of one over-\$40 hotel divided his Thai package tourists into those who paid their own way and those who came on a government workshop budget.

<sup>27</sup> 48% arrive by air, 30% by bus, 20% by boat, and a very few by private transport This 50:50 breakdown between air transport and land/water transport compares to a 58:42 breakdown between budget and mid/upper tourists. This suggests a few budget tourists and virtually all mid tourists fly (concurring with the airport survey (Analysis of April 2006 accommodation forms returned to PTO) but it may also suggest that bus and boat arrivals are slightly under-recorded.

Two surveys in 2002 explored tourists' motivation for visiting LPB (Dobbelstein 2002a and Dobbelstein 2002b). The three factors mentioned by a majority of respondents were:

- Culture
- Temples
- People's way of living

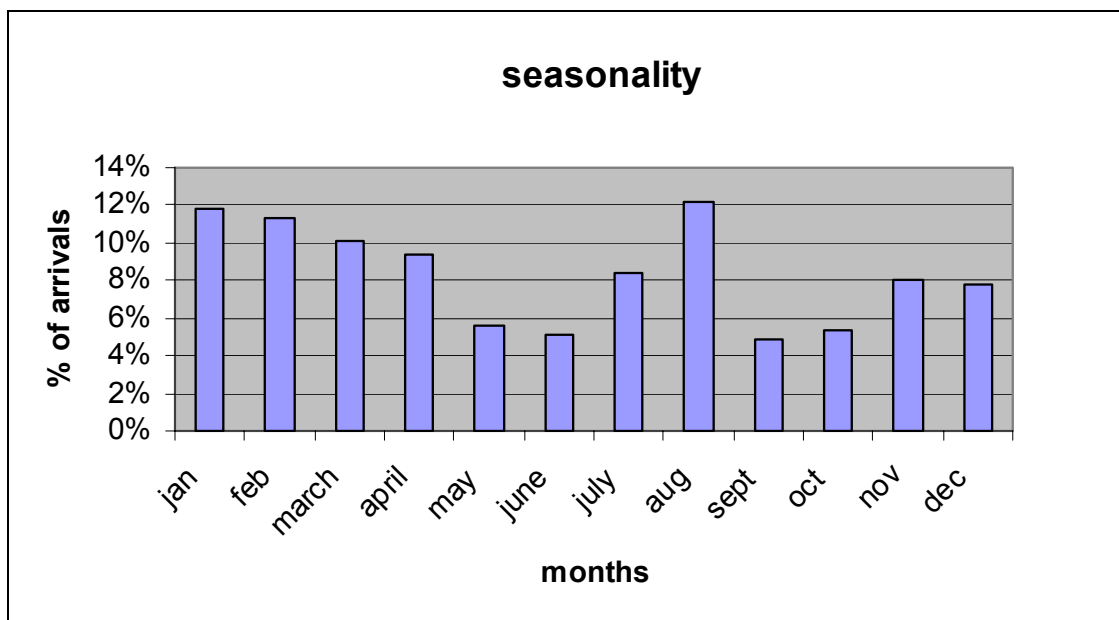
The surveys also asked specifically about potential interest in trekking, which was found to be high.

### **Seasonality**

There seems to be a perception among tourism service providers in LPB that tourism is highly seasonal: they describe high and low season as extremely different, with high season room rates double those of low season, and some vendors estimates high season income to be ten times that of low season. Yet the data does not indicate extreme seasonal variation, particularly if 'high' is taken as October to March, and 'low' as May to September. This suggests that it is necessary to separate the busiest 3-4 months as high season and the quietest as low season, leaving a mid-season. Doing this for 2006 arrival data shows that the busiest four months account for 45% of tourists, more than double those in the lowest four months.

**Table 18: Seasonality of arrivals to LPB**

Season	High	Mid	Low
Months	Jan	April	May
	Feb	July	June
	March	Nov	Sept
	Aug	Dec	Oct
% of arrivals	45%	34%	21%



These monthly percentages are used in analysing data from tourism suppliers, but it is worth noting the difficulty of relating reported information on sales or rates to this seasonal pattern, and this may be a source of error in the data analysis.

### ***Average length of stay***

The average length of stay in LPB is about five nights. The majority of tourists stay less than this (around three days), but the average reflects a small minority of tourists who stay a great deal longer.

