



# An Analysis of Community-Based Tourism Partnerships in Lao PDR

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MASTER PROGRAM TOURISM DESTINATION MANAGEMENT

# An Analysis of Community- Based Tourism Partnerships in Lao PDR

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## Dissertation

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*I hereby declare that this dissertation is wholly the work of Alex Pio. Any other contributors or sources have either been referenced in the prescribed manner or are listed in the acknowledgements together with the nature and the scope of their contribution*

# EXECUTIVE SUMMARY

## Background to the Study

Community-Based Tourism (CBT), where communities are directly involved in the ownership and operation of tourism products, has been one of the models most utilized in alleviating poverty and assisting rural community development through tourism. CBT can improve local stewardship over tourism resources, increase the benefits of tourism for local communities and minimize its adverse impacts. Many traditional CBT projects struggle to become successful, as they are often initiated by development organizations, are lacking in commercial viability and demand-led product designs. Including the private sector as developers and co-managers of CBT projects has shown to be an effective method to increase the success of such projects.

Lao PDR is a low-income country which, for the past 10 years, has been honing CBT partnership approaches with communities, development organizations, and the public and private sectors. Many CBT Partnership pilots have now reached a level of maturity which allows them to be evaluated. Research is required to identify the characteristics, suitability and replicability of such models in order to consolidate and develop the most appropriate approaches in each situation.

## Research Goal and Questions

The goal of this research is to update the current knowledge pool on CBT Partnerships through identifying contemporary approaches in Lao PDR, analyzing their constraints and success factors, and recommending ways to more effectively replicate and expand CBT Partnership models.

This is carried out by answering the following research questions:

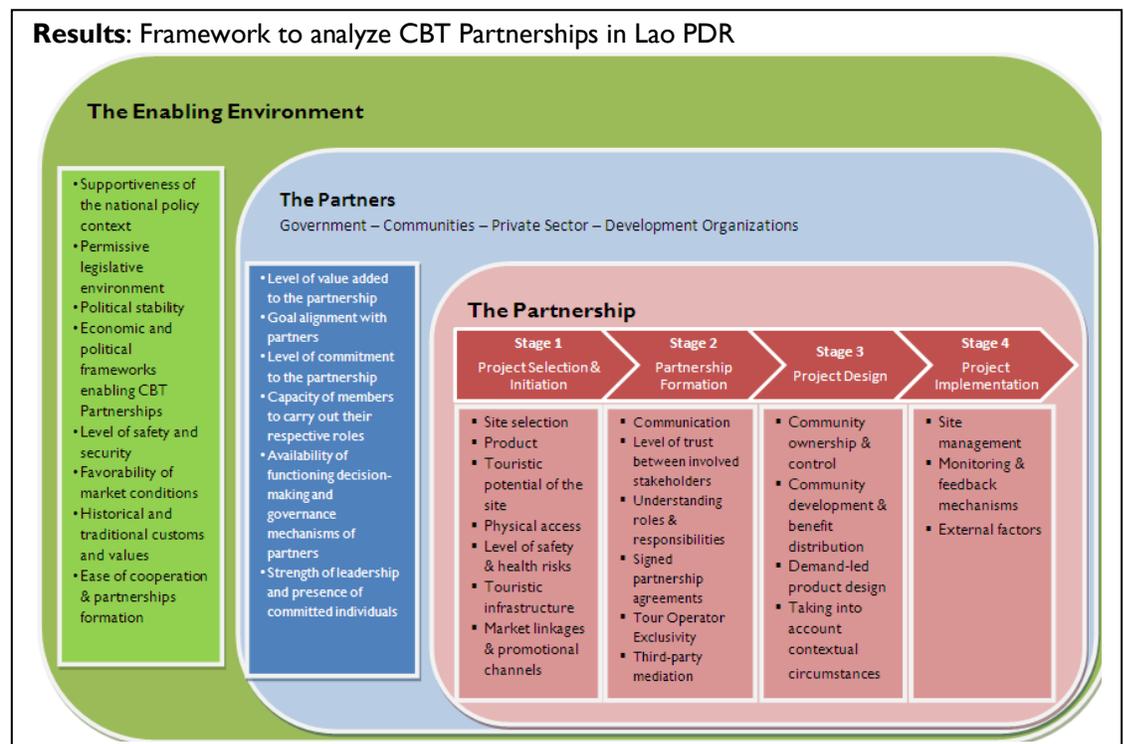
1. What types of CBT Partnerships exist in Lao PDR and what are their characteristics?
2. What has been done to facilitate CBT Partnerships in Lao PDR?
3. What are the success factors and constraints facing CBT Partnerships in Lao PDR?
4. How can the replication and expansion of CBT Partnerships be accelerated in Lao PDR?

## Methodology, Research Techniques and Results

**Step I:** Create an analysis framework based on literature

**Research Techniques:** Academic journal articles, past applied research & books.

Theories on Public Private Partnerships,



tourism-for-development, tourism partnerships, critical success factors and CBT Partnerships are explored.

**Step 2:** Identify the CBT partnership types and their characteristics in Lao PDR

**Research Techniques:** Semi-structured interviews; overt, semi-participatory and unstructured observations, focus group & secondary research

<b>Results</b>	Donor-Assisted CBT Partnerships (DACBT): Donor-developed, community and private sector run	CBT Partnerships (PPP): Private Sector developed & joint private sector & community operation	Inclusive Business Model: Private sector developed and run with community cooperation and linkages
Development & Conservation Benefits	High	Moderate	Moderate
Ease of implementation	Moderate	Low	High
Replicability	Moderate	Low	High
Suitability	National Protected Areas, sensitive cultural areas, districts, businesses and communities will less tourism experience	Districts and communities with more tourism experience, unique products, midscale-budget	Upscale products, districts and communities will less tourism experience

**Step 3:** Analyze CBT Partnerships and their environment according to the framework

**Research Techniques:** See Step 2

### Results

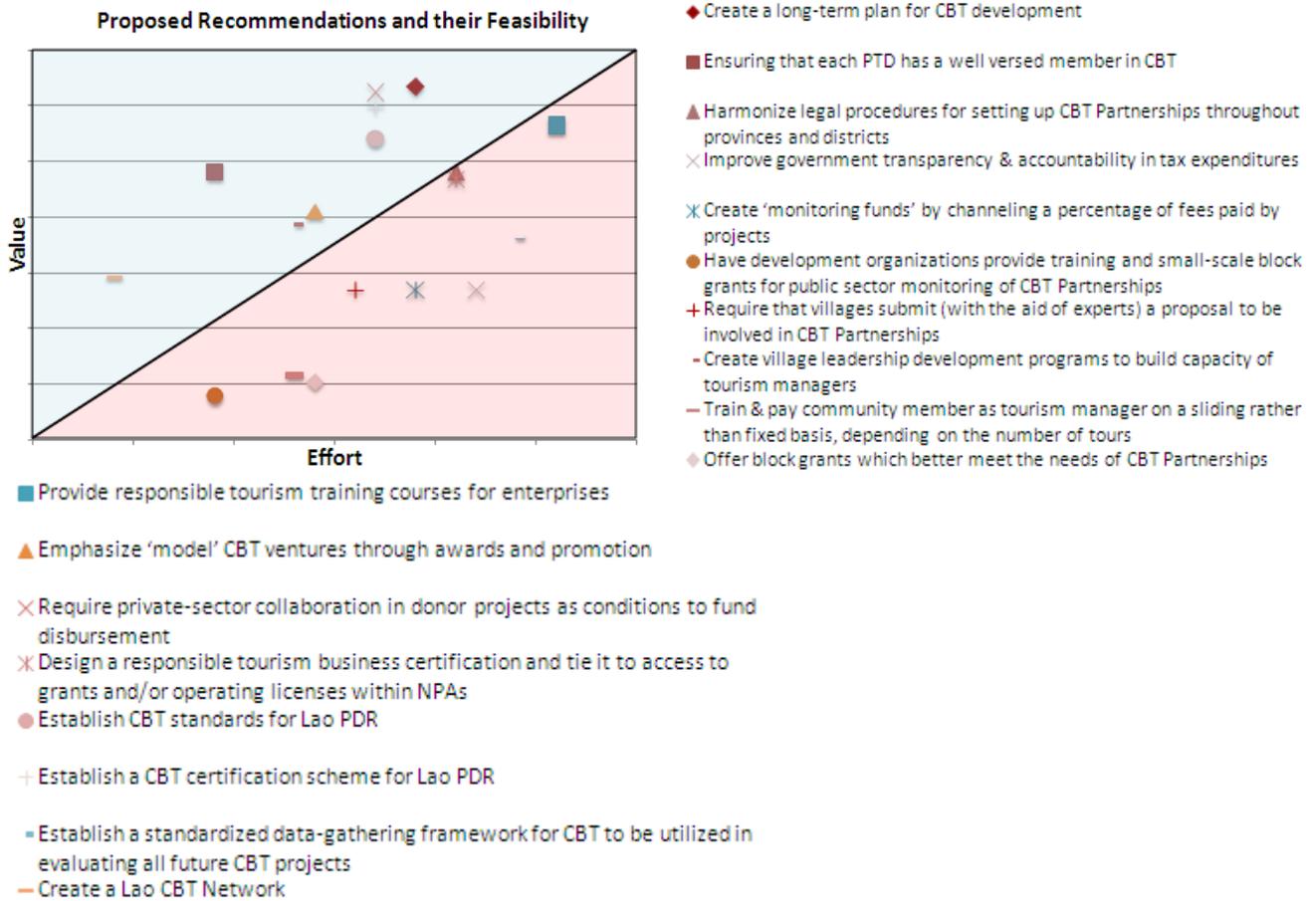
<b>Main Enabling Factors:</b>	<b>Main Constraints:</b>
Supportive national policy context Support, capacity and commitment of Development Organizations Private sector expertise Community leadership and permissiveness Demand-led product design Effective site management	Lack of <b>cooperation</b> within the tourism sector The Public sector lacks the <b>capacity, will</b> and <b>funding</b> to add value to CBT Partnerships Lack of commitment from <b>communities</b> to partnerships Lack of <b>private sector</b> interest to invest in CBT Partnerships Lack of standardized, appropriate & sustained <b>monitoring</b> Competing <b>economic activities</b> destroying the tourism potential of sites

**Step 4:** Formulate recommendations to accelerate the expansion and replication of CBT Partnerships

**Research Techniques:** Semi-structured interviews and member checking

### Results

<b>Partner</b>	<b>Recommendation</b>
<b>Public Sector</b>	Build capacity, harmonize legal procedures, overcoming funding bottlenecks, create a long-term plan for CBT development, increase communication between and within sectors
<b>Communities</b>	Increase resource contributions, increase understanding of CBT and partner roles, build organizational & leadership capabilities
<b>Private Sector</b>	Lower financial and procedural costs, increase private sector involvement in responsible tourism practices
<b>Development Organizations</b>	Increase involvement and ease of monitoring by establishing standardized methods, create a Lao CBT network and association, increase block grants tailored to CBT Partnership development



### Practical Implications Faced

- **Cultural and language differences** had to be considered when gathering and interpreting results
- The lack of **physical access** and **formal records** in rural areas hampered quantitative data collection, thus reducing the comparative strength of the research
- A **high response rate** of interviewees ensured more valid, reliable results from differing stakeholder perspectives

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## ABBREVIATIONS

Abbreviations	Full Name
<b>Lao PDR</b>	Lao People's Democratic Republic
<b>CBT</b>	Community-Based Tourism
<b>GDP</b>	Gross Domestic Product
<b>UNWTO</b>	United Nations World Tourism Organization
<b>LDCs</b>	Less Developed Countries
<b>PPT</b>	Pro-Poor Tourism
<b>WTTC</b>	World Travel & Trade Council
<b>CBTEs</b>	Community-Based Tourism Enterprises
<b>NHEP</b>	Nam Ha Ecotourism Project
<b>CSFs</b>	Critical Success Factors
<b>GMS</b>	Greater Mekong Sub-region
<b>NSE</b>	Nam Seuang Experience
<b>UN</b>	United Nations
<b>USAID</b>	United States Agency for International Development
<b>NGOs</b>	Non Government Organizations
<b>DACBT</b>	Donor-Assisted Community Based Tourism
<b>PPPs</b>	Public-Private Partnerships
<b>WWF</b>	World Wildlife Fund
<b>APEC</b>	Asia-Pacific Economic Cooperation
<b>PTD</b>	Provincial Tourism Department
<b>DTO</b>	District Tourism Office

<b>CBT PPPs</b>	Community-Based Tourism Public Private Partnerships
<b>ROI</b>	Return on Investment
<b>NPAs</b>	National Protected Areas
<b>LOS</b>	Length of Stay
<b>LNTA</b>	Lao National Tourism Administration
<b>ADB</b>	Asian Development Bank
<b>UNESCO</b>	United Nations Educational, Scientific and Cultural Organization
<b>SNV</b>	Stichting Nederlandse Vrijwilligers (Netherlands Development Organization)
<b>GIZ</b>	German Company for International Cooperation (Formerly GTZ)
<b>NZAID</b>	New Zealand Aid
<b>JICA</b>	Japan International Cooperation Agency
<b>MTDP</b>	Mekong Tourism Development Project
<b>STPD</b>	Sustainable Tourism Development Project
<b>LATA</b>	Lao Association of Travel Agents
<b>RDMA</b>	Rural Development in Mountain Areas
<b>LEnS</b>	Laos Environment and Social Project
<b>IUCN</b>	International Union for Conservation of Nature and Natural Resources
<b>VF</b>	Village Fund
<b>ODI</b>	Overseas Development Institute
<b>NACOBTA</b>	Namibia Community Based Tourism Association
<b>SAP</b>	Structural Adjustment Programs

The author retains sole responsibility for the content of this paper

## INTRODUCTION & PROBLEM ANALYSIS

### **Why Consider Tourism for Poverty Alleviation?**

Tourism is one of the world's largest industries, supporting more than 258 million jobs and generating around 9.1% of worldwide GDP (WTTC, 2011). According to the UNWTO, it is a major source of growth, employment, income and revenue for many of the world's developing countries, most of which have identified it as an effective means of reducing poverty (UNWTO, 2011).

Tourism-for-development emerged through two interconnected streams. Academics began exploring its possible uses for development as early as the 1960s; concurrently, by the late 1970s, the negative impacts of mass tourism led to a search for alternative forms (Scheyvens, 2007). Governments tout tourism's ability to generate foreign exchange earnings, tax revenues and employment. Less Developed Countries (LDCs), it is recognized as having the potential to alleviate poverty as it is consumed at the point of production, creates backward linkages with other sectors, offers opportunities for women and youth, strengthens the social capital and skills of the poor, promotes small-scale entrepreneurship, and funds basic utilities (Carbone, 2005).

Initially it was thought that following a liberal agenda of increasing tourist volume as well as foreign investment would stimulate economic growth and allow benefits to trickle down to the poor. However, it soon became clear that although economically beneficial, these advantages do not usually reach the poor (Scheyvens, 2007). Development organizations soon began initiatives specifically targeted at reducing poverty, and Pro-Poor Tourism (PPT) was coined in the 1990s, striving to create "tourism that results in increased net benefits for poor people" (Pro-Poor Tourism, 2005).

### **Why Focus On Community-Based Tourism?**

Apart from recognizing that tourism raises living standards through employment and income generation, development organizations have taken a number of approaches in utilizing tourism to directly improve the lives of the poor. One example of this is Community-Based Tourism (CBT), where communities are directly involved in the ownership and operation of tourism products.

CBT has been one of the models most adopted by development organizations in utilizing tourism to help sustainably raise living standards in impoverished communities. The main goals of CBT projects are to strengthen local stewardship over tourism resources, increase the benefits of tourism for local communities and minimize its adverse impacts.

However, a key problem faced by CBT ventures worldwide is that many projects have struggled to become successful. They often do not become financially self-sustainable as they are difficult to access and lack a commercially viable design. This is due to the fact that development agencies often select and design these projects without private sector involvement, and therefore do not take into account the 'business' aspect of CBT. This lack of demand, and thus revenue streams causes many CBT projects to fail once donor funding pulls out.

## **Why Are Public-Private Partnerships Successful Approaches to Developing CBT?**

Garrett (2008) states that tourism is fundamentally a private-sector industry, and rural communities require business partners to be successful. The most recent iteration of 'best practices' in CBT advocates the involvement of a private sector partner as initiator or during the design stages of CBT projects, in this way creating partnerships between the community and the private sector. One or more government departments are usually present in such partnerships as well, and there is the possibility of development partners either facilitating or being involved in CBT management. In this way each partner adds value to the project through their available competencies and resources.

There is a general lack of literature on theory of private sector involvement in CBT projects. Recently, applied research on private sector involvement in CBT has focused on its potential for poverty alleviation (Manyara & Jones, 2007; Zapata et al, 2011), anthropological concerns (Wearey & Macdonald, 2002), participatory theory (Okazaki, 2008) and stakeholder interrelations (George et al, 2008). Terminology applied to such models includes Community-Based Tourism Enterprises (CBTEs), CBT Partnerships, Tri-sector and Tripartite partnerships. The form studied in this paper can be termed Community-Based Tourism Partnerships.

Variations of this approach have shown that CBT projects with private sector partners are more successful than those without (Nicanor, 2001). However, it has remained cumbersome to effectively connect the worlds of rural villages to commercial markets (Richards, 2009).

## **Why Study Lao PDR?**

Lao PDR, a landlocked South-East Asian nation of 6.5 million inhabitants is classified as a low-income country (World Bank, 2011). It has a per-capita Gross National Income of \$880 and a Human Development Index of 0.571 (out of 1); with 27.6% of its population living below the national poverty line (UNDP, 2011). Its government, a one-party system slowly transitioning from a command economy to a market-oriented one, has since the mid-1990s set itself the target of eradicating poverty (Harrison & Schipani, 2007).

The country was only opened to international tourism in 1989. The importance of tourism, however, was quickly recognized by the Lao government not only as an export and major foreign exchange earner, but as a potential force to alleviate poverty (Hall, 2000). By 2004 the government favored the development of 'pro-poor, community-based tourism' to reduce poverty (Lao PDR, 2004). This recognition and support of CBT has been mirrored, and influenced by, that of the development world. Development organizations have supported CBT through investing heavily in pilot projects, most notably the Nam Ha Ecotourism Project (NHEP) in 1999 (Harrison & Schipani, 2007). Laos has since developed numerous CBT projects and has come to be known as a forerunner in such projects in South-East Asia.

Since the early 2000s, Laos has been honing partnership approaches involving local communities, tour operators and the public sector to try to overcome the issues of donor-dependency and lack of commercial viability, while investing in pilot projects in the hopes of reaching a more easily replicable model, which would minimize the high cost of the investment-to-returns ratio.

It has been 10 years since the first efforts to integrate the private sector into CBT projects began in Laos and the field has seen a number of models with differing approaches and success rates. Many CBT Partnership pilots have now reached a maturity whereby they can be evaluated. Research is now required to identify the characteristics, suitability and replicability of such models in order to consolidate and develop the most appropriate approaches in differing situations.

### **Why Analyze Critical Success Factors of CBT Partnerships?**

Indeed some CBT Partnerships have been more successful than others, and the challenges of navigating multi-stakeholder partnerships in CBT have become inherent. CBT practitioners have, through a trial-and-error approach, been working out methods to increase the success of their ventures, while running into recurring constraints.

Up until now, academic research on CBT Partnerships includes inquiries into the role of stakeholders in CBT, including that of the private sector, and various works which have focused on specific projects or nations in the study of success of CBT projects.

