



**ECCIL  
WHITE PAPER  
2019**

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**TOURISM**

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## **Tourism**



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## Introduction

In the Lao PDR, as in many other lower economically developed countries, the tourism sector offers a significant opportunity for Lao PDR to develop, provide jobs for its population and improve lives.

This white paper will focus upon ways in which the government can develop the ecotourism market. Ecotourism involves "responsible travel to natural areas that conserves the environment, sustains the well-being of the local people, and involves interpretation and education. As a relatively large share of Laos income comes from international tourists, 768 000 000 USD in 2017<sup>1</sup>. It is possible to assume that nature and culture has a big impact on international tourists, which could generate even more revenue if efforts are made. ECCIL, therefore, gives the suggestion to focus on ecotourism.

## Description of issue

As the tourism sector (and the economy more generally) has begun to develop, particular issues, such as funding and ease of access, have become possible limitations to further development. Unfortunately, public funding may pose several complex issues. Regulations should be changed in order to simplify for investors to gain access to the market. Since part of the tourism sector take place in less developed areas in Laos, private investment would be a part of the developing process for these areas.

Due to the fact that ecotourism activities must often occur within government owned land, access to the ecotourism market invariably requires the granting of a concession, so-called corporation. Often included as an example of a Public Private Partnership(PPP), "a long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significantly risk and management responsibility, and remuneration is linked to performance<sup>2</sup>".

Firstly, the cost of gaining a concession agreement is too high for the private investor. In addition, attending each paper that requires to obtain the concession is taken way to long time for being feasible for some investors. Those who wish to be granted a concession must pass through a lengthy process of applications and negotiations which makes receiving a concession untenable for many. Before being granted a concession, the investor, must be granted a "Enterprise Registration Certificate (ERC) which before improvement would take least 65 days.

After an ERC is acquired, an investor must then begin to negotiate a concession deal with either the national or provincial government which controls the land.

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<sup>1</sup> The World Bank (2017). Accessed at: <https://data.worldbank.org/indicator/ST.INT.RCPT.CD?locations=LA>

<sup>2</sup> World Bank Group (2018). Accessed at: <https://ppp.worldbank.org/public-private-partnership/overview/what-are-public-private-partnerships>

This process is started to take up to six months but often takes far longer, depending on the complexity of the deal. Government officials involved in negotiations have told ECCIL that negotiations could take longer than 12 months.

Further, during negotiations, it is common for provincial governments to put pressure on investors to apply for a larger amount of land than is necessary. As concessions fees are directly related to the amount of land conceded, which result in an increased concession fee revenue at the expense of the investors. Pressuring investors into accepting a greater financial burden could create a disincentive, decreasing the number of investors willing to engage in negotiations. Consequently, ECCIL recommends the government to take actions against this pressure in order to attract several investors.

To speed up the process, ECCIL recommends that the government release predefined templates so that investors may engage with paper work more easily. The government may also wish to consider streamlining negotiations so that smaller firms would not lose so much time when attempting to invest in tourism.

Currently, there are discrepancies that exist between the current 2016 Investment Promotion (IP) Law and those that precede it, namely the 2009 IP law. ECCIL welcomes the improvement made in the 2016 IP law, such as the aforementioned 65-days limit, which previously had no upper limit on processing time. Despite this improvement, the government has not yet released any guidelines for implementing the 2016 IP law update, leading to particular difficulties.

This lack of guidance and infrastructural clarity means that the 2016 LP laws are only implemented on a case-by-case basis. Each case is open to independent interpretation which acts as a troubling barrier for business. For example, Art. 46 of the 2016 law states that feasibility study and the Environmental Social Impact Assessment (ESIA) are necessary pieces of documentation, which must be completed prior to the investor making an investment application. The process map for concessions provided on the website of the Investment Promotion Department of Ministry Promotion Investment (MPI) indicates, however, that the feasibility study and ESIA are to be undertaken once the initial investment application is approved.

Similar issues can be found in the 2013 Law for Tourism. Whilst ECCIL supports the government's efforts to replace ineffective policies, the government must also concurrently release guidelines so that the new laws can effectively replace the old. The 2013 Law on Tourism updated the previous 2005 version, making reference to new standard of business and principles of policy implementation.

Whilst the older, more detailed 2005 implementation regulations are being amended to avoid conflict with newer laws, the government has failed to meet the proposed completion date of 2015. ECCIL suggest that the Ministry of information, Culture and Tourist (MICT) officials work more closely with the Ministry of Industry and Commerce (MOIC) in order to streamline regulation and procedures.

A lack of clear legal infrastructure, as shown by the previous two examples -namely the discrepancies between the 2016 and 2009 IP laws, and between the 2013 and 2005 Law on Tourism – act as a disincentive to business. The inextricable connection

between business and government in the industry necessitates that the government aims to provide greater clarity and ease to businesses.

Finally, the government should aim to reconcile its aims and objectives with its concession policies. Investment in sustainable and ecotourism are primary objectives to reduce poverty in Laos. The Lao government has been supported significantly by external sources in order to eliminate poverty. It appears, however, that greater efforts could be made to coordinate concessions policy and environmental objectives.

## **Conclusion**

The tourism industry offers the Lao PDR a significant opportunity to reduce poverty and improve lives across the country. Despite a number of current strategies having success in the current system, ECCIL respectfully suggests that the Lao government takes into account the aforementioned issues and effects change.

As an industry with such large potential, continuing to ease the access of private investment will fuel further growth. Reducing the time and effort required to gain a concession as well as clarifying legal framework will all help to increase new investment.