**Table 19: Data sources on length of stay in LPB**

<b>Source</b>	<b>Avg. length of stay</b>	<b>Range</b>
Tourist questionnaires at LPB airport and bus station May 2006	4.3	3.2 for high end tourists, 5.0 for budget tourists
LNTA MTDP Annual comparisons, Provincial Level Monitoring Benchmarks for Component B 2005 report, Mekong Tourism Development Programme (Vientiane).	5.0	48% stay 3-4 days. Mode is 3, mean is 5
LNTA MTDP Annual comparisons, Provincial Level Monitoring Benchmarks for Component B 2004, Mekong Tourism Development Programme (Vientiane)	5.25	
Results of the Tourist questionnaire of May 2002. Report by Ronny Dobbelstein, SNV June 2002	4	Mode is 3, mean is 4 54% spend 2-3 days
Results of the tourist questionnaire of November 2002. Report by Ronny Dobbelstein, SNV, December 2002	3.4	Mode is 3, mean is 3.4 62% spend 2-3 days

## **Appendix 4: Estimates of tourist expenditure**

### ***Expenditure per day, per trip, and per category***

A difficulty in estimating tourist expenditure is that some respondents give figures per person, and others per couple/family. Some give figures per day, others per trip. This is irrespective of the actual wording of the question. Some survey results are presented without clear methodological explanation as to what was asked, such as whether figures include travel to and from the province. A critical issue is how results are averaged – across all respondents, or weighted by market share of visitors or of bed nights. Finally, there is the issue that net revenue entering the economy will be less than gross tourist expenditure when accommodation is prepaid and involves retailer commissions. Table 20 summarises estimates of expenditure per day by LPB tourists from different surveys.



Table 20: Estimates of tourism expenditure per day in LPB from different sources.

Year	Source	Average \$ per person per day		Range		Note on method, reliability
		04	05	Low	High	
2006	Own mini exit-survey (Tourist questionnaires at LPB airport and bus station May 2006)		\$41 <sup>1</sup> (47 <sup>2</sup> )	Budget: \$23 Mid: \$35	Upper: \$96	Small sample, N= 31, but each answer confirmed as per person per day amounts. NB amounts are net into LPB, ex known commissions.
2005	MTDP data (MTDP 2005a, MTDP 2005b)		56	24% spending \$10-20	39% spending over \$50	N = 156. Question not clear if per person or group, so likely to include over-estimates.
2005, 2004	LNTA (MTDP 2005a1)	59	50	Lower amounts for regional tourists (12-40)		Covers tourists in Laos, not LPB. No information on method except: 'calculated using statistical surveys conducted periodically through sampling survey methods.'
2004	MTDP (MTDP 2004)	\$33				Source and method not clear.
2002 May	SNV surveys (Dobbellstein 2002a)	2002: \$24.70		\$21 for individ travellers	\$35 groups & couples. High outliers (\$95) for Thai shoppers	N = 168. Fairly representative by accommodation type. Author notes data problems and lack of clarity re no. of people for no. of days.
2002 Dec	SNV surveys (Dobbellstein 2002b)	2002 \$25-26  (66% spent bw \$19 and \$40)		\$19 for under 25s.	\$253 for age 56-60	N = 213. Fairly representative by transport type. Spending was asked per group per trip and then divided.
<b>Overall conclusion</b>			<b>Around \$45-\$50</b>	<b>\$20-30 for budget tourists</b>	<b>\$100 or over for high end tourists.</b>	

**Notes:**

1. It is important to note that results for 'averages' from this survey are not calculated as an average for all respondents (a meaningless figure from an unrepresentative sample). Instead they are calculated by weighting replies per category by the market share of that category, according to PTO accommodation data, as shown in Table x.
2. Average if weighted by the category's market share of visitors rather than share of bed nights (done for comparability with other surveys).

Despite methodological variety and problems, there is some consistency in the findings of the three most recent surveys (MTDP 2005, LNTA 2005 and our own mini-survey), but with the 2004 MTDP data giving a substantially lower figure. The 2005 MTDP and LNTA estimates are around \$50-56 per person per day, somewhat higher than the \$41 per day from our own mini exit-survey, but this would be expected for three reasons:

- The \$41 is a weighted average taking account of the fact that lower-spending tourists stay longer. The others are (presumably) daily averages per tourist not averages per bed night in LPB. If the exit survey data is weighted only by each category's share of arrivals, the average spend per day is \$47.

- Travel costs to and from Luang Prabang will have been included in the LNTA data (which is per day in Laos, not LPB) and probably in the MTDP data.
- It is likely that the MTPD and LNTA data included some responses that were per couple, unless there was individual follow-up to correct for these (as there were in the mini exit survey), so some over-estimation is likely.

However, in 2004 the MTDP estimate was \$33, which is considerably lower, and raises the question of whether the \$41 is an over-estimate.

In summary: average gross expenditure per day in LPB appears to be around \$50 for an average tourist, or possibly less. Behind this average there is very high variance with budget/younger/individual travellers spending less, and high end/older/couples/Thais spending more. However, a more accurate figure to use in calculations is around \$40 per day spent in LPB, as this reflects the fact that the low spenders spend longer in LPB and is net of travel in and out. This is still high compared to 2004 data.

Average spending seems to have increased considerably since 2002, but it is not clear whether this is due to general rises in prices/spending, or a change in the balance of high-spender tourists.