Analyzing Critical Success Factors (CSFs) allows the field to pinpoint characteristics which contribute to effectively functioning projects, while identifying those factors which constrain success. This is a vital step in evaluating partnership approaches.

### **Why Replicate and Expand Successful CBT Partnership Approaches?**

A major criticism of CBT in general is that the scope of the impact these projects have is minimal. It has been criticized as having a low impact on poverty alleviation in comparison with the results of mainstream tourism or other alternative economic activities (Mitchell & Muckosy, 2008). Although this approach does create benefits for the poor involved, it is relegated to small-scale niches and is too resource intensive (Mitchell & Ashley, 2007). Efforts to spur this kind of development are currently seen as too marginal to dent poverty levels.

By removing constraints faced by CBT Partnerships, the benefits of CBT can be increased and successful models can be more easily replicated, thus having a greater impact on poverty alleviation and increasing the scope of such an impact.

## **Research Goal and Questions**

This paper will analyze CBT Partnerships in Lao PDR, thus serving the following purposes:

**To update the current knowledge pool on CBT partnerships through mapping out current approaches in Lao PDR, analyzing their shortcomings and success factors, and recommending ways to more effectively replicate and expand successful partnership models.**

This will be carried out by answering the following research questions:

1. What types of CBT Partnerships exist in Lao PDR and what are their characteristics?
2. What has been done to facilitate CBT Partnerships in Lao PDR?
3. What are the success factors and constraints facing CBT Partnerships in Lao PDR?
4. How can the replication and expansion of CBT Partnerships be accelerated in Lao PDR?

## **Relevance and Contribution of this Research**

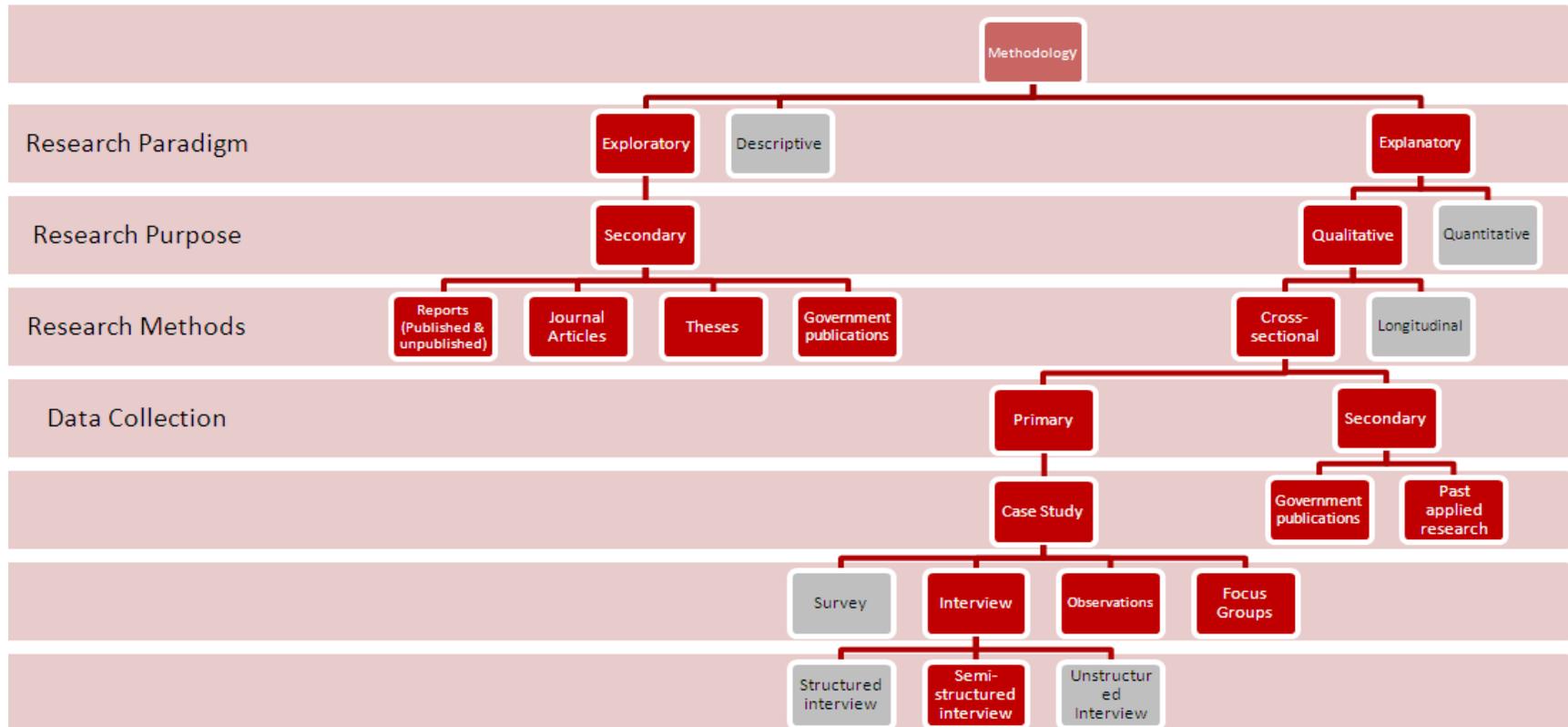
The main aim of this study is to understand the currently most successful iterations of CBT in Laos and recommend ways to sustainably propagate such ventures. This research should provide tourism policy-makers and planners as well as CBT practitioners with insight into successful and less successful models of CBT Partnerships and ways to increase their effectiveness. This would allow CBT planners to develop more successful projects and policies by reducing constraints, as well as highlighting the knowledge of best practices, the benefits derived from each model, their ease of implementation and their suitability in differing contexts.

Secondly, this study will contribute to the literature on CBT by updating knowledge of CBT projects as well as constructing a framework which can be further refined and applied to CBT partnerships in other nations.

## METHODOLOGY

The following chart shows an overview of the paper's methodology, with the red shading denoting the methods selected:

**Figure 1: Methodology Overview<sup>1</sup>**



<sup>1</sup> Own Illustration

## TYPES OF RESEARCH

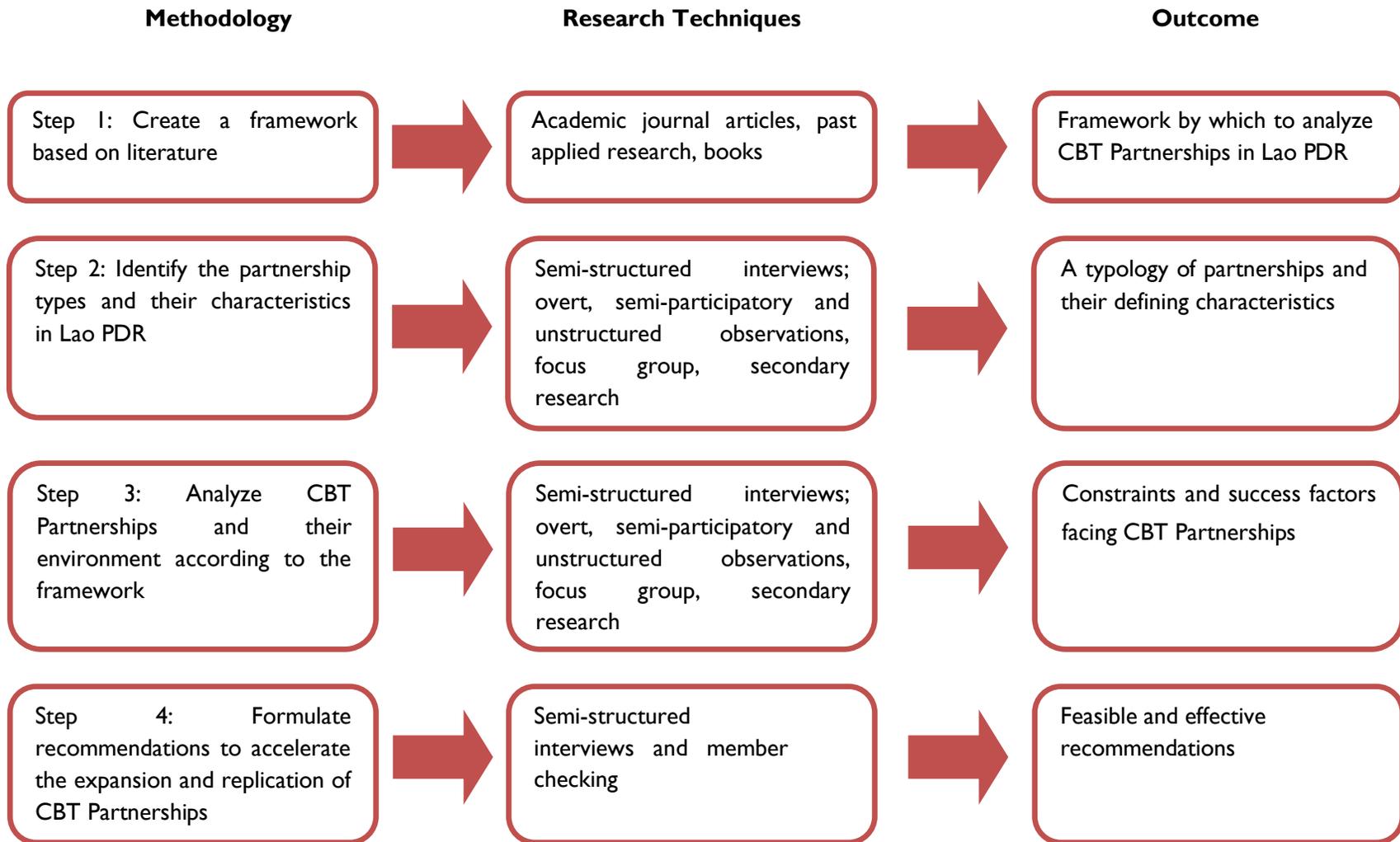
**Exploratory research** was utilized to create a framework, which was then tested through **explanatory research**. Exploratory studies have the goal of 'seeking new insights' through an extensive search of the literature, or through the process of research itself. Explanatory research, instead, emphasizes the study of a situation to explain the relationship between two variables (Saunders et al., 2007). Both types of research have been utilized to create a holistic approach to answering the research questions.

**Qualitative research** was utilized as dealing with multiple stakeholders and perceptions requires an interpretive, nuanced approach. The difficulty in gathering consistent, reliable quantitative research in rural settings also contributed to this choice of research method. The subject also deals extensively with contextual factors and new ideas, all factors better explored through qualitative research (Ospina, 2004).

## RESEARCH PROCESS

Four main steps have been taken to answer the research questions; they are illustrated below with their desired outcomes:

**Figure 2: The Research Process**



### **Step 1: Create a framework based on literature to analyze CBT Partnerships in Lao PDR**

**Secondary research** was utilized to build a framework with which to analyze the Lao PDR case. This includes reviewing literature on theories from the fields of development aid, Public-Private Partnerships, tourism partnerships and CBT through journal articles and books. Finally, past applied research on CBT Partnerships and similar variations was compiled to form a basis for the framework. The amount and breadth of publications utilized served to solidify the discussion and provide a holistic and well-balanced overview on the subject.

### **Step 2: Identify the partnership types and their characteristics in Lao PDR**

### **Step 3: Analyze CBT Partnerships and their environment according to the framework**

**Case study research** was utilized for steps 2, 3 and 4, with the nation of Lao PDR being the macro case study, seven CBT Partnerships serving as the main individual case studies, with 8 additional ones utilized as auxiliary examples.

Similar research methods were utilized to collect information for steps two and three, with **secondary research** in the form of government reports, statistics, journal articles, books, workshop presentations, working papers, seminars and past theses used to form a basis for the research.

At the onset of the research, the Mekong Tourism Forum was attended in Pakse, Laos where representatives of the tourism & travel trade, along with development organizations and government officials were present. This was a major source of snowball and opportunistic sampling. Directly preceding the forum, closed sessions on the Greater Mekong Sub-region (GMS) Tourism Working Group and the GMS Sustainable Tourism Development Project were attended to gain background information on Lao PDR and its enabling environment.

**Semi-structured interviews** allow for the flow of the information rather than the order of the guide to determine when and how questions are asked (Bailey, 2007). This research necessitated a variety of viewpoints from a range of stakeholders, each with differing cultural and professional backgrounds, therefore best suited for semi-structured interviews. This method allowed for enough flexibility to gain insight into the differing viewpoints and to ask context-specific questions.

For the research to be inclusive, it required the perspectives of each partner to be taken into consideration as well as stakeholders involved in the enabling environment. Therefore subjects from the public sector, private sector, development organizations and community members were interviewed. Each interview lasted from one to three hours and was recorded. Twenty-six interviews were conducted out of the 31 potential respondents contacted, representing a response rate of 84%. In order to respect the integrity of the interviewees, names are not revealed in the report unless consent was given. Appendix 1 lists the interviewees and their positions while Appendix 2 includes the interview guide utilized.

**Observations** were also utilized when visiting a number of CBT Partnership project sites. The most in-depth being the Nam Seuang Experience in which 3 days were spent carrying out interviews with stakeholders as well as **overt observations** (in which the subjects are aware of being observed), **participatory observations** (in which the researcher participated in the CBT project as a tourist). These observations were **unstructured**, but **guided** by the research framework.

**Focus groups** are ideal when researching phenomena involving perspectives of multiple stakeholders (Fern, 1982). In this case one focus group was utilized to reach a consensus on issues pertaining to successful CBT Partnerships, which is a crucial part of this research. Five representatives were present: a CBT Partnerships administering tour operator, one CBT practitioner, one CBT development consultant, one outbound tour operator and one international development practitioner involved in CBT projects, all working in Lao PDR.

**Purposeful sampling** has been utilized to choose the relevant macro and micro case studies as well as interview and focus group subjects. Such sampling, as opposed to random sampling, is the deliberate choice of a certain party to study (Bailey, 2007). The following methods of purposeful sampling were utilized<sup>2</sup>:

- Snowball or chain sampling: selecting cases from referrals by participants
- Criterion sampling: selecting cases based on their meeting some criterion of interest (being involved in CBT Partnerships operating in Lao PDR)
- Opportunistic sampling: selecting cases that are unexpectedly available

#### **Step 4: Formulate recommendations to accelerate the expansion and replication of CBT Partnerships**

Recommendations were formulated based on the constraints identified in the previous steps and taking into account the unique contextual circumstances of Lao PDR. These recommendations were then **member checked** through **semi-structured** interviews and by having tourism experts **rate** the value and effort of each recommendation, thus ensuring their feasibility. Two prominent Lao CBT experts were utilized for member checking. One expert was William Tuffin, who has worked extensively in Laos as a CBT Partnership consultant, Eco-lodge manager and developer and marketing advisor, with several publications on CBT Partnerships in Lao PDR. The second expert was Steven Schipani, Asian Development Bank (ADB) Social Sector Specialist, who has been instrumental in developing CBT in Lao PDR.

## EVALUATION OF RESEARCH METHODS

### **Ensuring Reliability and Validity**

In utilizing a large scope and breadth of research methods, as well as carrying out primary research on stakeholders with different backgrounds, social and geographical locations and perspectives, the validity is augmented. Triangulation, which is the search for converging findings from different sources, was utilized to increase construct validity. Qualitative field research allows for **high validity** due to its

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<sup>2</sup> Bailey, 2007

in-depth and contextualized nature allowing for a more nuanced understanding of the setting and its participants (Bailey, 2007).

Regarding its **reliability**, as the research is cross-sectional, and since partnerships are constantly evolving mechanisms, it must be recognized that this is only taking a snapshot of current and past proceedings. However, in taking into account partnership theories and past research, the study hopes to minimize such issues.

### Addressing Subjectivity

The methodology of this type of research involves interactions with and observations of participants in their settings. The interpretive paradigm of research includes the epistemological belief that research does not exist independently from the researcher, therefore the question of subjectivity and trustworthiness in interpreting the results is a major one (Bailey, 2007). The researcher's background has undoubtedly influenced this paper. Differing **status characteristics**- or the interviewing of subjects inherently different from the research- was a concern which the researcher was aware of and sought to minimize through semi-structured interviews.

### Practical Strengths and Weaknesses of the Research Approach

- **Cultural and language differences** played an important role in the interpretation of interview data, with Laotians unaccustomed to criticism or conflict, making it more difficult to gain valuable information from interviews. The researcher was required to utilize interpretive skills to determine the actual content of interviews
- The **exploratory approach** in compiling a framework suited to analyze CBT partnerships, rather than utilizing an established one was a complicated process, however the researcher feels that the customization of the framework yielded more effective results
- The **high response rate** of interviewees allowed for greater integrity and validity of data gathered, as well as a greater breadth of perspectives, something vital when analyzing multi-stakeholder contexts
- The **logistics of access and distance** made it very difficult and time consuming when gathering data. Poor transport infrastructure made it difficult to reach rural areas in which CBT is carried out, resulting in the majority of interviews being carried out in Pakse, during the Mekong Tourism Forum, held in Vientiane, the capital, and Luang Prabang, the main tourist hub. This has reduced the amount of perspectives from community members and onsite observations
- The **lack of formal data recording mechanisms**, especially in rural areas made data collection difficult, often resulting in incomplete datasets. Ascertaining accurate information was challenging, with even normally objective information differing by stakeholder (for example, such as ascertaining in which year a partnership had been initiated- for which 3 different responses were given from 3 different stakeholders). The research approach was designed to focus more on qualitative information due to this lack of reliable quantitative data. However this lack of comparative numbers has reduced the strength of the arguments, especially when comparing CBT partnerships to each other and determining their success. The increased use of quantitative data would have allowed a stronger, more objective analysis of findings
- The **wide range of CBT types and lack of standardized models** makes comparing them within one framework difficult. This was overcome by synthesizing findings to generalize factors, instead of analyzing factors for each partnership.

## LITERATURE REVIEW

### COMMUNITY-BASED TOURISM DEFINITION

Community-Based Tourism (CBT) can be defined as ‘any business organizational form grounded on the property and self management of the community’s patrimonial assets, according to democratic and solidarity practices; and on the distribution of the benefits generated by the supply of tourist services, with the aim at supporting intercultural quality meetings with the visitors’ (International Labor Organization, 2005, p. 3). It is taking place within communities and is– to differing degrees – owned and operated by communities.

The definition of what constitutes the ‘**community**’ and its scope has been largely debated, namely who it comprises of and whether this should be defined on a geographical, spatial, livelihood or ethnic basis (Roe et al, 2001). For the purpose of this paper, communities will be synonymous with the rural villages they inhabit and their physical boundaries.

Community leadership tends to be characterized by a committee of members, usually chaired by the village authority, which oversees the tourism initiative on behalf of the population. The models of community involvement vary from rotating operational teams to assigning specific members of the community to provide services, however most involve some type of income redistribution mechanism such as a village development fund, allowing even those not directly involved to benefit.

The possible benefits of CBT are listed below:

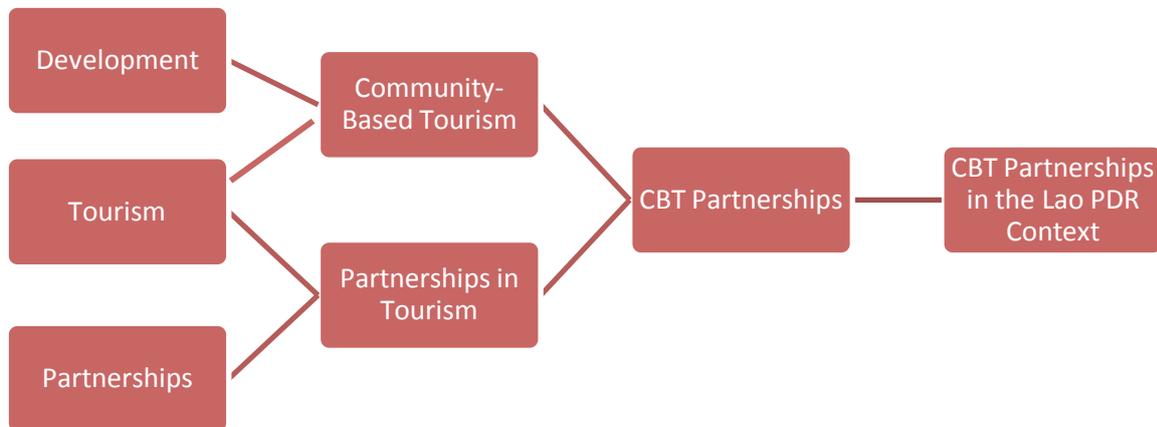
**Figure 3: Potential Benefits of CBT<sup>3</sup>**

Development Area	Potential Benefits
<b>Economic</b>	Sustainable and independent source of funds for community development Employment creation Increased household income
<b>Educational</b>	Promoting the acquisition of new skills Creating new professions Imparting and encouraging the use of knowledge within the community Breeding cross-cultural learning Fostering and promoting respect for local knowledge and skills
<b>Social</b>	Raising living standards Promoting gender and age equality Building organizational capacity, community cohesion & pride Increasing respect for culture, heritage and/or tradition Increasing social capital
<b>Health</b>	Promoting good hygiene Increasing access to potable water, electricity, healthcare and sanitary Infrastructure improvement
<b>Environmental</b>	Promoting environmental responsibility Raising awareness of conservation Promoting the management of waste disposal

<sup>3</sup> Adapted from Tuffin, 2005

This section covers literature on following aspects related to CBT:

**Figure 4: Literature Review Overview<sup>4</sup>**



Community development was introduced in the 1950s and 1960s as a form of rural development, when many LDCs were gaining their independence and becoming decolonized. It gained traction as it was promoted by the United Nations (UN), United States Agency for International Development (USAID) and the World Bank at around the same time. Its goal was to 'remove the stigma of charity and involve local people in decision-making' (Catley, 1999). However at this point rural development was dominated by a top-down model, with little input sought from the communities themselves.

The idea of CBT was brought into the tourism world during the 1970s, concurrently through academia- in a search for alternatives to the negative effects which mass tourism was causing - as well as through development organizations which had experience with community development in their other sectors (Cater, 1993; De Kadt, 1979; Hall & Lew, 2009; Murphy, 1985; Smith, 1977). Practitioners and academics at the time conceded that mass tourism brought few benefits directly to the poor (Wilson, 1979). Smith (1978) concluded that the extent to which tourism is economically beneficial depends on 'the type of tourism, the expectations of the tourists, and the host's abilities to provide appropriate facilities and destination activities' (p. 4). It was thus perceived that CBT would provide more direct benefits than more mainstream forms of tourism.

The rationale behind CBT for poverty reduction was that tourism displays the following characteristics (UNWTO, 2004):

- It is consumed at the point of production, providing direct interaction with the service providers
- It can occur in rural areas, which is where the majority of the poor live and are often rich in touristic attributes, such as cultural and natural capital
- Tourism is labor-intensive, providing more job opportunities for women and youth
- It contributes to strengthening social capital, education, skill levels

<sup>4</sup> Own Illustration

- It can lead to improvement of infrastructure, conservation of natural and cultural heritage, foster pride, awareness and a sense of ownership

Initially most CBT projects were relegated to small rural communities and nature conservancies, while it has since then been broadened to a range of products and management models. Since the mid-1980s community development has evolved into a more structured approach, including subjects like typologies of participation, development and planning paradigms, tourism management approaches, impacts and changes to livelihood assets, stakeholder theories and ownership structures (Ashley, 2000; Beeton, 2006; Hall, 2003; Hawkins & Mann, 2007; Mbaiwa, 2005; Prentice, 1993; Pretty, 1995; Ryan, 2002; Simmons, 1994; Tosun, 2006). Up until this point the majority of projects took the form of Donor-Assisted CBT (DACBT) meaning that they are financed and/or created by development organizations such as Non Government Organizations (NGOs), bilateral or multilateral aid agencies.

The idea of CBT emerged from initiatives led mainly by development organizations to *primarily* aid the poor, as opposed to primarily develop tourism, relegating the business function, and often its commercial viability as a secondary concern (Jones & EplerWood, 2008; Zapata et al, 2011). Many of these organizations initiated these (Ironically communal and interventionist) projects under policies of liberalization and capitalism, which continued into the 1970s and 1980s (Scheyvens, 2007).

The following decades brought a shift in international development thinking from the previous Structural Adjustment Programs (SAP), in which aid on the conditions of deep structural reforms was criticized for entrenching poverty; to poverty alleviation (Dent & Peters, 1999). Bottom-up, locally owned development replaced the previously prevalent top-down approach as best practice- at least in theory (Rodenburg, 1980). Since then there have been efforts to increase the involvement and ownership of communities themselves in such projects. This approach involved having local communities participate directly in decision making, implementation, evaluation and benefit-sharing (Catley, 1999).

The 'green agenda' of the 1980s and 1992 UN Summit in Rio pushed ecotourism to the forefront, a product often practiced through CBT (Scheyvens, 2007). This alternative tourism concept continued from the 1990s onwards, with the idea that the active participation of communities in tourism can offer the poor a means of diversifying their livelihood options and empowerment, education and skills training. In 1999 tourism for poverty alleviation ideas were rallied under the term of 'Pro-Poor Tourism', in which a number of in-depth, more empirical studies were carried out on the ways in which tourism could benefit the poor (DFID 1999, 2004). In the same decade a number of CBT initiatives from around the world including in Nicaragua, Costa Rica, Southern Africa and Southeast Asia reached the stage at which they could be evaluated as to their viability and success. The accepted model of DACBT then began to be questioned both in terms of its relevance to demand as well as the effectiveness of utilizing donor funds on such projects.

The Majority of CBT literature has focused on the impacts which a localized CBT venture has had (usually on poverty alleviation) and extrapolating such lessons learnt to general CBT theories. Initiatives showed mixed results, often touting the intangible benefits more than economic ones to justify CBT's success (Kiss, 2004). Many studies continued to point out similar constraints of such projects.

A study by Mitchell & Muckosy (2008) found that "the most likely outcome for a CBT initiative is collapse after funding dries up". Goodwin & Santilli (2009) found similar results when investigating 28 initiatives, of which only four were found to be economically sustainable. When studying successful

and less successful CBT ventures, many cite the need of a commercially feasible design. A lack of touristic potential, market access, target market, product design, promotional channel selection and connections to source markets are noted as the main causes for CBT collapse (George et al, 2008; Sebele, 2010; Tosun, 2000). A lack of commercial viability then causes dependence on donor funding instead of generated revenue, which causes project to fail once this donor funding runs out -usually in 5-year cycles (Elliott & Sumba, 2011).

These conclusions are supported by evidence from a study carried out by the Rainforest Alliance and Conservation International, which after reviewing 200 CBT projects across the Americas found that many with accommodation ran on 5% occupancy. Similar findings were published in a 2006 survey by ResponsibleTravel.com and Conservation International (Goodwin & Santilli, 2009).

Being largely administered by NGOs, such CBT projects are viewed primarily as having a social or environmental purpose rather than a commercial one. However, for projects to be successful, these goals are required in tandem (Goodwin & Santilli, 2009).

Often, mistakes made at the project design stage have then hindered the success of the operation due to a lack of business knowledge. Many sources, including NGOs themselves have stated this as a major shortcoming, and therefore one way to seek to bridge this gap was to involve the private sector, and therefore bring in the necessary knowledge and systems to make the business side of CBT work (Ashley & Jones, 200; Bijl, 2009; Buddinger, 2009; Denman, 2001; Studd, 2010). Since most of the shortcomings are ingrained from the design stage, the rationale is to get businesses involved at the earliest stage possible. George et al, (2008) in their study of a multi-stakeholder approach to CBT emphasize the importance of involving the private sector, especially travel agents, tour operators and hoteliers, stating that 'The earlier this engagement takes place and the closer the partnership, the more likely it is to succeed' (p. 4).

The use of partnerships involving the private sector has been largely viewed as a more sustainable approach than previous CBT iterations. Research by Nicanor (2001) has shown that CBT projects partnering with the private sector perform better than those that do not. These practical findings, along with shifting paradigms of development assistance, emergence of Public-Private Partnerships (PPPs) sustainability (environmental, social *and* economic) as well as the emergence of Corporate Social Responsibility, a precursor to today's *social enterprise* movement, led to a rethink of the ways in which CBT ventures *should* be designed.

Another factor which impacted the private sector partnership approach is the evolution of donor-country development thinking in the 1990s, which often tied financial assistance to shifting the focus of government from intervention and direct involvement to a role of facilitator and partner (Hughes, 1998). These efforts were central components of neoliberal foreign policies of deregulation, privatization and PPPs in LDCs (Mitchell-Weaver and Manning, 1991).

Research on CBT partnerships involving the private sector has been carried out in the form of case studies in the Czech Republic, Ecuador, Southern Africa, Uganda, the Gambia, Nepal and the Caribbean- mapping out different benefits and limitations of such an approach. Results show that companies and communities can benefit in tandem through the provision of goods and services, economic benefits, training and direct employment (Ashley, 2001).

Existing literature on CBT is heavily concentrated on 'soft' claims of success, often lacking quantifiable data and analysis (Kiss, 2004). Suriya (2008) also notes that studies of CBT success greatly (and almost

exclusively) outnumber those on its failures, the overlooking of which can be dangerous for all stakeholders involved.

Development organizations have also become increasingly under pressure to justify the time and money spent on their projects and to ensure that donor aid has been spent in the most effective manner, on projects which the benefits accrued outweigh the costs (both economic and otherwise). This shift to a greater accountability has allowed to streamline the development industry and more efficiently utilize their scant resources, however it has also penalized sectors in which it is difficult to measure such impacts. Given that development and tourism are both complex sectors due to their interrelation with other activities, the lengthy timeframe for which CBT projects' success can be measured and the difficulty of physical data gathering in village's informal environments it is increasingly difficult to carry out cost/benefit analyses on such projects. The informality of communities and the lack of value put on recording results in many LDCs further confound the inability to collect accurate and meaningful quantitative data on CBT projects.

## DEFINING PARTNERSHIPS

**A Partnership** can be defined as “a relationship involving the sharing of power, work, support and/or information with others for the achievement of joint goals and/or mutual benefits” (Kernaghan, 1993). Much literature has been devoted to the nuanced differences ascribed by terminology usage of collaboration, cooperation, co-management and partnerships. Plummer et al (2006) conclude that there exists an overlap of meanings in such terms, essentially signifying a sense of cooperation, involvement of two or more parties and a degree of common objectives.

### **Public-Private Partnerships**

In the 1970s and 1980s large parts of the public sector in much of the western world underwent aggressive privatization. PPPs became one way to carry out liberalization policies, whereby, as mentioned earlier, governments shifted their role from direct involvement to facilitation and regulation. The perceived benefits of PPPs include access to private finance, clearer objectives, greater flexibility, new ideas, better planning and greater value-for-money on investments- due to increased efficiency (Nijkamp et al., 2002; Spackman, 2002).

There is a wide body of literature on analyzing aspects of PPPs. The following table lists key requirements for partnership formation, which is highly relevant and transferable to CBT Partnerships research:

**Figure 5: Key Requirements for Partnership Formation<sup>5</sup>**

Author (Year)	Factor	Description
<b>Samii et al (2002)</b>	Resource dependency	Recognition by the partners that what can be achieved together cannot be achieved alone
	Commitment symmetry	Equal commitment from partners confirmed through the allocation of time and resources
	Common goal symmetry	Individual goals as an output or a subset of the overall program objectives
	Intensive communication	Regular communication through different channels/means
	Alignment of cooperation working capability	The sharing of knowledge across organizational boundaries to alleviate problems of informational asymmetry and ensure convergence in learning skills and speed
	Converging working cultures	The joint development of a set of working practices and procedures to level out differences in working style/culture
<b>Kanter (1994)</b>	Individual excellence	Both partners are strong and have something of value to contribute to the relationship. Their motives for entering into the relationship are positive.
	Importance	The relationship fits major strategic objectives of partners so they want to make it work. Partners have long-term goals in which the relationship plays a key role
	Interdependence	The partners need each other. They have complementary assets and skills. Neither can accomplish alone what they both can together
	Investment	The partners invest in each other to demonstrate their respective stakes in the relationship and each other
	Information	Communication is reasonably open. Partners share information required to make the relationship work, including their objectives/goals, technical data/knowledge of conflicts, trouble spots or changing situations
	Integration	The partners develop linkages and shared ways of operation so they can work together smoothly
	Institutionalization	The relationship is given a formal status, with clear responsibilities and decision-making processes
	Integrity	Partners behave towards each other in honorable ways that enhance mutual trust without abusing the information they gain, not undermining each other
<b>Hagen (2002)</b>	Compatibility	Identifying complementary strengths and weaknesses
	Capability	Operational capacity in terms of resources and competencies
	Commitment	Formalized commitment of necessary time energy and resources
	Control	Shared control through regular management committee meetings

<sup>5</sup> Hagen, 2002; Kanter, 1994; Samii et al, 2002 in Jamali, 2004

## Partnerships in Tourism

Public-Private Partnership agreements have grown steadily since the 1990s in developing countries (Iossa & Martimort, 2008). They have been seen as key approaches to stimulate progress in sectors such as water, electricity, forestry, telecommunications and tourism (Rutten, 2004).

The rise of the use of partnerships in tourism has led to the development of various theories to analyze and understand them. Utilizing a process-oriented approach Selin and Chavez (1995) developed an evolutionary tourism partnership model to explain the steps by which such relationships are formed. It involves analyzing the context, followed by problem-setting, direction-setting, structuring and outcomes. This model emphasizes partnership dynamics as evolving through a system of interactions and influenced by internal and external factors. Selin and Chavez make a case as to the need for more research on barriers to partnership success as well as conditions contributing to partnership success and expansion at the differing stages of partnership development.

Caffyn (2000) proposed a life-cycle model to encompass the dynamic nature of partnerships, however as in previous models, this studies partnerships formed due to a catalyst (crisis) and for a fixed amount of time (until the crisis is resolved) rather than longer-term agreements. Binkerhoff (2002) takes a relationship-based approach, detailing assessment criteria according to the following categories: presence of prerequisites and success factors, degree of partnership, outcomes of the partnership relationship, partner performance and efficiency & strategy. Selin, (1999) plotted tourism partnerships along five dimensions: geographic scale, legal basis, locus of control, organizational diversity and size, and time frame.

Plummer et al (2006) constructed a meta-framework for assessing cooperation in nature-based tourism which consists of five sections (see Figure 6): context, conditions, representation, power and process. By amalgamating past models and theories Plummer et al built an overarching framework through which to explain the processes that occur when partnerships take place. Plummer et al (2006) suggest that the 'most innovative opportunity to employ the assessment framework is for those working at the theory-practice nexus' (p. 512).

**Figure 6: An assessment framework for Cooperation in Nature-Based Tourism<sup>6</sup>**

<p><b>I. Context</b></p> <ul style="list-style-type: none"> <li>• description of the physical resource</li> <li>• property rights</li> <li>• management system (property rights regime)</li> <li>• scale</li> </ul>
<p><b>II. Conditions</b></p> <ul style="list-style-type: none"> <li>• perceived interdependence (often precipitated by a crisis)</li> <li>• recognition of mutual benefit, common vision</li> <li>• involvement of a broker, leader and/or energy centre</li> <li>• existing networks or familiarity</li> <li>• opportunity for negotiation/past record of conflict</li> </ul>
<p><b>III. Representation</b></p> <ul style="list-style-type: none"> <li>• scope <ul style="list-style-type: none"> <li>• community, local, and/or communal (indigenous)</li> <li>• private/commercial</li> <li>• government agency</li> </ul> </li> <li>• reflects organisation/agency they are representing</li> <li>• diversity</li> <li>• size</li> </ul>
<p><b>IV. Power</b></p> <ul style="list-style-type: none"> <li>• legislation and regulation <ul style="list-style-type: none"> <li>• authority</li> </ul> </li> <li>• policies and guidelines</li> <li>• democratic procedures <ul style="list-style-type: none"> <li>• transparency in decision making (see V below)</li> <li>• access to information (see V below)</li> </ul> </li> <li>• administrative structures (see V below)</li> <li>• economic and financial arrangements <ul style="list-style-type: none"> <li>• reciprocal accountability</li> </ul> </li> <li>• political structures and processes <ul style="list-style-type: none"> <li>• representation (see III above)</li> </ul> </li> <li>• historical customs and values</li> <li>• costs and benefits <ul style="list-style-type: none"> <li>• perception of fairness</li> <li>• equitable distribution</li> </ul> </li> </ul>
<p><b>V. Process</b></p> <ul style="list-style-type: none"> <li>• problem-setting <ul style="list-style-type: none"> <li>• define who is legitimately involved, articulate the problem, relative importance of problem domain</li> </ul> </li> <li>• direction-setting <ul style="list-style-type: none"> <li>• set goals and objectives, procedures, option exploration</li> </ul> </li> <li>• structuring <ul style="list-style-type: none"> <li>• formalness, roles and responsibilities, task assignment</li> </ul> </li> <li>• outcomes <ul style="list-style-type: none"> <li>• products (tangible), process (intangible)</li> </ul> </li> </ul>

Laing et al (2009) utilize a postdisciplinary and multi-theoretical approach to analyze partnerships between protected area agencies and the tourism industry. In analyzing a multitude of theoretical approaches to these partnerships, Laing et al find the majority of theories explaining partnership success emanate from institutional analysis and development, social capital, environmental dispute resolution and network theories. Success factors are analyzed by splitting partnership features into partner, process and context related features and cross-referencing them by partnership theories

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<sup>6</sup> Plummer et al, 2006, P. 506

(Laing et al, 2009). The temporal evolution of partnerships has also been analyzed and their dynamic nature has been acknowledged (Selin, 1999).

## CBT Partnerships

Community partnerships are a growing trend in numerous sectors, both in the developed and developing world (Roe et al 2001). Jamal and Getz (1995) construct a framework for its planning consisting of three phases: problem-setting, direction-setting & implementation.

CBT Partnerships can be defined as CBT projects carried out with private and public sector partners actively involved in the management of the project. The level of participation of each entity in planning, development and operation differs, however each entity is expected to play a major role in the initiative for it to be considered a partnership.

**CBT Partnerships** refer to a range of relationships and can be categorized according to<sup>7</sup>:

- Types of members present- private, public, community, development organization, association
- Level of involvement of members- advice, participation, management, ownership
- Type of agreement- informal, cooperative , legally binding
- Goals of the project- natural & cultural resource conservation, poverty alleviation, economic and social development

The rationale between these partnership models is that each organization possesses virtues which can compensate for gaps in knowledge and capacity of the partnering organizations (Walker and Johannes, 2003). Each stakeholder theoretically has the following competencies.