Expenditure per trip is an easier figure to work with, as tourism data in LPB is invariably by numbers of tourists not numbers of bed nights. The analysis in this report uses an average of \$177 per trip,<sup>28</sup> as shown in Table 20. This is based mainly on the mini exit survey with some adjustments because although this sample is small it roughly tallies with other sources and it is the only source that provides breakdowns by budget category and type of expenditure, and confirmed face to face with respondents whether amounts were per day or trip, person or couple. Behind the average is a lower spend of around \$118 per day by Category 3 budget tourists, compared to \$344 by Category 1 tourists.

**Table 21: Expenditure per trip and per day by budget category**

	<b>\$ per trip<sup>1</sup></b>	% of international visitors <sup>2</sup>	Avg. nights/trip	<b>\$/day<sup>3</sup></b>	% of international bed nights <sup>4</sup>
Category 1 tourist	344	25%	3.2	107	19%
Category 2 tourist	136	17%	3.5	39	14%
Category 3 tourist	118	58%	5	24	68%
Weighted average	<b>177</b>		<b>4.3</b>	<b>41</b>	weighted by % of bed nights
				47	weighted by % of visitors

**Notes:**

1. From tourist survey May 2006, averaged per category, with spend for upper end tourists adjusted using PTO accommodation data.
2. From PTO data from guest houses and hotels, April 2006
3. calculated from (1) for each category by dividing spend per trip by nights per trip
4. Calculated from multiplying visitor numbers per category from (2) by length of stay per category from (1).

<sup>28</sup> The estimate of \$177 may be slightly low because it is based on respondents' average length of stay of 4.3 compared to MTDP estimates of 5.0. On the other hand, there are also factors that may make the spend per day estimates a little high, as explained below.

### ***Mini exit survey on tourist expenditure: method and findings***

In total 31 tourists were interviewed on May 23 and 24 for the mini-exit survey. 18 were at the airport and 13 at the bus station. All of those at the bus station were westerners. At the airport, there were four Thai, four Lao, and ten Western. The wording of the questions is given below. Tourists were given a sheet with the questions, and a pen. Once they had completed it, the interviewer went over their answers with them to clarify expenditure estimates. Discussions were held in English, Lao or Thai.

The primary purpose of the survey was to calculate expenditure per day, per trip and per expenditure category. Broadly, its aggregate findings broadly correlate with those of other PTO and LNTA surveys (see above). However it is worth noting factors that may influence the result:

- The survey was done in low season, so reported accommodation costs were lower than normal. To accommodate this a small 'low season inflator' was used to create a yearly average, but this was less than the full difference charged by hotels on the assumption that a tourist who spends \$10 in low season might not spend \$12 in high season but may spend \$11 on a slightly lower quality room. The inflators were 10% for budget tourists, 30% of mid tourists.
- Upmarket tourists were treated differently. Room rates can double from low to high season, but the average accommodation spend for respondents in this category already seemed unreasonably high. This is because the very small sample (14 tourists) stayed mainly at the higher end hotels in this category (e.g. Villa Santi and Villa Santi resort). Therefore the average rate per room in Category 1 was calculated using PTO accommodation data. If we assume half of visitors share a room and half are on single occupancy, this gives average gross accommodation costs of \$66 per person per day. Thus the low season inflator was reduced to 20% so that average accommodation costs were in line with this \$66 estimate.
- Average length of stay for respondents was 4.3 days, which is slightly less than the 2005 average of MTDP (MTDP 2005a). Thus the average spend per trip for these 31 respondents may also be slightly lower than for all tourists. But the risk of under-estimating length of stay balances against possibly overestimating spends per day.

For calculating net receipts into the LPB economy, upmarket hotel spend needs to be reduced by the marketing fees and commissions. However, there is no data available on the percentage of guests that come via packages, tour operator or travel agent bookings, or web bookings. Interviews indicated that regular package operators pay a price that is discounted by about one third. An informed guess was made that across the up-market category, accommodation spend should be reduced by a further 20% when calculating net input into the LPB economy.

Table 22 summarises the mini-survey findings in terms of expenditure per person by expenditure item per trip. These figures are the basis for figures in Table 23, used in the main report, which are expenditure per item per year in LPB. The estimates of spend per item are roughly comparable with data from two 2002 surveys which gave breakdowns of tourist expenditure as: accommodation 35% and 29%; food (and drink) 24% and 22%; shopping 24% and 31%; transport 8% and 9%; entertainment 5% and 3%; miscellaneous 4% and 6%). Thus the 2002 respondents spent slightly more on shopping, more on 'other' (misc. and entertainment) and less on food and drink combined than the 31 respondents in 2006.