**Figure 7: CBT Stakeholder Competencies<sup>8</sup>**

Entity	Competency
<b>Government</b>	Legislative authority Power to regulate & enforce environmental and social safeguards
<b>Private Sector</b>	Knowledge on market needs Product development skills
<b>Communities</b>	Touristic resources Labor
<b>Development Partner</b>	Impartial stakeholder able to mediate Knowledge on capacity building, achieving pro-poor and environmental benefits

## Criticism of the CBT Partnerships approach

Although widely seen as a more effective and sustainable model of CBT, CBT Partnerships are not without their criticism. Jamali (2004) warns that PPPs should be applied on a case-by-case basis where the ingredients for effective partnerships are present and should not be viewed as a panacea. The

<sup>7</sup> Adapted from Buddiger, 2009

<sup>8</sup> Adapted from Ashley & Jones, 2001; George et al, 2008; Jamali, 2004

WWF, in its guide to CBTEs states that CBT ventures should not only rely on tour operators to supply visitors as this is as well a form of dependency, and if the private sector pulls out without the community having adequate capacity to market its product, the project may collapse (Denman, 2001).

APEC's (2009) guidelines state that the community should determine their own target markets to increase their capacity, independence, as well as effectively manage visitor volumes, ensuring they remain within sustainable limits. Zapata et al (2011) agree, stating that markets chosen by international tour-operators or donors often coincide with their perspectives, therefore targeting international tourists, whereas the only way CBT projects can be sustainable in the long-term is for the community to create and market products coinciding with their own perspectives. Therefore domestic or regional tourists would be more appropriate as well as culturally and economically sustainable for ventures; however this market is rarely targeted by CBT projects.

Up until the end of the 1990s consensus was that small-scale alternative forms of tourism such as CBT were the avenue which should be utilized to alleviate poverty through tourism. However it has since been discounted that even in theory CBT - although providing greater direct benefits to those involved than other forms of tourism – has a relatively little impact when accounting for the volume of people affected. The tourism-for-development field is now oscillating back to the idea of mass tourism, and creating linkages which can bring benefits to a greater number of people.

A 2010 study on CBTEs in Namibia also recommended that project initiators consider a shift from the 'forced collective, socialized entrepreneurship' towards supporting individual entrepreneurs in certain circumstances. Asheeke (2010) argues that collective decision-making does not work for business decisions and operations in tourism. Okazaki (2008) also states that the practical implementation of communitarianism is not rooted in reality. The approach is time-consuming with high transaction costs and barriers such as lack of education, financial assistance and conflicting interests burdening the project (Addison, 1996). However, it must also be noted that many studies and practitioners have lauded the community-based approach as crucial to sustainable poverty reduction (Okazaki, 2008). CBT is, in theory, still regarded as a valid and beneficial form of poverty-alleviation, albeit a niche one.

## CRITICAL SUCCESS FACTORS & CONSTRAINTS

Often called success factors or enabling factors, such features are the pillars without which *sustainable, net positive* impacts would not (or not as effectively) be reached. Critical Success Factors (CSF) can be defined as “a limited number of characteristics, conditions or variables that have a direct and serious impact on the effectiveness, efficiency and viability of a project.” (Business Dictionary, 2011). Studies have determined a series of CSFs which are required to exist (to differing degrees) in order for CBT Partnerships to sustain their positive impacts.

Conditions for success from 14 CBT Partnership studies have been grouped into a framework which will be utilized to examine such partnerships in the Lao context. Appendix 3 lists the CSFs from each study. The conditions are examined below and grouped according to the categories extracted from tourism and partnership theory in the previous section.

## THE ENABLING ENVIRONMENT

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The presence of a conducive enabling environment is a key element without which CBT Partnerships would not be established (Tosun, 2000). Weaknesses in such an environment can inhibit whole enterprise sectors (Elliott & Sumba, 2011).

The **supportiveness of the national policy context** is regarded as a main prerequisite in enabling CBT Partnerships to form (Ashley & Jones, 2001; Elliott & Sumba, 2011; Plummer et al, 2006). The WWF also cites this as a CSF in CBT Partnerships (Denman, 2001).

The **legislative environment** is seen as a major structural factor, especially as agreements evolve into requiring enterprise-ownership legalities, (Denman, 2001; Plummer et al, 2006; Tosun, 2000). In certain circumstances – such as working in natural protected areas- legislation or community ownership rights makes it necessary for the private sector to partner with communities. The presence of such legislation has been shown to significantly spur CBT partnerships (Rutten, 2004). Policy and legislative environment are often bundled, though are distinctly different as one may be present without the other (Studd, 2010).

**Political stability** is a prerequisite for any business development, including CBT Partnerships as well as an **economic and political frameworks** and **high levels of safety and security for visitors** - both in terms of image of the country/region and in reality (Halstead, 2003).

Other important factors in the enabling environment are seen to be the **favorability of market conditions** (Denman, 2001; Elliott & Sumba, 2011) and **historical and traditional customs and values**, which must be open enough to allow for rural tourism partnerships to flourish (Plummer et al, 2006).

## THE PARTNERS

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The analysis of stakeholder relationships has been integrated from broad partnership theories to specific CBT practices. They include the **level of value added to partnership** (Hagen, 2002; Kanter, 1994; Samii et al, 2002), and **goal alignment within partners** (Buddinger, 2009; Kanter, 1994; Plummer et al, 2006; Samii et al, 2002; Spackman, 2002). A persistent challenge in tri-sector research is establishing outcome criteria because they differ for corporate, government, and civil society organizations (Brown et al., 2000). Literature on CBT partnership CSFs highlights the requirement of the 'right' private sector partner, one with a social conscience (Ashley & Jones, 2001; Elliott & Sumba, 2011). These requirements point to the recent emergence of social enterprises. Governments and development organizations should theoretically share the goals of increasing living standards; however auxiliary goals can differ due to policy goals and outcome focus.

Another important factor is the **level of commitment to the partnership**-through time, resources and capital (Hagen, 2002; Kanter, 1994; Samii et al, 2002). One method to increase the commitment of the community to CBT projects is to have them invest their resources, be it financial, land, time or materials to aid the project. However, seeing that most communities are poor, they often lack the funds to invest, and when financing is available they lack the confidence and knowledge to pursue it (Elliott & Sumba, 2011).

The **capacity of member to carry out respective roles** is important as the lack of such capacity can lead to unfulfilled responsibilities and partnership breakdowns (Hagen, 2002; Kanter, 1994). Tosun (2000) lists the level of expertise as a structural issue in the national environment.

Concerns on lacking the **availability of functioning decision-making and governance mechanisms** are expressed mainly at the community level, which often lacks organizational capacity as well as basic skills and knowledge (Denman, 2001; Manyara & Jones, 2007; Plummer et al, 2006). This can often lead to high levels of conflict over benefit-sharing processes (Elliott & Sumba, 2011). Studd (2010) emphasizes the importance of investing in community management and technical capacity before the partnership is formed. However, this can require long-term financial support (5+ years), which development partners often find hard to sustain (Elliott & Sumba, 2011).

The **strength of leadership and presence of committed individuals** or 'champions' is especially important at the community-level where the project is taking place (Ashley & Jones, 2001). It strengthens community commitment, often a major issue as CBT Partnerships mature (Bijl, 2009). However, poor management is often seen as a cause for breakdowns in service delivery and partnerships (Elliott & Sumba, 2011; Sebele, 2010). In this case partners either invest in capacity building (usually NGOs) or abandon the project as it loses feasibility (prevalently private sector partners). Strong, committed leadership is also cited as important for other involved partners and leadership changes, when they occur, often leave a void of capacity and motivation (Bijl, 2009).

## THE PARTNERSHIP

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### Stage 1: Project Selection & Initiation

The **site selection** for CBT projects is directly tied to its commercial viability, and it is important that the following factors be taken into account:

The **touristic potential of the site**- its natural beauty, cultural interest & level of uniqueness (Ashley & Jones, 2001; Buddinger, 2009; Denman, 2001), **ease of physical access** (Ashley & Jones, 2001; Denman, 2001; George et al, 2008), **level of safety & health risks, availability of and/or potential for adequate touristic infrastructure** as well as **possibility of market linkages** (Studd, 2010). Such linkages depend on target markets and promotional channels and can be set-up through intermediaries or direct access.

### Stage 2: Partnership Formation

The **level of trust between all involved parties** and **communication** are noted as key requirements in partnership formation (Kanter, 1994; Samii et al, 2002; Spackman, 2002; Halstead, 2003). Jamali (2004) found similar evidence when studying PPPs in developing nations. However Selsky & Parker (2005) note the lack of such trust in CBT projects due to the spectrum of differing sectors involved. Possible antecedents would be lack of goal alignment, lack of shared social capital and differing perspectives due to partner backgrounds.

There must be **clarity of roles & responsibilities** of the different partners (Kanter, 1994; Samii et al, 2002). Löffler (1999) warns that fragmentation of structures and processes leads to a blurring of responsibilities and accountability.

**Formalization of the relationship** is seen as a key requirement for functional PPPs (Kanter, 1994; Samii et al, 2002). This is also seen as the case in tourism partnerships where it is seen as the penultimate step in the process of partnership formation (Selin & Chavez, 1995). In CBT this often means signed contracts or partnership agreements.

**The presence of facilitators** or mediating actors is advocated in PPP theory (Plummer et al, 2006). Ashley & Jones (2001) found this to ease partnerships when studying tourism joint ventures between the private sector and communities in Southern Africa. The use of NGOs as a broker has been viewed as successful as they are considered impartial parties (Elliott & Sumba, 2011).

### Stage 3: Project Design

For CBT to have the appropriate impacts a **sound mechanism to distribute financial benefits in the community** must be designed (Bijl, 2009; Elliott & Sumba, 2011). Plummer et al (2006) categorize equitable distribution and the perception of fairness in benefit distribution and key aspects to power structures in partnerships. This can be split into two sub-categories:

- **Amount of benefits received**, which must be perceived as outweighing the costs (Sebele, 2010). This includes non-monetary benefits such as small-scale infrastructure improvements, access to healthcare and investment as well as income from activities and donations (Twining-Ward, n.d.). George et al (2008) argue that CBT practitioners lack the understanding of the need for auxiliary commercial activities to supplement revenues, and often these avenues are not explored. It is also noted that some CBT projects do not provide appropriate revenue-generating tourism facilities and instead follow set models of building capital and maintenance-intensive lodges, which may not be best suited for all projects (George et al, 2008).
- **Range of dispersal of benefits**- Immediate benefits for the poorest members of the community are also crucial to garner support through short-term wins (Studd, 2010). However the co-option and monopolization of benefits by elites (which usually make up the community leadership structure) and even the exclusion of the poor from community structures is seen as an issue and is often the case (Elliott & Sumba, 2011; Manyara & Jones, 2007; Mowforth & Munt, 2003)

The **amount of transparency in benefit-sharing arrangements** impacts trust and commitment in partnerships (Manyara & Jones, 2007; Studd, 2010; Halstead, 2003)

Having a **demand-led product design** is essential and often given less attention in DACBT Partnerships. The target market must be taken into consideration especially when designing activities and price-points of the products.

Given the cultural, sector and organizational differences between partners, the **level of integration and adaptation to each others' working methods** is especially important, as working speeds and methods tend to vary greatly between partners (Kanter, 1994; Samii et al, 2002).

**Socio-Cultural feasibility** depends on the **level of locally appropriate tourism development** and its fit with the community's needs and opportunities (Bijl, 2009; Denman, 2001) as well as the **level of community initiative, ownership & involvement** (Sebele, 2010; Studd, 2010; Halstead, 2003).

In literature, much attention has been given to the level of community ownership and involvement. Buddinger (2009) argues that in any CBT venture community commitment is not maximized as CBT is a western concept and will never be fully understood or accepted in LDCs. Therefore due to this contextual transposition it will always require a certain degree of Western influence.

Academics and practitioners agree that for CBT to be sustainable, it must be initiated by the community (Zapata et al, 2011). This leads to community commitment, increased participation,

dedicated management and service consistency. However Scheyvens (2002) argues that “communities rarely initiate tourism development without input from an external source”, such as NGOs or tour operators. CBT is essentially a top-down initiative in practice. This can be somewhat countered through broad consultation, community participation and consensus in decision making, but can never fully be rectified.

#### **Stage 4: Project Implementation**

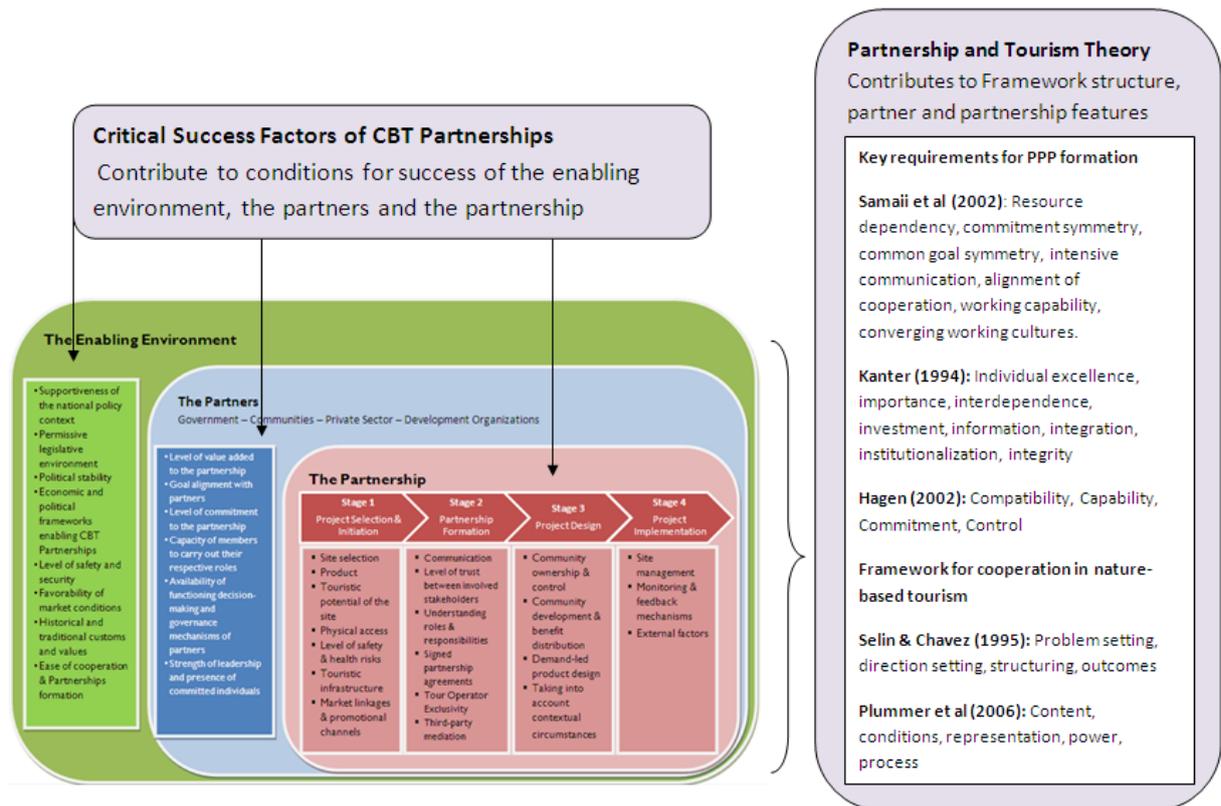
**Feedback & monitoring mechanisms** are necessary to ensure continued service standards and project maintenance (and therefore client satisfaction) which Hagen (2002) and Manyara & Jones (2007) cite as major fail point in CBT ventures. Reciprocal accountability, especially in terms of regulating processes such as financial record-keeping is necessary to ensure positive outcomes on CBT Partnerships (Hagen, 2002; Plummer et al, 2006; Studd, 2010). Formal mechanisms, such as frequency of communication & information sharing and transparency aid in ensuring accountability (Hagen, 2002; Kanter, 1994; Löffler, 1999; Samii et al, 2002). Parker & Selsky (2005) state that poor communication occurs when partners fail to express their motivations, underlying concerns or when they misunderstand the scope of other members’ intentions.

# ANALYSIS FRAMEWORK

The particular subject matter of this research requires a customized framework deriving from general partnership theory and tourism partnership theory as well as CBT theory and the incorporation of CSFs compiled through research on previous literature of CBT Partnership case studies.

The following diagram illustrates the contribution of relevant theory to the creation of the framework utilized to analyze Lao CBT Partnerships.

**Figure 8: The Contribution of Literature to the Research Framework**



## Key Visual Elements

This button denotes the summary of lessons learnt in a particular section

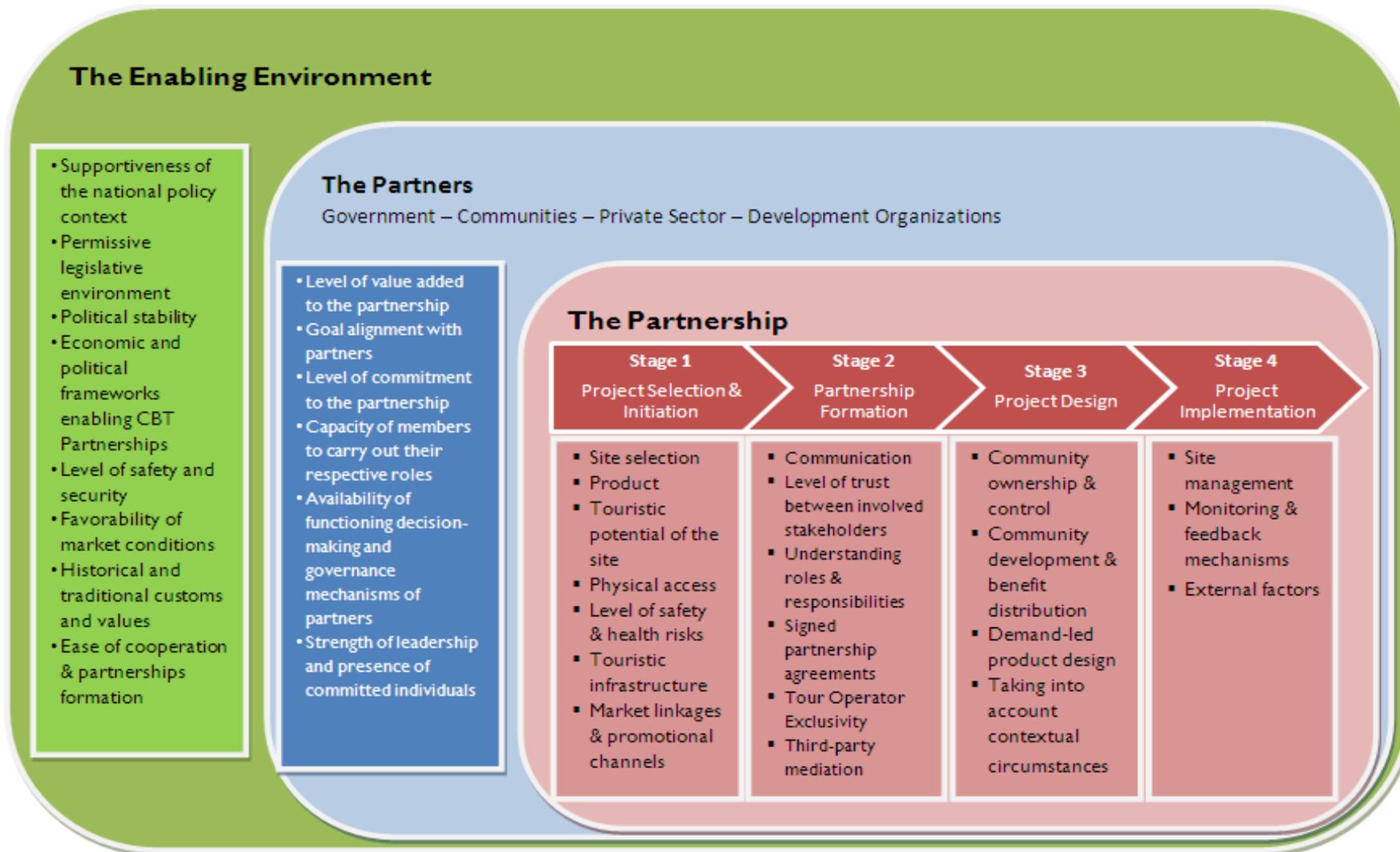
Boxed text contains examples or case studies from the field

'Thumbs up' signals a best practice approach, outlining the most successful current methods in certain partnership aspects. It is encouraged that these approaches be followed and improved upon to create successful and replicable partnerships.