Table 22: Tourist expenditure and LBP receipts by sub-chain

Expenditure per trip per tourist by item (\$ per trip)				
	Budget	Mid	upper	All tourists weighted average <sup>1</sup>
Accommodation	22	55	213	75
restaurant food	31	33	38	33
Drinks	18	11	17	16
Crafts	21	23	61	31
Transport & guides	17	6	12	14
Misc.	10	10	3	8
<b>Total \$ per trip</b>	<b>118</b>	<b>136</b>	<b>344</b>	
% of tourists	58	17	25	177
No. of tourist p.a.	78,482	22,959	33,560	135,000

*Notes:*

1. The average is calculated across the three types by weighting them by their share of arrivals. i.e. so the budget tourist expenditure account for 58% of the weighted average rather than just a third.
- 2: The amount for accommodation has been reduced by 20% to allow for booking fees that are captured by overseas agents on those tourists in the up-market category that book through tour operators and travel agents. Such fees can be 33% but do not apply to all tourists.

Table 23: Receipts into LPB from tourism, by sub-chain

LPB Receipts from all tourists, per item per year						
(ex. Booking fees)						
	budget	Mid	upper		all tourists	
Spend by item: <sup>1</sup>					Total	% of total <sup>1</sup>
Accommodation	1,697,818	1,253,550	57,308,722		8,682,240	39
restaurant food	2,437,447	763,380	1,278,392		4,479,218	20
Drinks	1,393,642	241,067	556,688		2,191,397	10
Crafts	1,632,416	516,573	2,061,522		4,210,511	19
transport & guides	1,297,562	126,273	401,517		1,825,352	8
Misc	795,280	232,649	93,488		1,121,416	5
<b>Total</b>	<b>9,254,165</b>	<b>3,133,492</b>	<b>10,122,478</b>		<b>22,510,135</b>	<b>100</b>
% of total	41	14	45		100	

*Note:*

1. The spend by upmarket tourists on accommodation is by far the largest figure in this table, and thus strongly influences the totals and percentages. But it is the least reliable figure given how little is known about actual rates paid (gross and net) by this group. This figure could be 2 million higher or lower, depending on what assumptions are made. There is therefore considerable margin for error.

The aggregation suggests that approximately \$23 million is being spent in LPB per year. This compares with an MTDP figure in 2004 of \$24 million.<sup>29</sup> This seems to be derived roughly equally from budget and mid tourists on the one hand (just over \$12 million), and upmarket tourists on the other (just over 10 million), although this ratio is heavily influenced by the estimated upmarket spend on accommodation which is not reliable. For upmarket tourists, accommodation is by far the biggest expense, but for budget and mid market tourists, food is the largest. In the total across all segments, craft income is almost as high as food income.

<sup>29</sup> The \$24 million figure was based on a lower daily expenditure and higher length of stay, and was gross not net.

### Comparison of spending of tourist categories that reaches the poor

The analysis of each value chain provides rough estimates of the percentage of turnover in each that reaches SS&US people. Table 24 applies these percentages to the estimated expenditure within each chain by tourists in each budget category. This is the basis for comparing how much expenditure by budget and up-market tourists reaches SS&US people. However, as noted in the text, data is not available for a more refined analysis which would be needed to inform policy.

**Table 24: Expenditure to SS&US from each tourist category**

Trip:	Budget Tourist	Accruing to SS&US		Mid tourist	Accruing to SS&US		Upper tourist	Accruing to SS&US	
	\$/trip	%	\$/trip	\$/trip	%	\$/trip	\$/trip	%	\$/trip
Accommodation	22	9	1.9	55	9	4.9	213	5	10.7
Restaurant food	31	45	14	33	45	15	38	45	17.1
Drinks	18	10	1.8	11	10	1.1	17	10	1.7
Crafts	21	40	8.3	23	40	9	61	40	24.6
Transport & guides	17	33	5.5	6	33	1.8	12	33	3.9
Misc.	10	35	3.5	10	35	3.5	3	35	1
<b>Total per tourist:</b>	<b>118</b>	<b>30</b>	<b>35</b>	<b>136</b>	<b>26</b>	<b>35</b>	<b>344</b>	<b>17</b>	<b>59</b>
% of tourists	58%			17%			25%		
no. of tourist p.a.	78482			22959			33560		
revenue p.a.	9,254,165			3,133,492			11,555,196		
<b>Total to SS&amp;US</b>			<b>2,748,529</b>			<b>810,173</b>			<b>1,978,955</b>
as % of revenue			30%			26%			17%

Assuming: The only difference between tourist categories in the percentage of expenditure accruing to SS&US is in accommodation (5% and 9%). More detailed understanding of up market tourist spending behaviour on excursions, crafts food and drink would be needed to refine this.

## Questionnaire for mini exit-survey, May 2006

### QUESTIONNAIRE FOR TOURISTS IN LUANG PRABANG

We are trying to assess the benefits of tourism for the people of Luang Prabang and make plans for the best management of future tourism here. We appreciate your time to fill this in.