Success factors are summarized and evaluated at the end of each section according to this key:

	= Constraining CBT Partnerships
	= Moderately enabling
	= Enabling CBT Partnerships

**Figure 9: The Research Framework**



Own Illustration

## RESULTS: ANALYZING CBT PARTNERSHIPS IN LAO PDR

### CBT PARTNERSHIPS IN THE LAO CONTEXT

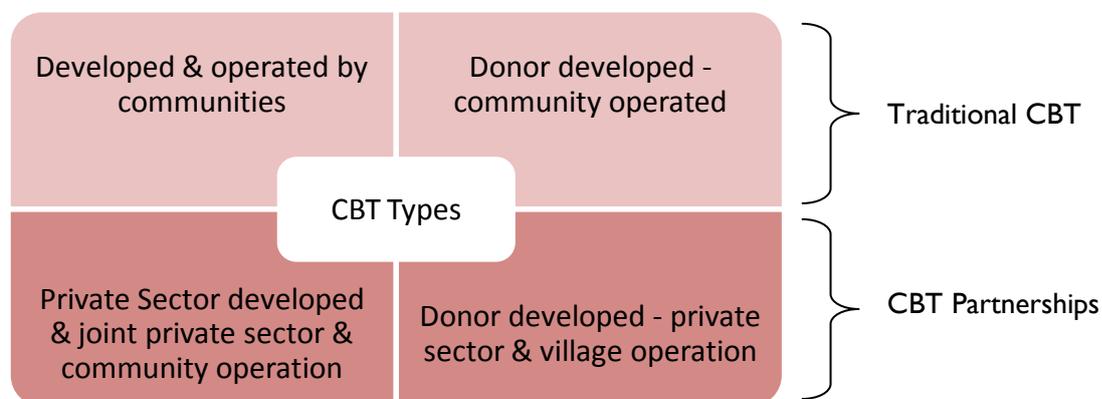
There is no standard for CBT in Laos, making it difficult to ensure that projects follow CBT principles. There is also considerable overlap between what is seen as 'responsible tourism', CBT, ecotourism and pro-poor tourism. This ambiguity has created a relatively wide spectrum for projects considered to be CBT. In several instances, however, certain ventures labeling themselves as such lack the sufficient community participation in ownership and/or management of the venture.

Generally, projects in which communities formally participate in the decision-making process and that involve mechanisms to spread tourism's benefits throughout the village are considered to be CBT. Similarly, ventures in which the private sector has formal involvement in the decision-making process and benefit sharing will be considered for this paper.

Lastly, some form of public sector involvement must be present. This involvement usually takes the form of regulation and monitoring as well as co-funding and provides training and capacity building for the stakeholders. This would normally be the role of regional tourism authorities, such as the Provincial Tourism Department (PTD) and District Tourism Office (DTOs), however in Laos development organizations usually share this role with the government, as the public sector often lacks funds and capacity to carry out such activities.

There are four main types of CBT carried out in Laos, as listed below.

**Figure 10: Types of CBT in Lao PDR<sup>9</sup>**

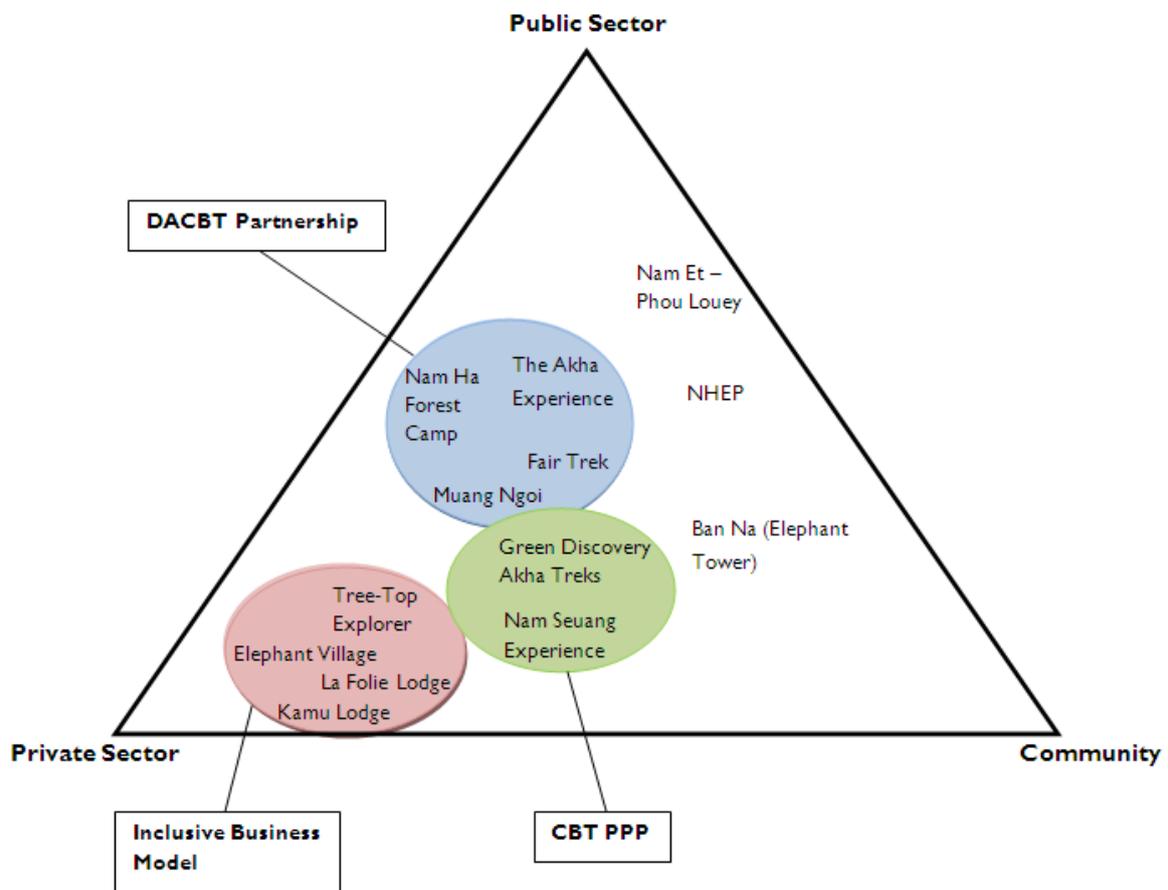


The Lao spectrum of CBT spans from Donor-Assisted CBT with the private sector merely involved in selling the products, to private-sector initiated projects with varying levels of community involvement. Generally, the projects adhering more strictly to commonly accepted definitions of CBT are those initiated and supported by donors, who focus more on benefits and community development.

<sup>9</sup> Own Illustration

Figure 11 displays the level of involvement of the three main stakeholders in the CBT projects explored. The public sector, in this case includes both government authorities and development organizations.

**Figure 11: CBT Partnerships in Lao PDR<sup>10</sup>**



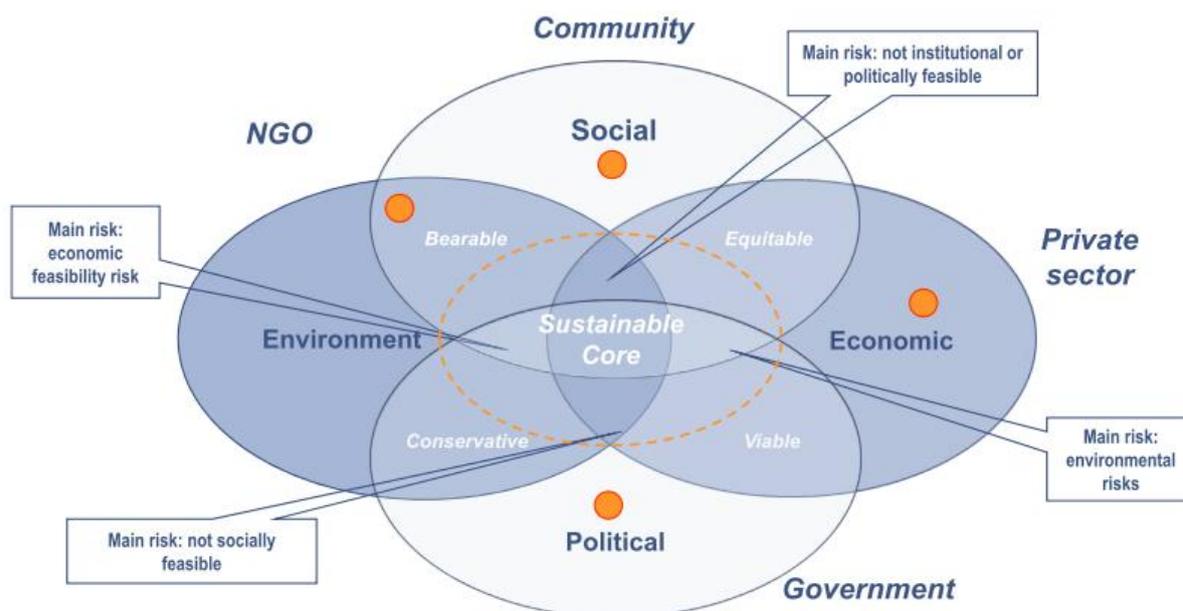
When examining the Lao CBT Partnership arena there are three main clusters, which will be further explored on page [80](#):

**I. DACBT Partnerships: Donor-developed, community and private sector run**

DACBT Partnerships involve development organizations, communities, the government and the private sector, and is in theory, at least, the ideal method of carrying out CBT Partnerships in developing countries. Figure 12 outlines the four greatest concerns- Environment, Social, Economic and Political along with the major stakeholders, with DACBT Partnerships being found in the ‘sustainable core’.

<sup>10</sup> Own Illustration

Figure 12: DACBT Partnership Components<sup>11</sup>



**2. CBT Public-Private Partnerships (CBT PPPs): Private Sector developed & joint private sector & community operation**

Such approaches are relatively rare in Laos due to the lack of capacity of the private sector in setting up CBT projects, their high costs & low margins, as well as ingrained mistrust of the private sector by communities and regional authorities. Businesses looking to work in and share benefits with communities often opt for the inclusive business model (below) as this offers more control, greater quality and return on investment (ROI) than ventures which include the community in their ownership and management.

**3. Inclusive Business Model: Private sector developed and run with community cooperation and linkages**

This is a business model which contributes to poverty reduction by including low-income communities in a firm’s value chain while retaining its for-profit nature (SNV, 2011). It has been the fastest growing model of CBT Partnerships in recent years as access, investment regulations and business environments have improved in Lao PDR. Tour operators are still leading the way in private sector pro-poor interventions; however independent hotels, such as La Folie Lodge, have begun to establish such models recently, an encouraging trend which is set to continue as the nation’s tourism industry develops.

The Annex includes summaries of CBT projects studied in each category.

<sup>11</sup> Bassotti, 2007. P. 10

## BACKGROUND OF LAO PDR

Laos gained independence from France in 1953, only to subsequently break into civil war due to larger ideologically-fueled geopolitical power struggles. Laos became a pawn in the Vietnam War, with communist Vietnam supporting Lao insurgents while the USA supported government forces. The nation emerged in 1973 from these 'secret wars' played out in parallel to the Vietnam War. From 1975 to the 1980s the country was run under the communist doctrine, then easing into a more capitalist role following the 1986 soviet collapse. Its government remains a one-party system slowly transitioning from a command economy to a market-oriented system. This shift has resulted in an average 6.6% growth per year from 1989-2009, interrupted shortly by the Asian financial crisis of 1997 (World Bank, 2011).

With only 4% of its land being arable, it consists of mainly rugged mountains in the north with plains in the south and east. Sixty-seven percent of its population is estimated to live in rural areas (CIA, 2011). Much of its terrain remains forested, although this is rapidly changing with logging and agriculture hastily encroaching. Laos has established 23 National Protected Areas (NPAs) in which habitation and differing amounts of agricultural activity are allowed.

Since the mid-1990s the Lao government set itself the target of eradicating poverty and is on track to graduating from its 'less developed country' status by 2020 (Harrison & Schipani, 2007). Sustained stability, overseas aid and government policy has aided in its development, however large disparities remain between geographical and ethnic lines (World Bank, 2005). Its infrastructure remains underdeveloped, especially in rural areas, as well as its road system and telecommunications. This is improving, largely due to overseas aid involvement.

## TOURISM IN LAO PDR

Laos has been officially open to international tourists since only 1989, with its first national tourism plan being published in 1990 (Hall, 2000). In 1995 tourism was prioritized for economic development and in 1998 its second tourism plan highlighted special interest (eco- and adventure- tourists) as one of the four demographics of interest. In the late 1990s tourism became the nation's top export, and it currently sits second behind mining.

By the 2000s the national strategy shifted from promoting package tours to smaller-scale tourism (Harrison & Schipani, 2007). The National Growth and Poverty Eradication Strategy stated that "Lao PDR's tourism strategy favors pro-poor, community-based tourism development, the enhancement of

Figure 13: Map of Lao PDR



specific tourism-related infrastructure improvements, and sub-regional tourism cooperation.” (Lao PDR, 2004).

**Figure 14: Number of tourist arrivals, revenue from tourism and average length of stay, 1990-2010 in Lao PDR<sup>12</sup>**

Year	Number of Tourist Arrivals	Change (%)	Average LOS (Days) for International Tourists	Average LOS (Days) for Regional Tourists	Average LOS (Days) for Total Tourist Arrivals	Revenue from Tourism (US \$)
1990	14,400	NA	NA	NA	NA	NA
1991	37,613	161	NA	NA	NA	2,250,000
1992	87,571	133	NA	NA	NA	4,510,000
1993	102,946	18	3.5	NA	NA	6,280,000
1994	146,155	42	5.1	NA	NA	7,557,600
1995	346,460	137	4.3	NA	NA	24,738,480
1996	403,000	16	4.8	1.8	3.3	43,592,263
1997	463,200	15	5.0	3.0	4.0	73,276,904
1998	500,200	8	5.0	2.4	3.7	79,960,145
1999	614,278	23	5.5	2.4	4.0	97,265,324
2000	737,208	20	5.5	2.4	4.0	112,898,285
2001	673,823	-8.6	8.0	2.4	5.2	103,786,323
2002	735,662	9	6.5	2.1	4.3	113,409,883
2003	636,361	-13.5	6.0	2.0	4.0	87,302,412
2004	894,806	41	6.5	2.0	4.3	118,947,707
2005	1,095,315	22	7.0	2.0	4.5	146,770,074
2006	1,215,106	11	7.0	2.0	4.5	173,249,896
2007	1,623,943	34	7.0	2.0	4.5	233,304,695
2008	1,736,787	7	6.5	2.0	4.25	275,515,758
2009	2,008,363	16	7.0	2.0	4.5	267,700,224
2010	2,513,028	25	7.0	2.0	4.5	381,669,031

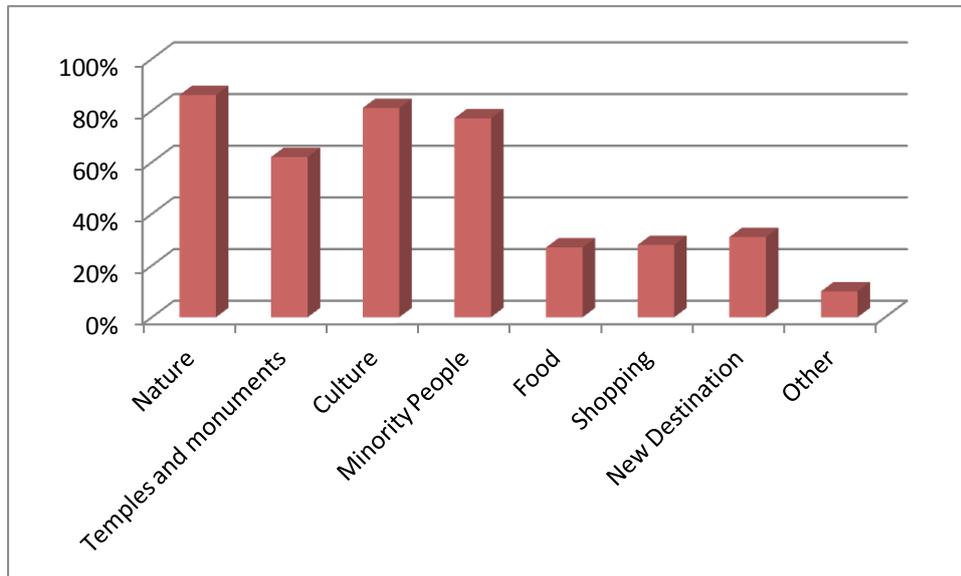
Laos received 2,513,028 tourists in 2010, up 25% from the previous year, with its average length of stay (LOS) being 4.5 days (with 7 days for international tourists) and revenue rising to \$381.6 million, up from \$267.7 million in 2009 (LNTA, 2011). International tourists numbered at 394,539, with the vast majority coming from its neighboring countries- Thailand (1.5 million), Vietnam (431,011), China (161,854), Myanmar (1,652) and Cambodia (6,908) (LNTA, 2011). It should be noted that the encompassing procedures for gathering this statistical data at land borders could be significantly skewing regional tourist numbers.

Although less in volume, international tourists greatly outspend regional tourists, with an average expenditure of \$75 per day, accruing to \$211,669,031 as opposed to \$170,042,056 spent by all regional tourists. International tourists mainly originate from Asian-Pacific nations, followed by Europe and the Americas.

<sup>12</sup> LNTA, 2011, p. 14

Sixty-eight percent of tourists are in the age group from 20-40 years old, with a quarter being students. Eighty percent of tourists in Laos are on their first visit, with most utilizing friends (63%) followed by the internet (52%) and guidebooks (31%) for information on Laos. Their main interests are nature and culture, as seen in Figure 15.

**Figure 15: International Tourist Arrivals Main Interests 2010<sup>13</sup>**



The nation estimates receiving 4 million arrivals and \$620 million gained from tourism in 2020 and is well on its way to receiving such numbers. Tourism sector specialists have, in fact, voiced concerns that the increase of visitors outpaces the nation's ability to sustainably accommodate them, in terms of infrastructure, environmental and cultural impacts.

Despite its rapid growth, tourism in Laos faces many challenges. Tourism is very much geographically concentrated, with 79% of international tourists visiting Vientiane, 73% Luang Prabang and 50% Champassak. The remaining provinces see much fewer visitors, and in the visited provinces themselves, tourists are concentrated to hubs such as Luang Prabang's old town. Laos remains an add-on destination with 72% of international tourists having visited other countries on their trip.



**The Orchids Trek** is an inclusive business aimed at conserving rare wild orchids by using tourism as an alternative income source for communities who traditionally collected and sold these orchids to the Thai market. Exotissimo, the tour operator selling the tours is facing difficulties in selling the tour, tied to greater macro bottlenecks.