**1. Did you come to Luang Prabang**

- As an independent tourist
- As part of a package arranged by a tour operator
- On business
- To visit friends and family
- Other \_\_\_\_\_

**2. What is the total number of nights you have spent in Luang Prabang Province? (please tick one)**

	Only a day		4 nights
	1 night		5 nights
	2 nights	Other	
	3 nights		

If any of these nights have been spent outside Luang Prabang town, please state the number of nights \_\_\_\_\_ that were spent in \_\_\_\_\_.

**3. How long is your trip away from home altogether?**

\_\_\_\_\_ days/weeks/months (please delete as appropriate)

**4. What was the cost per room per night of your Luang Prabang hotel or guest house**

\$\_\_\_\_\_ per room per night.

Or if you don't know the room cost, the name of the hotel/guest house is \_\_\_\_\_

**5. Please can you estimate your expenditure while in Luang Prabang?**

During your entire stay in Luang Prabang approx what have you spent:		Per day in Luang Prabang, approximately what did you spend on:	
\$	On fabrics & embroidery	\$	Meals in restaurants
\$	On other curios and souvenirs	\$	Water, beer, other drinks
\$	On local transport	\$	Accommodation
\$	On guides and excursions	\$	Other _____
Estimated total expenditure while in Luang Prabang			US\$

Please give the amount spent on you as an individual.

Or if you give the amount spent as a couple, or by your group, please give details

These expenditure figures are for my group of \_\_\_\_\_ people

**6. Have you taken a trip to Kuangsi Waterfalls or Tam Ting caves?**

Kuangsi waterfalls		Tham Ting caves	
	No		No
	With an informal guide		With an informal guide
	With a tour company		With a tour company
	On my own using local transport		On my own using local transport

**7. What is your nationality?**

Thai

Other ASEAN

Other international

Date:

Location:

Thank you!

Please return your form to the person who gave it to you.

## Appendix 5: Further detail of the Food Sub-sector

Table 25 uses details of revenue and expenditure from one restaurant to assess revenue and spend for all 1.1 million meals in LPB. The restaurant can be regarded as typical, as the average revenue per meal (\$5 on food, \$1 on drink) tallies with expenditure per day reported by tourists, and with gross estimates of spend.

**Table 25: Calculations of restaurant expenditure on local labour and products**

Total tourist meals per year in LPB		1,161,268					
Implied spend per year on meals and drinks at \$6 per meal		6,967,606				i.e. comparable to 7 mn estimate from survey data	
1 Taking data from one restaurant as representative of all meals							
In terms of \$ spend per meal on local items (NB not revenue from these items)							
	1 restaurant per 15000 meals	all LPB per 1,2 mn meals		<b>Summary for one restaurant</b>			
						of all rev	
restaurant labour	2040	163,200		labour	2040		2%
Vegetable	9,900	792,000		fruit and Vegetable	14,400		16%
fruit	4,500	360,000		meat and fish	29,700		34%
pork	8,100	648,000		rice and noodles	1080		1%
chicken	9,900	792,000		local spec.	957		1%
fish	11,700	936,000		Lao Beer	5184		6%
sticky rice	270	21,600			53361		60%
plain rice	540	43,200		<b>Summary for all restaurants</b>			
noodles	270	21,600		All restaurants		% local	% of all revenue
river weed	300	24,000		labour	163,200	100%	163,200
chilli paste	225	18,000		Vegetable	792,000	80%	633,600
pork crackers	432	34,560		fruit	360,000	30%	108,000
BeerLao	5184	414,720		meat and fish	2,376,000	100%	2,376,000
				rice and noodles	86,400	75%	64,800
<b>TOTAL</b>	<b>53,361</b>	<b>4,268,880</b>		local specialties	76,560	100%	76,560
						% to labour	
				Lao Beer	414,720	10%	41,472
				Lao water	414,720	10%	41,472
				Total			3,505,104

1. Restaurant revenue matches average spend: \$5 per meal and \$1 on drink. Thus it seems 'typical'.

2. Breakdown of vegetables that are imported is based on information from market vendor applied to actual expenditure on vegetables by a hotel.

3. A robust estimate for fruit imports is not available. But given high seasonality of Lao fruit production, when it is available, prices are low.

When Thai imports are used, out of season, prices are high. Thus imports probably accounts for the majority of spend by value, if not by kilo. Water is bottled in Lao. Data is not available, but it is added, like Lao Beer, as a Lao product produced with factory labour. Tourists probably spend as much, or more, on water as on beer.



## Appendix 6: Further detail of the Crafts Sub-sector

Table 26 seeks to estimate total income into craft chains per year by drawing on a number of key informant interviews. The rough total correlates with the figure estimated from the tourism expenditure survey. Table 27 then calculates likely amounts accruing to different participants, by using information from a very small sample of Hmong, weaving, paper, and silver enterprises. These figures are the basis for Figure 3 in the main report, illustrating income flow to different participants.

**Table 26: Estimates of total expenditure on crafts, two types of calculation**

note	A. Tourist expenditure			
1	Average spend per tourist (mini exit survey)		31	\$ per trip
	Total per year on crafts and curios		4,210,511	\$ per year
	including income to vendors, producers, wholesalers, transport.			
	<b>B. From producer estimates and enterprise inventory</b>			
	Craft vendors (estimates from vendors)	average \$ per year	Estimated no. vendors	Total \$ p.a.
2	Hmong women making and selling at market	8000	122	976,000
	Lao Lum women selling at market	12000	110	1,320,000
	Tai Dam selling for periods at market	900	10	9,000
	Sub-total			2,305,000
	Plus:			
2	Craft shops			708,000
3	sales at villages on excursions			105,206
	Sub-total textiles			3,118,206
4	paper crafts, silver, other – approx \$ per year			1,436,560
	<b>Total</b>			<b>4,554,766.47</b>

1 Tourist survey, May 2006 (Tourist questionnaires at LPB airport and bus station May 2006)

2 based on more detailed tables below from interviews

3 assume \$2 average per person, around 60,000 pax per year. Also correlates with key informant estimate of 15 village weavers earning \$5-8,000 p.a.

4 based on shop inventory and guesstimates of revenue per shop. But it may be too low and should be nearer to \$2 million. In the tourists' survey, 'fabric' was roughly half of all 'crafts and curios', but definitions and interpretations of the words were not clear.

Wages from silver are an estimated \$100,000 p.a. From others, unknown

Table 27: Estimates of approximate returns to SS&amp;US participants in the craft chain

Outlet	% returns to input providers		Total TO per category \$ ps	Imputed flow to participants p.a.
	provider	%		
1. Hmong vendor using other Hmong input	vendor	15%	976,000 (gross)	146,400
	Hmong tailor/embroiderer	14%		131,760
	Material - imported cotton	65%		634,400
	Local food and transport	5%		48,800
	Government	2%		14,640
2. Lao Lum textile vendor at market	vendor	6%	1,320,000	58,560
	village producer	23%		219,600
	Local food & transport	1%		11,712
	government	0.30%		2,928
if village producer spends 60% on materials:	producer net income			87,840
	materials			131,760
3. Formal craft shop	waged staff	47%	708,000	462,106
	raw silk	41%		398,367
	mgt & other op costs	12%		115,527
<b>Approx percentages to SS&amp;US from these three outlets</b>			<b>% of TO</b>	<b>\$ p.a.</b>
In-town vendors/producers (ex. Shop owners)			7%	204,960
waged weavers/tailors			15%	462,106
village weavers - net			3%	87,840
Hmong bit piece sewers			4%	131,760
Silk suppliers (Lao and import)			18%	530,127
of which, perhaps Lao (50%)				265,064
Cotton suppliers (imported)			21%	634,400
<b>Total to local producers excluding imports</b>				<b>1,151,730</b>
<b>out of total TO of :</b>			<b>3,004,000</b>	<b>38%</b>
	Per shop	% return	Estimated total turnover	\$ income
10 mulberry paper shops				
Average turnover approx, per shop	3,500		35,000	all shops
	wage earnings	30%		10,500
	materials - local	40%		14,000
	Shop mgt and other	30%		10,500
26 silver shops <sup>3</sup>				
Average turnover approx	48,000		1,248,000	all shops
	wage earnings	5%		67,080
	inputs and materials (Hmong & M) & other	70%		868,920
	of which Hmong silver?			434,460
	Shop mgt	25%		312,000

25 pottery shops & ? wood carving shops	Turnover		140,000	
If similar to paper but four times the turnover	wage earnings			42,000
	materials - local			56,000
266 basket weaving families				
	earnings of families and grass suppliers???		13,560	13,560
<b>Totals from these other outlets</b>				
Wages to workers			8%	119,580
returns to local raw material suppliers				504,460
family production earnings				13,560
<b>Total</b>				<b>637,600</b>
<b>Out of total imputed revenue of</b>			<b>1,436,560</b>	<b>44%</b>
<b>Revenue per year</b>			<b>4,440,560</b>	
<b>local producer/vendor/supplier income</b>			<b>1,789,330</b>	<b>40%</b>

1. Based on data from interviews with a few such vendors. They may not be representative of all.
2. Based on sketchy data, conversations with some owners and assumptions about how the financial structure of one type of enterprise varies from another. i.e. rough ball park figures intended only to show the order of magnitude.
3. Assumes average silver shop turnover is a third of the 'leading' shop interviewed. And that though this shop uses 100% Hmong silver, the average for all shops is half imports.

## Appendix 7: Calculations of transport income

Table 28 shows three different methods used for estimating income to tuk-tuk drivers and Table 29 provides more detail on the calculations of boat income.