The low length of stay and difficulties of accessing sites within the country due to road conditions and uncompetitive air links make it difficult to spread tourism to the Phou Khao Khouay NPA, the site of the Orchids Trek (13 hours by land from Luang Prabang, the nation's tourist hub). This, coupled with the need to bundle this tour to other packages as an add-on (due to Laos itself being an add-on destination) makes it a difficult sell at the source destination.

<sup>13</sup> LNTA, 2011, p. 18

Laos' tourism industry is relatively fragmented, with a collectively weak private sector and a lack of public-private communication and coordination. Its national promotion remains insufficient, with expensive and indirect air access hampering its competitiveness as a destination.

## THE LAO TOURISM BUSINESS ENVIRONMENT

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Lao PDR ranks 171 out of 183 on the World Bank's ease of doing business index, and is penultimate in protecting investors (World Bank, 2011). It is generally not very profitable to run a tourism business in Laos due to relatively high operating costs, high taxation and extra costs, and relatively low revenues due to monopolistic competition. This, coupled with unfavorable ownership terms for foreign companies increases foreign investment risks and has resulted in relatively little foreign presence in the Lao tourism sector. It is changing and the country is slowly gaining competitiveness, however still lags behind its regional neighbors.

Currently Lao PDR has expanded foreign investment opportunities for tourism businesses by allowing 100% foreign ownership in restaurants and hotels, and 30-70% for tour companies. Tourism companies have also recently been allowed ownership of land (whereas previously only leasing was allowed); however this is tied to the terms of the business' operating license. Tax incentives are also offered for developing accommodation facilities in remote areas.

This foreign absence has left greater space to local businesses, which often lack capacity and expertise and has resulted in a proliferation of small, family-owned businesses with relatively homogeneous products, competing mainly on price. Laos has 3,353 registered tourism establishments, the most of which exist in the Vientiane capital area (577) and Luang Prabang (341).

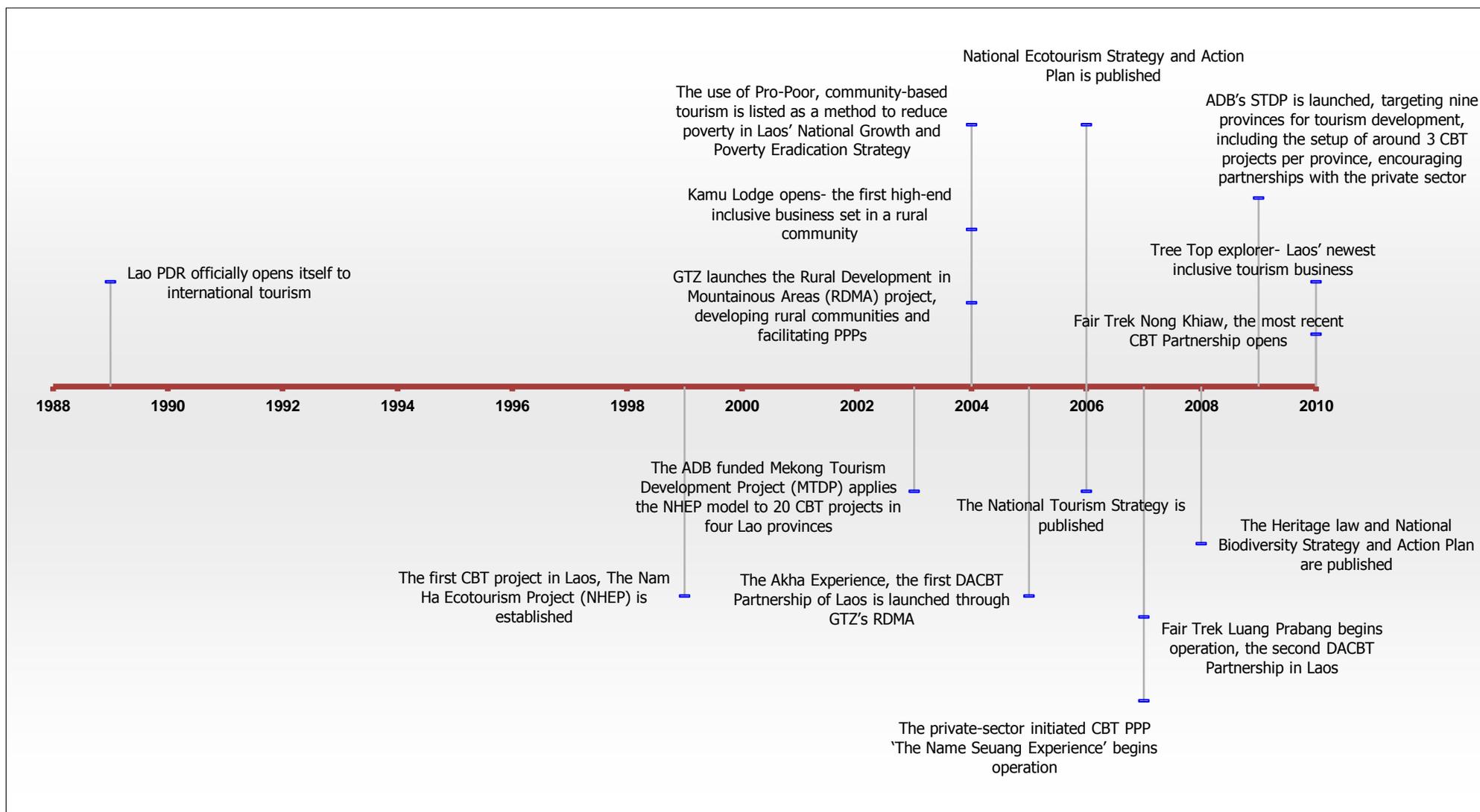
Seasonality remains an issue, with the peak tourist season from November until April coincides with the cooler dry months, with visitation dropping in the warmer rainy season. Hotel occupancy rates average at 56% across all provinces, with its minimal occupancy in the summers months decreasing profitability.

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*"A resort has to have at least 10 good months a year to make a profit, at the moment we have 4. The main reason for this is the difficulty of accessing the south in the low season."* - Alex Wolkenhauer, La Folie Lodge- Don Daeng island, Champassak (2008)

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**Figure 16: Developments Impacting CBT Partnerships in Lao PDR**



Own Illustration

## THE PUBLIC SECTOR

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The Lao public sector is generally underfunded and lacks capacity. Organizational and technical skills remain below that of the private sector, yet the ingrained centralization of power and control has resulted in a heavy government presence in most sectors and activities, increasing inefficiencies.

The Lao National Tourism Administration (LNTA), currently under the Prime Minister's Office, is set to join the Ministry of Culture and Sport in the coming year. Its main roles are:

1. Tourism Planning and cooperation
2. Licensing and legal affairs
3. Marketing and promotion
4. Training

It administers PTDs nationwide and more recently DTOs with similar structures and missions. The Lao government has shown to be supportive of, but not proactive in CBT initiatives.

A lack of communication and transparency between and within sectors is a large constraint to partnerships, resulting in mistrust between stakeholders. Its underfunded nature has led to misappropriation of funds and direct-compensation based support, which has increased the costs of business operation and decreased the value which authorities bring to CBT Partnerships.

The general legislative environment is underdeveloped, however permissive of partnerships nonetheless, as Lao society, especially in rural areas, functions largely on informal agreements. There is no legislation stipulating legal communal-ownership of enterprises, however this has not hindered the formation of CBT Partnerships.

### **2006-2020 The National Tourism Strategy**

The National Tourism Strategy lists the development of participatory ecotourism as a key facet of its strategy, citing the NHEP as a model for future developments. It also contains business development measures and mentions the importance of Public-Private Partnerships.

## DEVELOPMENT ORGANIZATIONS

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The term '**development organization**' is utilized in this paper to refer to the umbrella group of bodies whose goal is to reduce poverty in developing nations. It can comprise of NGOs, donors, multilateral and bilateral organizations.

Apart from the Lao National Tourism Administration (LNTA), development organizations have been instrumental in developing CBT Partnerships and tourism in general in Lao PDR. From the first DACBT project in Luang Namtha, to the first DACBT Partnership, The Akha Experience; this sector has shaped and driven this form of community development.

The actors involved are the Asian Development Bank (ADB), UNESCO, SNV (the Netherlands development organization), GIZ (the German development organization, formerly GTZ), New Zealand Aid (NZAID), Japan International Cooperation Agency (JICA), UNWTO and the European Union. The main organizations involved in CBT Partnerships are described below.

## The Asian Development Bank

In 1992, with ADB's assistance, six Southeast Asian countries entered into a program of sub regional economic cooperation, designed to enhance economic relations among the countries, known as the Greater Mekong Sub-Region. Within this framework the ADB has funded a number of infrastructure projects such as the East-West, North-South and Southern economic corridors and sub-corridors which has increased rural access, paving the way for CBT. An overview of ADB funded projects can be found in Appendix 4.

The ADB undertook the Mekong Tourism Development Project (MTDP) from 2003-2007, which applied the NHEP model to 20 CBT projects in four Lao PDR provinces. Among its goals was to enhance private sector participation and competitiveness- which it undertook by holding Lao Ecotourism Fairs in 2005 and 2006, culminating in the 2007 Lao Ecotourism Forum, promoting CBT and facilitating private sector investment in lodging products (ADB, 2008b). A manual titled *Constructing and Operating and Ecolodge in the Lao PDR* was also published and the Lao Sustainable Tourism Network formed, along with its regional chapters.

The award-winning website [www.ecotourism Laos.com](http://www.ecotourism Laos.com) was also established, providing a distribution channel and platform for promoting CBT and other ecotourism products. Training and awareness campaigns for local communities, tour operators and public sector authorities were held to increase awareness and understanding of pro-poor sustainable tourism. These steps along with other donor aid agendas has created an enabling environment reflected in the nation's pro-poor focused National Tourism Strategy, Tourism Law, and National Ecotourism Strategy and Action Plan.

### ADB and CBT Partnerships<sup>14</sup>



“Two successful examples of public-private-community partnership supported by the MTDP are in Luang Namtha and Luang Prabang, Lao PDR.

In Luang Namtha, the tour operator Green Discovery increased the number of tourists on the Nam Ha Camping Tour by 350%, and revenue from \$3,965 to \$22,938, from 2005 to 2007, after entering into an agreement with the provincial tourism department and the village of Dorn Xay. Villagers provide food, guide services, site security, and trail maintenance for the tour program and receive about 30% of gross revenue.

In Luang Prabang, Tiger Trail, a local tour operator, entered into a similar agreement with the provincial tourism department and seven communities along the Fair Trek tour circuit. By the second year of operation, the tour had served 2,147 tourists and generated \$64,376 in gross income, of which approximately 25% was paid to village and local service providers. In contrast, the Phou Khong trekking program, operated independently by Maisingsampanh village in Champasak Province, served only 18 clients in 3 years and generated a mere \$3,047.”

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<sup>14</sup> ADB, 2008b; p.6

In 2009 the Sustainable Tourism Development Project (STDP) was initiated, serving as a continuation of the MTDP, and targeting nine provinces with an average of 3 CBT products in each province. Project design documents recommended private-sector involvement in CBT by developing one CBT Partnership in each participating province.

In reality, however, the private sector has not been involved in partnering with and designing these CBT products. Companies such as Green Discovery have been involved in promotion and advisory services, however not to the extent of forming CBT Partnerships. The majority of STDP's projects are designed by a team of consultants to be operated by communities and PTD/DTOs, bringing their commercial viability and sustainability into question. The importance of involving the private sector has been voiced, but with little practical gain. This can be attributed to lack of time for planning and design, lack of explicit requirements in the project's functional design, the authorities' wish to retain control in donor-aid projects.

### **SNV**

SNV, operating in Laos since 2000, has worked closely with ADB in providing technical assistance to develop various CBT projects. SNV has also cooperated with the LNTA to develop national tourism policies, such as the ambitious National Ecotourism Strategy. This paper set the groundwork for further enabling ecotourism and CBT, however was curtailed due to a lack of funding in its implementation stage. SNV has also worked to strengthen private sector organizations, such as the Lao Association of Travel Agents (LATA) and facilitating public-private communication and cooperation.

In 2008 a workshop on Public-Private Partnerships in the rural excursion sector convened various major stakeholders to discuss successes and challenges, in the hopes of expanding the use of partnerships in establishing CBT ventures.

SNV has since shifted its pro-poor partnership efforts to facilitating linkages between the private sector and communities, examples of which include the Shinta Mani hotel in Luang Prabang, Buffalo Tours' new product in Pak Ou and cultural evening programs in the Ngoi District (See boxed text). Such initiatives are seen to be highly successful and stand as an example of the role that development organizations should take in pro-poor tourism partnerships.

#### **Cultural evening programs in Ngoi District: the case of utilizing the private sector as tourism advisors<sup>15</sup>:**

The Ngoi DTO was interested in conserving and developing the Lao traditional music performance and ceremony called *baci* in villages frequented by tourists. They approached SNV, who suggested involving tour operators to develop a market-led training course.

Operators active in the region supported the development of the training course, selected villages and agreed to invest in trainers, transport for villagers and meals during the courses. They also agreed to include these cultural programs in their tour packages of home stays and small trekking.

**Outcomes:** The program was frequented by 140 tourists during the last 2 months of 2010, where the program was active in the initial four villages, benefiting more than 90 households.

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<sup>15</sup> Douangthongla & Hummel, 2010

## GIZ

GIZ has rolled out the development of their Provincial Public Private Dialogue project from 2005-2011 to enhance the investment climate and strengthen cooperation between the two sectors. The initiative was supported by the International Finance Corporation/Mekong Private Sector Development Facility, the Lao Business Forum.

It has extended its collaborative agenda in CBT through its Rural Development in Mountain Areas (RDMA) project, targeting three provinces: Luang Namtha, Sayaboury and Attapeu. Its goals are to facilitate sustainable resource use, local economic development and supporting rural communities through participatory development. 'The Akha Experience' was initiated in 2005 through this project, being the first CBT Partnership in Laos. Since then GIZ has continued to support CBT activities, however without including the private sector as an initiating partner.

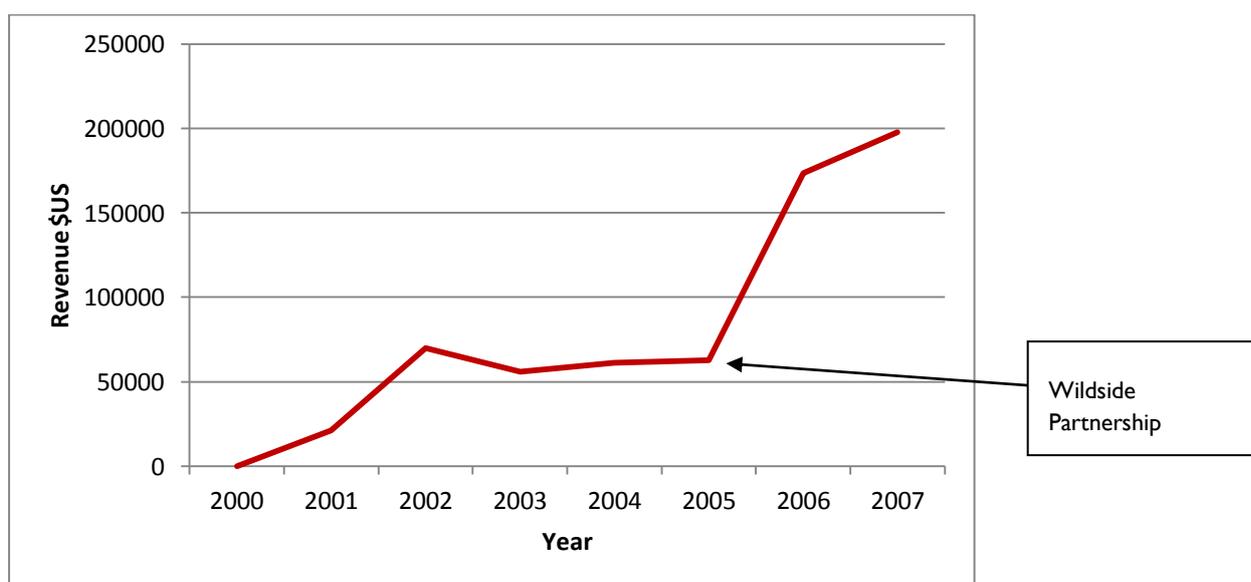
## The Nam Ha Ecotourism Project - 1999

The Nam Ha Ecotourism Project (NHEP) is the earliest example of CBT in Laos and has come to be recognized as a model in Southeast Asia. It is the nation's biggest, best organized and most important ecotourism project. Started by UNESCO, through grants by NZAID and Japan in 1999 as a donor-assisted ecotourism pilot project, it utilizes CBT at its core to complete its goals of social and economic development for rural ethnic communities. The Nam Ha Project created a community-based ecotourism model and strengthened it, institutionalizing revenue sharing, setting the roles and responsibilities of each stakeholder, and addressing sustainability issues. Appendix 5 outlines the support and achievements for the NHEP.

Its model began with the PTDs taking the lead on CBT projects. These projects were administered by the PTD and operated by the Nam Ha Ecoguide Service Units on the behalf of the PTD. The Ecoguide unit functioned as a 'business incubator' whereas various former managers proceeded to open up their own trekking companies which have largely been successful.

Wildside (now Green Discovery) began operating rafting trips for the excursions and in 2005 expanded to selling and operating a wider variety of tours. Figure 17 below illustrates the rise in revenue generated by the expansion of private sector operators into the NHEP in 2005.

**Figure 17: Revenue from Rural Excursions in the NHEP**



Adapted from Schipani, 2008, p. 6

The PTD initially resisted the private sector's involvement in selling tours as it signaled a lost revenue stream for them. However increased tax revenues from such agreements and sensitization programs have eased tensions. Currently, the PTD continues to administer tours which are mainly sold through tour operators.

The following mechanisms developed in the NHEP have been adapted and utilized in CBT Partnerships:

- Participatory planning
- Private-sector exclusivity
- Monitoring visitor numbers and setting limits
- Village development funds
- Regular stakeholder consultations
- Formalized agreements

Nationally, its influence on consequent CBT projects is large, with many subsequent ventures incorporating key elements pioneered by this initiative. The project also succeeded in decentralizing tourism management by establishing DTOs; however their management capacity remains far behind PTDs, and village monitoring activities have remained weak.

The NHEP has also had the following impacts related to CBT Partnerships:

- Provided a concrete example on which to base future CBT projects
- Built local and national tourism authority capacity in administering such projects
- Strengthened capacity of private sector partners in working with communities
- Increased social capital for all stakeholders involved

## **PUBLIC-PRIVATE COOPERATION**

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There is an inherent lack of consistent communication and information sharing in Lao culture in general. This aspect is a root cause of many failures and misunderstandings in CBT Partnerships.

A lack of communication within the tourism authorities (LNTA, PTDs and DTOs) diffuses accountability and leads to inefficiencies. Insufficient coordination between government ministries has resulted in some of the greatest issues facing rural tourism, such as hydroelectric and agro-forestry projects threatening the sustainability of tourism ventures, as is discussed on page [77](#).

Communication between the public and private sector is equally ineffective at national as well as local levels, with the public sector generally regarding the private sector as a recipient of policies and information rather than an equal partner to jointly address issues (GTZ, 2009). Communities face similar situations, in which they are often consulted after decisions have been made.