**Table 28: Three calculations of tuk-tuk income**

Notes				
		<b>From tourist expenditure</b>		
	<b>1</b>	Total tourist expenditure on excursions	1.8	\$ million
		If proportion on tuk-tuks is	40%	
		Gross tuk-tuk income is	0.73	\$ million
		Net tuk-tuk income after op costs	0.37	\$ million
	<b>2</b>	<b>From trip estimates</b>		
		Travel to Kuangsi		
<b>1</b>		Pax per year, range	42,270 - 60,000	
		Assume average pax per year	50,000	
<b>2</b>		If proportion travelling via tuk-tuk is:	80%	
		Then pax per yr via tuk-tuk	40,000	
<b>3</b>		If average pax per tuk-tuk is:	6	
		Then tuk-tuk trips per year to Kuangsi:	6667	
		Gross charge per trip	15	\$
		Assume net margin: gross ratio is	0.5	
<b>4</b>		Net margin per trip is	7.5	
		Annual net income to tuk-tuks to Kuangsi	50,000	
		Plus trips to bus station and airport		
		If budget and mid range tourist use is	100%	taking two trips each
<b>5</b>		and if upper tourist use is	25%	taking two trips each
		then trips per year (one way)	219,661	
		\$ per trip, gross	1	
		gross per year	219,661	
		net margin per year	109,830	
		and probably higher due to tourists paying above the going rate.		
		Sub-total: Kuangsi plus bus station trips	159,830	
<b>5</b>		If these as a % of tourist tuk-tuk journeys are	66%	
		Then total net income per year from tourism	239,745	

	<b>3</b>	<b>From Producer income estimates</b>			
			8 seater (tuk-tuk)	3 wheeler (jumbo)	motorbike plus (sam lor)
		Estimated net margin pa from lvs			
		Estimate 1	775	477	na
		estimate 2	1,175		
6		Let's assume, average:	975	382	644
		No. of vehicles in operation	145	87	137
		Net margin per year for all vehicles each group	141,375	33,220	88,160
		Total net margin all vehicles per year		262,755	
		<b>Summary of results</b>		<b>Net margin p.a. to tuk-tuk owners</b>	
		<b>Estimate 1, from tourist spend</b>		<b>365,070</b>	
		<b>Estimate 2, from trip data</b>		<b>239,745</b>	
		<b>Estimate 3 from producer data plus inventory</b>		<b>262,755</b>	

1. 35,000 in ten months of 2005 PTO data. Imputing Aug and Sept pax (as per seasonality) totals 42,270 p.a. But 59%, 43% and 55% of foreign tourists according to three surveys (Dobbelstein 2002a, Dobbelstein 2002b Tourist questionnaires at LPB airport and bus station May 2006) visit suggesting 42,000 is an underestimate, and it could be nearer 60,000.
2. As approx 20% go with tour operators, in other vehicles
3. Normally take 6-8 but allow for some smaller groups
4. Net margin is turnover net of operating costs (mainly fuel) but not net of capital depreciation.
5. A guess
6. Assume the 137 Sam Lor earn around two thirds that of the 145 Tuk-tuks

Table 29: Three estimates of income to boat owners and workers

Note	1. From passenger estimates for Cave Visits - tour boats only				
	Pak Ou Caves				
1	Pax per yr				31000
	If proportion travelling via boat (one way or both):				90%
	Pax per yr via boat				27900
2	If average pax per boat is:				8
	Then boat trips per year				3487.5
3	Gross charge per trip (average)				40
	Assume net margin: gross ratio is				0.32
4	Net margin per trip is				12.8
	Annual net income to boats to caves				44,640
	<b>2. Calculation from Boat Association of trips and revenue</b>				
		Boat			
		Short Haul Boat (LPB - Pak Beng)	Passenger Speed Boat	Tour Boat	Total
	Number of Vehicles	40	80	80	200
	frequency of trips	once each per five weeks	once each pm: 2 pd LS, 3-4 pd, HS	4-5 pd LS, 20 pd HD	
	trips per year	400	1000	4140	5540
	price per trip/pax				
	per pax, foreign	8	28	25	up to 5 pax
	Per pax, Laos	6	25	40-45	10-25 pax
				55	up to 30 pax
5	Estimate average rev per trip	304		40	
	5% of revenue paid to Boat Association	4707	3761	flat rate paid	
	Therefore total revenue is:	94140	75220		
	Alternative calc:				
	Turnover: trips per year x price per trip	121,600		165,600	
	Assume net margin: gross ratio is	27%	31%	47%	
	Assume % of income due to tourism is:	80%	50%	100%	
	Then net margin to boat owners from tm is:	20,063	11,838		
	or:	25,915		77,163	
	<b>3. Calculations from producer income estimates</b>				
		S haul owner 1		Tour boat owner 1	
	Net income per month			50-100	
	Net Income per trip	200-300			
	Trips per year	10		300	
	Net income per year	2500		900	
6	If same for all 40 boat owners, total	100,000		72,000	not all work daily in LS

				Estimate of boat driver	
	net income per month for boatmen				
	Low S			80-90	
	High S			over 100	
	Imputed average per year per boatman if \$90 pm			1080	
	Imputed total p.a. all boatmen			86,400	
	<b>Plus: add income to boat assistants</b>				
	Estimated no. assistants			60	
	wages per trip			3	
	If 50% of trips have assistants, wages p.a.			6,210	low estimate of trips
				25,800	high estimate of trips

1 PTO data for three months, multiplied up, gives 31,000. survey ratio of visitors gives 29000 pax. But producer estimates are higher

2 unknown and an important variable

3 \$ whether one way or two

4 based on calculations from interviews (in Excel file)

5 for short haul assume average 40 passengers for tour boats, assume 70% are \$25 trips, and 30% are \$55 trips

6 72,000 for all tour boats is probably an over-estimate as not all work daily in the low season

## Appendix 8: Estimates of expenditure in villages

The calculations of how much tour operator revenue reaches rural villages are based on financial analysis of different treks offered by one established operator. Table 30 itemises all expenditure that can be counted as 'local', and within that as 'village'.

**Table 30: Excursion expenditure that reaches town suppliers and village-level providers, \$ per trip**

	Tour	Kuang Si	Pa Koo caves	Pa Koo w. overnight	Kayaking	Cycling, climbing	rock climbing
No. days average		1	1	2.31	1	1	1
	<b>Expenditure item</b>	Revenue per trip (\$)¹					
<b>Town income:</b>	transport	20	20	25	own or 20	3.6	10
	own guide	7	7	14	14	7	7
	town food		5.4	5.4	5.4	5.4	5.4
	town water		1.8	3.6	1.8	1.8	1.8
<b>Village level:</b> ³	entrance fee		4.5	4.5			
	village fee	5	5	10	1	0	3
	village food	5.4		13.5	0	0	0
	village water	2.1	n/a	n/a	n/a	n/a	n/a
	accomodation & baci			7.6			
	village porter						5²
	<b>Total Local (town and village):</b>	39.5	43.7	83.6	22.2	17.8	32.2
	<b>of which, village:</b>	12.5	9.5	35.6	1	0	8
	<b>T. Op Rev from 3 pax (\$/Trip)</b>	63	57	103.95	60	45	66
	<b>% to local</b>	63%	77%	80%	37%	40%	49%
	<b>% to village</b>	20%	17%	34%	2%	0%	12%
	Above average because of:	local food	Village fee	Overnight stay			Village porter

1. All calculations assume there are an average of three passengers per trip.
2. \$5 to village porter is currently stopped, but included for demonstration
3. Excludes individual expenditure by tourists, such as on crafts

Category 1 tourists spend around \$400,000 per year on excursions and transport. If we assume about two thirds of this is on organised excursions, net spend is around \$264,000. Then of this \$264,000, around \$100,000 to \$200,000 is being spent on local goods and services. These include restaurants and snack stalls (mainly in town, sometimes in villages) providing lunch, water sellers, boat and vehicle owners, village entrance fees, payments to the chief, local porter, village baci.



### ***Earnings from the largest rural 'destination' – Ngoi Village***

Ngoi village is the largest rural destination in LPB Province. Tourism to Ngoi is not included in the analysis of tourism to LPB. Nevertheless, it is a useful example of what village earnings can be once a village develops as a destination in its own right. Estimates that tourists spend around \$300,000 per year there are detailed in Table 31. These are based on a one-day visit to Ngoi in December 2005, involving interviews with the Tourism Office, guest house and restaurant owners, and a village meeting led by the Village Head.

**Table 31: Earnings from tourism at Ngoi village**

<b>A Tourism data for Ngoi</b>						
	Estimated arrivals					
	official data for 2005			5,000 pa		
	reported estimates			10000 pa		
	<b>Tourism activity in 2005</b>					
	Guesthouses	16				
	Restaurants (without guest house)	4				
	small boats	48				
	large boats	32				
	Shops	15				
	Guides	5-10?				
	HH in village	141		(MTDP data)		
	HH with no involvement	18		(according to village meeting)		
<b>B Possible total local expenditure per tourist</b>					estimated adjustments from gross to net	
		\$ per unit	units/stay	total spend	deduct	net Y
	Accommodation	2	2.5	6.5	20%	5.2
	or for 20% of visitors:	5				
	Meals	2	7.5	15	60%	6
	Beer	0.8	5	4	80%	0.8
	water, snacks	0.5	2.5	1.25	80%	0.25
	Excursion	10	0.5	5	0%	5
	boat to and from Ngoi	2	1.25	2.5	85%	0.375
	TOTAL			<b>34.25</b>		<b>17.625</b>
<b>C Estimated total village income from tourism, current &amp; potential</b>						
	Total per year				Gross income	Net income
	If 5,000 tourists				171,250	88,125
	If 10,000 tourists				342,500	176,250
	equivalent amount per HH					
	@ 5,000 pa				1,215	625
	@ 10,00 pa				2,429	1,250

Source: Ashley 2005