The private sector has expressed the willingness to cooperate and frustration at its minimal involvement in tourism policies, plans and decision-making. In tourism, the private sector surpasses their government counterparts in capacity, knowledge and ability. However, the government retains tight control and is reluctant to share it with businesses at a national level.

Similar issues exist at the local level, however provinces and districts with prior experience of working directly with the private sector (such as Luang Namtha and Luang Prabang) are much more permissive and do create an institutional environment for the private sector to develop its projects.



**Kamu Lodge**, an upscale lodge in a rural community was built in 2004 in Luang Prabang province. When its owners consulted the authorities on creating the hotel, they were permissive and supportive of their venture. Local authorities are not involved in administering the agreement but require updates on new developments to ensure their compliance with government policy.

A number of years later the same company expressed interest in initiating a similar project in Don Khong, in the Si Phan Don area. However, this PTD proved resistant to their proposal, with their interests lying in large-scale investments rather than smaller-scale, community-based initiatives. This lack of support led to the enterprise to abandon this project.

The nation's culture and communist governance has resulted in a politically weak private sector, lacking in advocacy and organizing capabilities. The public sector's history of control has made public-private partnerships challenging due to this and a general lack of trust between the two sectors. However, recent developments aimed at strengthening the private sector and increasing cooperation have begun to reverse this trend, albeit slowly.

#### **Facilitating public-private cooperation:**

The Lao Tourism Marketing and Promotion board has been set up in 2010 with public and private steering members and several symposiums organized by the Lao National Institute for Tourism & Hospitality are aiming and bridging the public-private divide. Donor organizations continue to push the government to involve the private sector in planning and decision-making through loan conditionality and targeted projects.

The United Nations Economic and Social Commission for Asia and the Pacific had recently undertaken a study on tourism investment policies, procedures and priorities in the GMS. Lao PDR also successfully held the Lao Ecotourism Forum in 2007 and the regional Mekong Tourism Forum, most recently in Laos in 2011 has aided in creating public-private relationships and increasing cooperation. The ADB, as part of its GMS has pushed for increased cooperation and creation of PPPs.

## Summary – The Enabling Environment

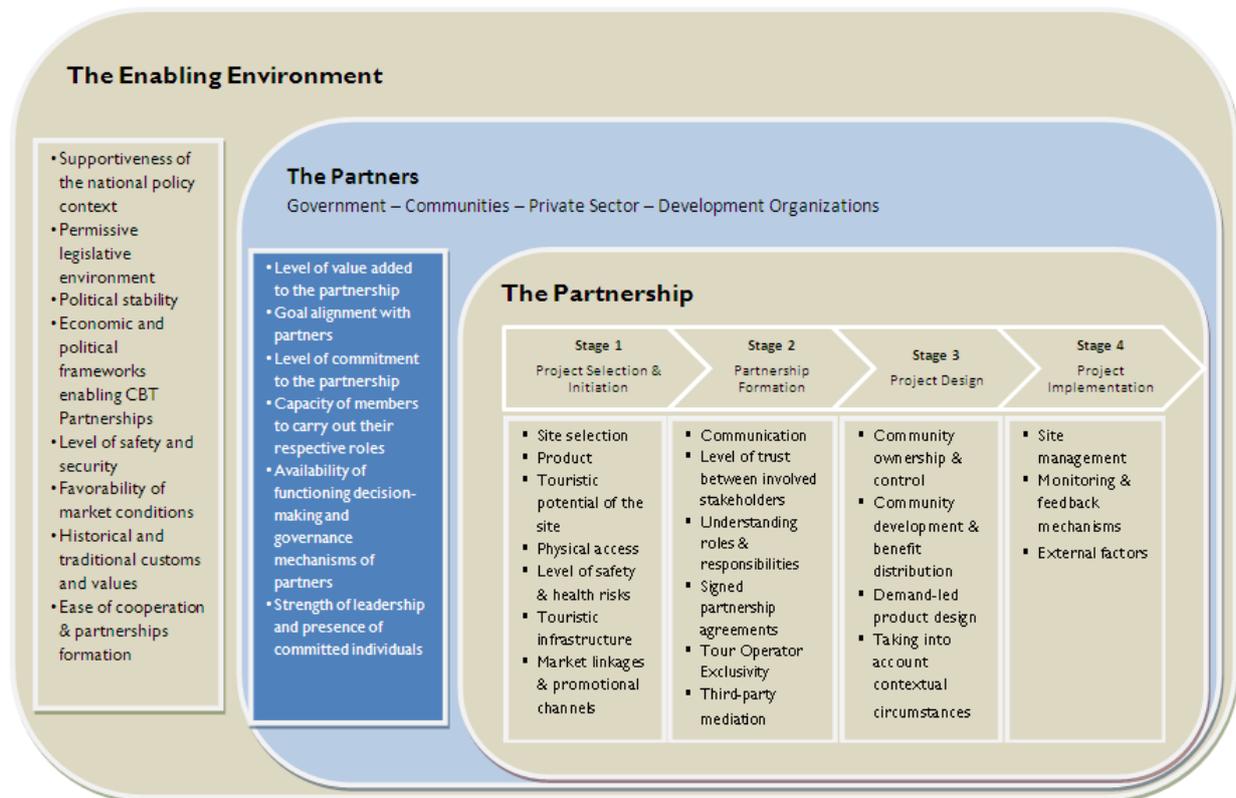
Having analyzed the developments facilitating CBT Partnerships, as well as the state of the nation and its tourism sector, the following table summarizes these findings:

Factor	Presence	Analysis
Supportiveness of the national policy context		The environment is permissive, advocating CBT in policy documents
Permissive legislative environment		Permissive but lacking in concrete legislation aimed at promoting CBT and communal ownership of enterprises
Political stability		Stable and slowly reforming political system
Economic and political frameworks enabling CBT Partnerships		Advocated in tourism planning, however the plans are often not fully implemented
Level of safety and security		Secure image and reality, a lack of quality of and access to medical facilities is a concern
Favorability of market conditions		Rapid growth in tourism arrivals, however Laos remains a little-known add-on destination
Historical and traditional customs and values		Rural lifestyles and a slow rate of social change have resulted in a permitting but very slow process of accepting CBT
Ease of cooperation & Partnerships formation		Cultural and political factors have stunted cooperation within and between sectors

	= Constraining CBT Partnerships
	= Moderately enabling
	= Enabling CBT Partnerships

## THE PARTNERS

Framework section:



## AUTHORITIES' ROLES AND RESPONSIBILITIES

Generally, tourism authorities should regulate and enforce conditions, as well as aid in mediating, training and licensing procedures for partnerships. However, the understanding of the public sector's own roles and responsibilities varies greatly from province to province. Provinces with prior CBT experience, such as Luang Namtha are much better versed and organized to support CBT ventures.

DACBT Partnerships have pushed for authorities' active participation in order to build their capacities, while the private sector generally tries to minimize the involvement of the public sector due to the increased bureaucracy, costs, time and lack

### The public sector's ideal roles and responsibilities

- Holding frequent meetings with other parties
- Acting as an information portal for the private sector and development organizations
- Holding discussions about roles, responsibilities and funding
- Seeking input from private sector when initiating a project
- Approving contracts
- Supervising, controlling and monitoring the projects
- Developing strategy, policy and process guidelines in cooperation with the private sector
- Safeguarding funds and distributing them in a timely and transparent manner
- Long-term participation in village-level measures
- Improving infrastructure
- Providing training of villagers (as guides and in hospitality)

Source: Schlicher, 2008. P. 14

of benefits in involving authorities. The provincial and especially district capacity and will to support CBT projects in regulatory and enforcement roles are widely subpar, although improving.

### **Level of value added to the partnership**

Administrative hurdles have been stated by the private sector as a large constraint to creating effective partnerships, while at the same time, poor regulation and monitoring have decreased benefits and led to conflicts.

*“Tourism is a fast-paced, ever changing industry, and the Lao public sector is archaic. More space should be given to businesses, with the government effectively enforcing regulation” –Tour Operator*

*“Taxes and paperwork for CBT projects are double to those of our regular tourism activities. CBT is more heavily taxed than tourism, which is already an overtaxed industry” – Tour Operator*



### **Facilitating rural tourism businesses in the NHEP**

In Laos, to operate a licensed tour operator, businesses require a minimum investment of US\$ 200,000 with assets, demonstrable market share and a detailed business plan. In the NHEP, guidelines have been implemented to support local private sector guide units. Applicants require a business plan, a proposal, operating chart and around \$5,700 to operate legally.

Guidelines developed by the PTD assign operating areas (as not to overlap with existing products), demand adherence to village fund contributions, taxes, trekking permits and signed contracts with participating villages.

This encouraging model has scope for expansion, however currently licensing and business approval processes vary greatly between provinces.

Source: Gujadhur et al, 2008

### **Level of commitment to partnerships**

Due to underpaid and underfunded offices, in many instances the level of local authorities' cooperation and commitment has been shown to be directly proportional to the amounts of financial resources directly gained from the project. This has substantially increased the cost of public sector involvement in CBT Partnerships. Low skill levels and lack of understanding often results in negative net value gained from involving authorities in CBT projects, accumulating more costs and procedures than benefits.

Generally, the main criticism is that once the partnership agreement has been signed, the authorities do not enforce (but also do not actively obstruct) their contractual responsibilities.

## Fair Trek Muang Khua

Having to administer a project eight hours away from its headquarters, Tiger Trail decided to enlist the help of the Muang Khua DTO to aid in selling the product. However, the DTO declined, as this would compete with the treks they sell, which yield higher returns.

The lack of transparency in deployment of fees and taxes collected from specific projects and companies has led to mistrust in their use. The reinvestment of public funds in CBT Partnerships is questioned.



- It is important to request the public sector's enforcement of contract conditions, while realistically expecting little response

## Summary- Public Sector

Factor	Presence	Analysis
Level of value added to the partnership		Lack of skills & understanding coupled with bureaucratic costs and procedures limits value added
Goal alignment with partners		Understanding of pro-poor tourism varies by province and official
Level of commitment to the partnership		Generally authorities are permissive with financial incentives driving involvement
Capacity of members to carry out their respective roles		Capacity remains restrictive, especially at district levels, leaving development organizations to shoulder many government roles
Availability of functioning decision-making and governance mechanisms of partners		Tourism authority organizational structures inhibit communication. District organization is ineffective, but not restrictive
Strength of leadership and presence of committed individuals		Highly dependent on regions. Exceptional individuals rarely remain in government due to its low pay and lack of incentives

## DEVELOPMENT ORGANIZATIONS

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Donor organizations generally implement CBT projects in two ways: block grants based on proposals and direct implementation. The table below outlines several examples of each method. Development organizations such as SNV and GIZ have mainly provided technical assistance.

**Figure 18: Examples of Block Grants and Direct Implementation Projects<sup>16</sup>**

### Block Grant

LEnS (Laos Environment and Social) Project	Grants a maximum of \$10,000 for community-based activities related to conservation of nature in Bolikamxay, Khammouane and Savannakhet Provinces. A steering committee established at each province controls the project implementation
Ecosystem Grants Program	\$25,000 per project must be used within a 1 year period (September to September). In 2010 two CBT proposals- from Xayaboury and Champassak- were awarded. IUCN monitors and manages with fund, with little government involvement

### Direct Implementation

STDP	CBT development in 9 provinces. In each site project teams raise awareness, train villagers, establish mechanisms and implement trekking tours
EWEC Tourism project (JICA)	Public awareness programs at tourist sites, interpretation boards, village tourist maps, souvenir development and food & beverage training were directly implemented, as well as village maintenance mechanisms

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<sup>16</sup> JICA, 2011. P.15

**Figure 19: Evaluating Approaches**

**Block Grants**

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>Available for private sector involved in CBT PPPs or inclusive businesses to strengthen development aspects of their projects</li> <li>Increased integration into existing project management structures</li> <li>Aids in building organizational capacity of the receiving organization</li> </ul>	<ul style="list-style-type: none"> <li>Lack of transparency in selection of projects, financial management and responsibility for procured items</li> <li>Possibility of fund mismanagement</li> </ul>

**Direct Implementation**

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>Capacity of implementing experts ensures quality execution</li> <li>Greater assurance of appropriate funds management and allocation</li> <li>Eases propagation of established model</li> </ul>	<ul style="list-style-type: none"> <li>Leakage of funds and administrative capacity to external consultants</li> <li>Lack of contextual knowledge by implementers can lead to less situation-specific solutions</li> <li>Less local 'ownership feeling' and commitment due to outside rather than inside implementers</li> </ul>

Interviews with stakeholders from the public sector as well as development organizations have called for increased inclusiveness of the private sector in development projects and increased availability of CBT Partnership-friendly block grants.

- Buffalo Tours could not secure either type of funding for their Nam Seuang Experience project, thus reducing the development scope of their project
- The Elephant Village is currently searching for block grants to supply training to its adjacent community for making elephant dung-paper handicrafts to be sold to tourists, however the types of block grants and their conditions available to companies minimize the their realistic applicability. More diversified and flexible types of grants, including ones of greater amounts are required to increase the inclusivity of businesses

**Summary – Development Organizations**

Factor	Presence	Analysis
Level of value added to the partnership		Financial, capacity and organizational contributions drive many CBT Partnerships forward
Goal alignment with partners		Development goals meld with partnership goals. Better understanding of private sector business motives is necessary
Level of commitment to the partnership		Highly committed for the duration of the project cycle
Capacity of members to carry out their respective roles		High capacity and skill levels required for CBT Partnerships
Availability of functioning decision-making and governance mechanisms of partners		Functional organization, funding structures and project designs somewhat constrain partnership success
Strength of leadership and presence of committed individuals		Strong leadership with often passionate individuals

Other than a few notable exceptions, the local private sector is largely uninterested in responsible tourism practices and is most likely to sell CBT products once they view them as profitable, but not partake in their design or administration.

In 2008, when the ADB-funded STDP Phase I terminated, the Luang Prabang PTD convened tour operators to seek partnerships in developing CBT products, however there was no interest shown by the private sector. Interviews have confirmed that tour operators seek as little involvement as possible from the authorities, as they are regarded as ineffective and complicating. Consensus has it that the public sector should focus on regulation and enforcement, both of which are ineffectively carried out at the moment.

### The private sector's ideal roles and responsibilities

- Taking care of domestic and international marketing
- Acting as tourism experts
- Surveying an area with regard to its touristic qualities
- Contributing with knowledge of the region and of tourists' needs during the project planning and design phases
- Involving communities in the proves of tourism development
- Educating tourists
- Keeping close contact to the communities
- Staying on friendly terms with members of the community and the public sector
- Minimizing negative impacts
- Encouraging meetings between members of the community
- Building capacity in the villages
- Collecting feedback from tourists and villagers

Source: Schlicher, 2008. p. 1

### Case Study: Luang Prabang Fair Trek

In 2007, when the Fair Trek project was being designed, several tour operators in Luang Prabang were approached and asked if they wished to form a consortium to operate the Fair Trek CBT Partnership with Tiger Trail. None were interested, and Tiger Trail embarked as the sole tour operator for the project, with a contract ensuring exclusivity.

Once the trek was underway and its profitability became clear to other operators, they began sending tours to the region as well, ignoring the exclusivity granted to Tiger Trail. The PTD received complaints from these tour operators on the trek's exclusivity and in late 2008 the government opened up the trek to other operators.

### Main concerns:

On a project-level the main concerns facing the private sector in CBT Partnerships have been noted to be the following:

- Unattractiveness of investment due to high costs and low profitability
- High amounts of bureaucracy, time and effort in establishing and operating a CBT Partnership
- General lack of capacity and will to develop responsible tourism products in the industry

There exist a handful of global or regional tour-operators, often with local partners, which are interested - to varying degrees - in responsible tourism products and have the capacity and will to carry out such partnerships.

### **Level of value added to CBT Partnerships**

A committed pocket of businesses have been instrumental in assuring the economic sustainability of many CBT projects by helping design in-demand products and linking them with markets. The capacity of carrying our pro-poor, environmental and socially beneficial projects is growing as involved businesses gain experience, however the will to do so varies greatly and the involvement of only a handful of enterprises in CBT Partnerships is stunting the expansion of private sector pro-poor interventions.

### **Motivation for entering agreements**

Given the low profitability of such projects, private sector players involved in CBT must currently do so with motives other than pure profit. It has been stressed by the private sector, government authorities and development organizations that involving a business with the 'right' motives is a crucial element in the success of CBT projects.

Some of the motivations for enterprises entering into CBT Partnerships are:

- The need for the community & local authorities' support garnered through village development projects
- To gain competitive advantage by creating a unique and exclusive product
- The interest in using tourism as a development tool

### **Level of Commitment to the Partnership**

Commitment to a lengthy process is a vital condition for CBT Partnership success and the company must include sufficient funding and promotion for such projects to succeed. It is often overlooked, however, that a certain project is only a small part of a company's portfolio. The presence of an assigned site and product manager with appropriate expertise and budget is a key in guaranteeing such commitment.

### **Attractiveness of investment**

The attractiveness of investment for the project, in terms of return on investment, is crucial as this is the main metric through which private-sector companies decide to undertake a business ventures. Ashley & Jones (2001) cite that a main reason for the private sector pulling out of partnerships is the cost in terms of time and effort invested in working with the community, both during the design and operation phase. This has been echoed by businesses operating in Laos with bureaucracy, effort, time, high costs and low returns being cited as the main constraints to CBT Partnerships being beneficial to them.



The Wildlife Conservation Society set up a CBT project in the Nam Et - Phou Louey NPA in which visitors can experience a night safari and have a chance to spot rare tigers. They approached various tour operators to partner with them to develop this venture. However, this proved unsuccessful for the following reasons:

1. Lack of interest from tour operators. This is due to various factors: Its lack of accessibility (distance from tourist hub and the poor state of roads) and nature of the product (spotting tigers, a large draw, is very rare) have meant that businesses are hesitant to invest in a product with small and uncertain returns. Tour operators signaled interest in selling the product as part of their portfolio, which requires minimal investment and removes the risk of low demand.
2. WCS's main goal is conservation, with ecotourism being an auxiliary activity, therefore they did not want to relinquish a large amount of control to third parties

Commercial and financial viability must be present for tour operators to become involved. Projects initiated by organizations with goals other than tourism must be willing to cede some control if they wish to partner with the private sector. Alternatively, they must carefully evaluate the commercial viability of adding tourism products to their projects prior to their application.

Exotissimo is involved in three CBT Partnerships, which are financially not successful. After an average of 5 years involvement in each project, they are just breaking even. Though profit is not their main motive in these projects, it is stunting them from pursuing more like-minded ventures.



- Strong leadership and the presence of committed individuals is seen as the most important factor in the success of CBT Partnerships, with individual project 'champions' carrying much of their weight
- Private sector partner must be passionate about reducing poverty. Investors must be made aware that it is a very slow process and difficult undertaking

## Summary – Private Sector

Factor	Presence	Analysis
Level of value added to the partnership		Increases commercial viability and financial sustainability of partnerships through demand-led product design and site selection
Goal alignment with partners		The majority of Lao tourism businesses have short-term profit-oriented views, however the few responsible businesses share common CBT goals
Level of commitment to the partnership		Commitment varies by company and project, however generally moderate interest is shown
Capacity of members to carry out their respective roles		Generally capable in carrying out demand-driven site selection, product design and promotion, with site management requiring some improvement
Availability of functioning decision-making and governance mechanisms of partners		Adequate and supportive of partnerships
Strength of leadership and presence of committed individuals		Capable leadership, often requiring additional skills in dealing with unique CBT factors

## COMMUNITIES

It is generally a long and slow process to incorporate rural communities into CBT projects, however the benefits gained from such involvement have been known to transform communities and raise living standards in a sustainable manner.

When it comes to partnerships, there are generally three main constraints facing communities, leading to a number of fail points:

### The communities' ideal roles and responsibilities

- Cooperating with other stakeholders
- Granting exclusive rights to the company over the duration of the contract
- Reliably providing in-village services (lodging, cooking, performances, guiding)
- Producing and selling handicrafts
- Ensuring smoothness, comfort and safety of the tour service
- Providing consistent quality of service
- Conserving the environment
- Committing material and labor to the construction of tourist facilities
- Maintaining tourist accommodations and facilities
- Conserving trails
- Ensuring cleanliness of the village
- Preventing theft

Source: Schlicher. 2008. D. 17

- Understanding of and commitment to the venture
  - Failure to comply with agreements
  - Lacking concepts of environmental conservation and sustainability
  - Unrealistically high expectations
- Organization & leadership
  - Misappropriation of funds
  - Lack of preparedness to host tourists, inconsistency
- Operational skills & capacity

- Lacking concepts of hygiene, cleanliness, service quality and consistency
- Lack of hospitality, language (Lao & English), cooking, guiding and handicraft skills

### Understanding of and commitment to the venture

Rural communities in Lao PDR are often unaccustomed in dealing with a cash economy and the requirements of working in tourism. The process of increasing this understanding is slow, however has shown promise.

**La Folie Lodge:** One of the reasons why the community was open to tourism was the prior construction of a community lodge for low-budget tourists, aided and financed by the ADB in 2004.

When it comes to understanding, one of the most challenging facets is expectations. Often communities enter the venture with elevated expectations, and lose interest when immediate and consistent tourist revenues do not materialize. There is usually a long lag-time between developing and selling the products, which decreases valuable enthusiasm and learned skills of the community. Such lag times are often attributed to bureaucracy, seasonality and poor planning. The villagers must be made aware that tourism is often a supplementary, inconsistent and modest income. Building consensus on short, medium and long-term scenarios is also important to pursue from the start in the forms of workshops and grassroots-level participation.

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*“Even though the concept of this project has been explained several times, the understanding of the local people is something we will definitely need to keep working on in the future. In time we would like to create a feeling of ‘ownership’. Make the people realize and understand they are the project, and the project is here for them”* Markus Neuer, President/CEO Tiger Trail

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### The Akha Experience

The communities, meant to be the vital part and front-line actors to the project, were little more than passive recipients of instructions and a fee. Many community members were also unhappy about the amount of money paid to them; some community members therefore simply stopped to provide services to tourists, resulting in lower quality tours.

This was attributed partly to the fact that **only two partners**, the development agency and the tour operator, co-operated in setting up the contract. The absence of DTO/PTD and communities during the design-phase of the contract turned out to have negative consequences, as both these partners never fully met their responsibilities.

### Elephant Tower

Getting community ownership and autonomy is a slow process, initiators must be **patient**, there’s no way to fast-forward it. It took this project 6-7 years for the community to reach an acceptable level, and still larger changes like new products and marketing must be initiated by outsiders. Now it still works as it was set up, due to its stable foundations, but any major changes will not come from the community.

The potential for this to cause problems is already on the horizon, with wild elephants having stopped frequenting the site of the elephant tower, thus losing their unique selling proposition

The goal of environmental conservation is often clashing with rural communities' income streams. The income gained from CBT is often supplementary and insufficient to change the use of the land for farming, agro-forestry or logging purposes. Zoning initiatives are unlikely to be implemented or upheld in the medium-term.

**Green Discovery** has had to close many of its treks in the summer months, as rubber plantations have caused farmers to create new fields for their crops, which are often cleared (through slash-and-burn) on existing trails as they ease access. The tour operator pays villagers to cut new trekking paths before each high season, which are subsequently utilized to clear land for more fields each spring.

Systems of monetary rewards & punishments and private conservancies have shown the most promise, such as The Elephant Village, which rents 6 hectares of land from an adjacent village at \$600 per year. Similarly the government leases forest area to the business, which is then used for nature conservation. The company has zoned the area, allowing elephant and hiking tours in sections while banning visitation in others. This has not come without its challenges of illegal hunting and logging inside the land, however this has been minimized by hiring locals (and sometimes the hunters themselves) as rangers.

### **Organizational & Leadership**

“A future perspective for The Akha Experience is to formally turn it into a lawfully recognized business. This would include the issuance of a business license to the villagers. The villagers now run the trekking tour as an informal business, having to cover their expenses, making important decisions. At present it is the company who pays the taxes for the tour and who deals with other administration issues. The villages may, indeed, be the owners but they have no legal basis for this ownership. Ideally the full responsibility of owning and operating a business would be handed over to the villagers, but for the time being the villagers do not have the skills yet to do complicated accounting and administration issues by themselves.”<sup>17</sup>

The organizational and leadership capacities of communities play a large role in the success of CBT Partnerships. DACBTs target this development as part of their project goals and it is this capacity that eventually will allow villages to manage and operate the venture independently. There have been a number of approaches to this in CBT Partnerships:

#### **The Akha Experience**



GIZ facilitated villages in electing and training two tourism managers per village, resulting in 16 tourism managers. They are, however, underpaid (\$2.50 per month) fixed amounts. Reviews by GIZ concluded that only one tourism manager was necessary per village and should be paid a variable amount tied to tour frequencies.

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<sup>17</sup> Mumm, 2006. P. 24

More efforts need to be put into supporting community leaders and linking the leaders to the greater community. Too often a small group of tourism managers fail to consult other community members.

When development organizations are not involved, developing such capacity is often overlooked, with the private sector concentrating on working with existing

structures. The Nam Seuang Experience includes 11 villages; however some are less involved due to their lack of organization. If villages are continuously not prepared or fail to carry out what they promise, they are utilized less, as a certain level of consistency is required. This, however results in increasing the gap between well and poorly organized villages.

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*“Mr. Bounthanom, tourism manager of Ban Na village has become somewhat of a local celebrity when it comes to CBT, being invited to other regions to talk about his experiences. Without his continued commitment the project would not have been such a success”- Klaus Schwettmann, Senior Ecotourism Adviser, Green Discovery*

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*“Any development must have support from the grassroots. La Folie had support from the village chief from the start; he was the mediator with all consequent dealings from District to Provincial levels and central Government. It is important to work from the grass roots up. The longer the implementation chain, the more money gets lost in the process.” - Alex Wolkenhauer, La Folie Lodge- Don Daeng island, Champassak (2008)*

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### **Operational Skills & Education**

Rural communities often lack the key skills necessary for tourism. Apart from service, cooking, language, hospitality, guiding and handicraft skills, concepts of hygiene, cleanliness, service quality and consistency must be instilled. When it comes to working with partners, communication is an issue. Many ethnic minorities do not speak Lao, therefore making it difficult to communicate and gain trust with other partners.

For rural communities to take up a consistent work-ethic-which is necessary for tourism -is one of the most difficult factors, as they are unused to this and do not understand the need for consistency. Having regular trainings and re-trainings (especially after the low-season) and private sector site managers overseeing the group organization has aided in this regard.



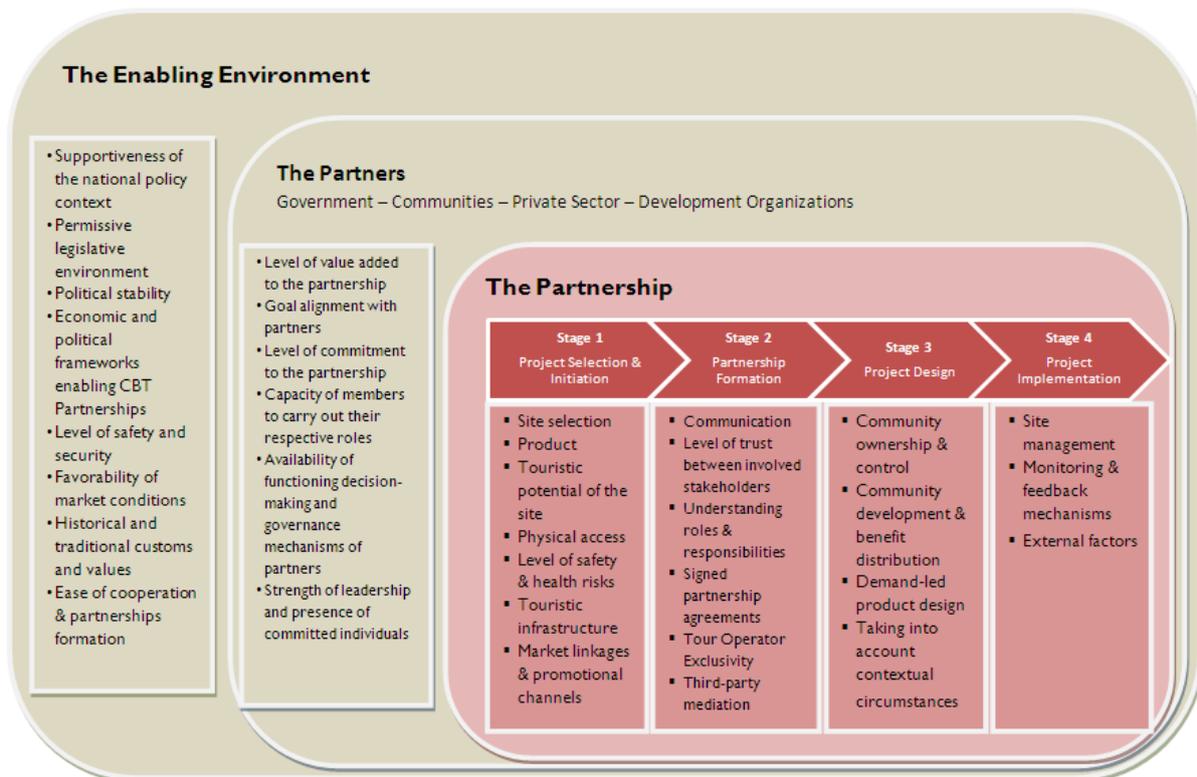
- Tourism must be treated as supplementary income to the community
- Change of the community's idiosyncrasy and adjustment of their expectations is a slow but necessary process

## Summary – Communities

Factor	Presence	Analysis
Level of value added to the partnership	●	Skills and organization are lacking, however communities are generally permissive and cooperative with guidance
Goal alignment with partners	●	Limited understanding and competing economic activities detract from goal alignment, however communities often follow objectives once acclimatized
Level of commitment to the partnership	●	A lack of understanding, participation and skills often lead to less commitment and cooperation
Capacity of members to carry out their respective roles	●	Limited operational skills and a lack of consistency poses problems, however training and site management has reduced them
Availability of functioning decision-making and governance mechanisms of partners	●	A lack of community organization most often leads to breakdowns. This factor is slow to build up but very valuable
Strength of leadership and presence of committed individuals	●	Individual leadership, usually from village authorities is often cited as a partnership's greatest success factor

## THE PARTNERSHIP

Framework section:



## PROJECT SELECTION & INITIATION



### Site Selection

Guidelines for site selection of CBT projects have helped to ensure their commercial viability and therefore long-term success. The following criteria have been compiled from the prerequisites for tour operators' site selection:



**Figure 20: Tour operators' Site Selection Criteria<sup>18</sup>**

Product	Touristic potential of the site	Ease of physical access	Level of safety & health risks	Availability of and/or potential for adequate touristic infrastructure	Possibility of market linkages & promotional channels
Unique niche product (such as upscale rural accommodation or volunteer tourism)	Road and river access, scenic beauty, forested & mountainous landscape, rural villages	2 hours from a tourism hub	Lack of conflicts in communities	Consent from the community and local authorities to build required infrastructure for groups of 8-15 pax	Distribution channels at source market
Product in demand (trekking)	Road and river access, scenic beauty, forested & mountainous landscape, rural villages	1 hour from tourism hub	Access to hospitals, clinics or evacuation routes. Lack of conflicts in communities	Consent from the community and local authorities to build required infrastructure for groups of 8-15 pax	Offices in tourism hubs catering to walk-ins

A full analysis of site selection criteria for existing CBT Partnerships can be found in Appendix 6.

Consulted tour operators have signaled that when selecting tourism activities the public generally considers the price and time taken to reach the activity as their two main decision factors. The time factor is especially important considering that the average LOS for international tourists in Laos is 7 days, of which around 3 are usually spent in Luang Prabang. Extending the LOS and geographically spreading tourism are two goals of tourism authorities and aid projects.

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The more unique the product, cultural or natural attributes, the more tourists are willing to spend and the longer they are willing to travel

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<sup>18</sup> Compiled from primary and secondary research

CBT projects which have not been designed by businesses have a decreased commercial viability. Nepotism, existing social networks or contrasting goals without taking into consideration commercial viability have steered some site selection decisions into less-than-favorable situations.



The private sector is generally willing to advise the public sector in the product development stage. SNV and JICA, for example, both have hired Green Discovery to advise on the development of CBT projects in Khammuam and Savannakhet provinces. This expertise created a more sellable product, and Green Discovery went on to sell these tours as part of their portfolio.



- Project should be profitable to everybody. They must be reasonably profitable for the private sector as well
- Tourism as an economic activity must be approached integrally, not only as a tool for other purposes

## PARTNERSHIP FORMATION



### Level of trust between involved stakeholders

Stakeholders from such diverse sectors are unaccustomed to working together in Laos and traditionally harbor mistrust for each other. The greater the opportunities for interaction, the easier it has become to build successful relationships, laying the groundwork for CBT partnerships.

Trust comes from communication and transparency. It takes a long time to build up and is easily lost.

**Social capital**- the expected benefits gained from the preferential treatment and cooperation between individuals and groups- has been shown to play a major role in the success of CBT Partnerships in Laos, as well as being an important benefit gained from setting up such projects.

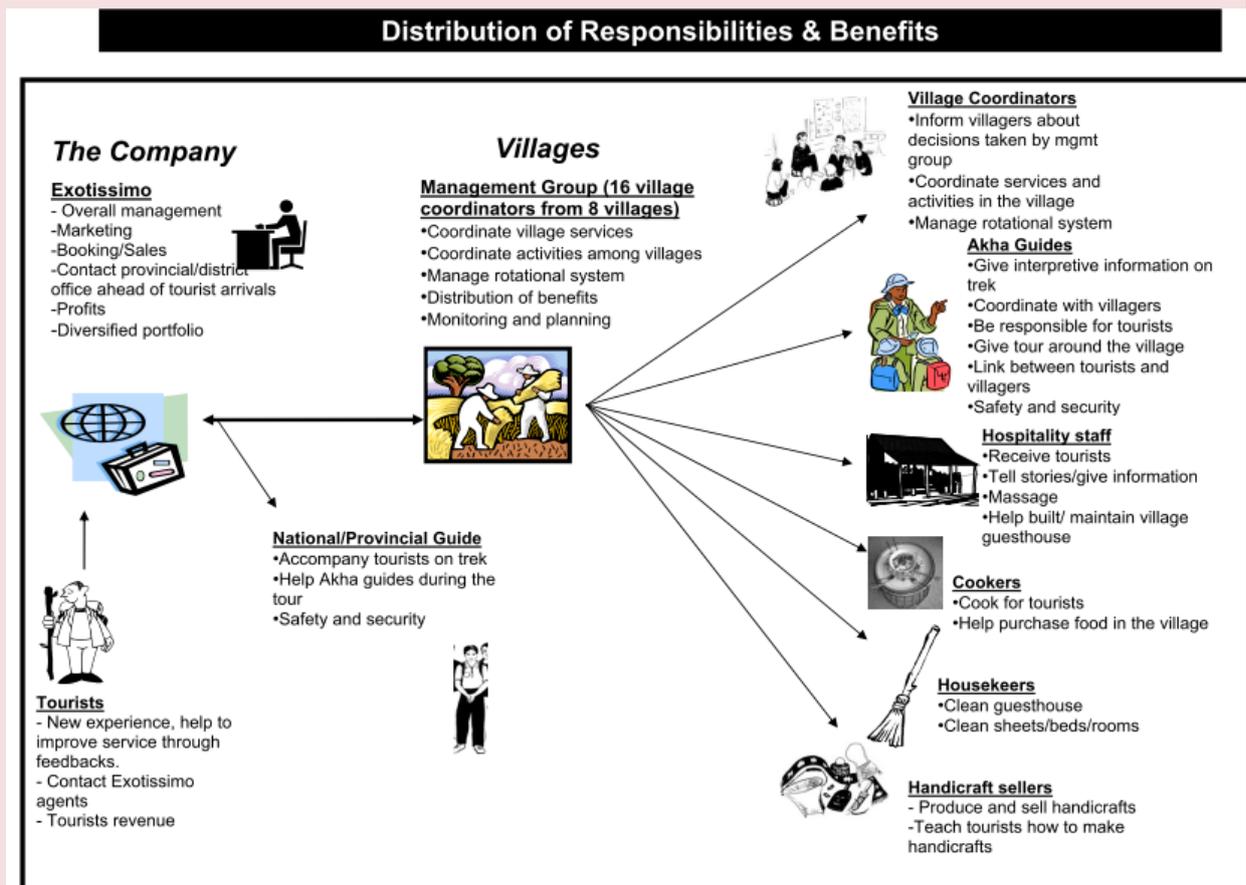
### The Elephant Tower

Social capital played a part in selecting the village and in relations with authorities- the initiator had worked with the forestry service before and knew the region and the service well. This resulted in a smooth relationship with the forestry department and permission to operate within the NPA. Increased social capital from its involvement has allowed the village of Ban Na to be involved in volunteer programs teaching English and computer skills as well as gaining funding from NGOs for various projects. The benefits of further aid being concentrated in one village rather than being spread among others can be disputed, however.

## Understanding roles & responsibilities

A major constraint cited by CBT practitioners was the lack of clarity in roles and responsibilities, which led to agreements not being respected. Participatory planning, utilizing a decentralized, bottom-up method is generally seen as the best practices approach to contemporary planning and decision-making. However, it is rarely implemented effectively in practice. Elements of power in stakeholder relationships have often resulted in one or two parties imposing the roles and responsibilities onto the remaining partners.

**The Akha Experience** involved four partners: Exotissimo, GTZ, the PTD and 8 villages, however in reality was designed and planned by only GTZ and Exotissimo, with the following roles and responsibilities assigned:



However this project suffered from a lack of active participation of the community, who were little more than passive recipients of instructions and a fee. Some community members stopped providing services. Similarly, the PTD/DTO did not carry out the duties ascribed to them, even though they had signed the agreement. Such shortcomings are symptomatic of CBT Partnerships, and have been experienced in the Luang Prabang Fair Trek as well.<sup>19</sup>

<sup>19</sup> GTZ, n.d.

Understanding of other members' roles and responsibilities is also important, as has been shown in the Nam Seuang Experience:

*“The community does not understand what the roles of the PTD and DTO are. They only deal with Chipseng [Buffalo Tours' site manager] and tourists. They don't know, administratively, who is responsible for them and how it works. They believe that income from this project should go to the village, not the PTD/DTO, but that the DTO should help improve tourism in the area. They feel that DTOs must keep track of the tourists in the village to ensure the security [& safety of the tourists]” – CBT Partner*



- Each party must fully understand and be happy with their defined roles & responsibilities, as well as those assigned to others
- Transitioning to self-sufficiency is difficult when expectations are overestimated
- Discussing roles and developing shared visions is a slow but markedly necessary process. Social and organizational processes are very demanding for involved stakeholders. A slow pace must be accepted, and expectations managed, without diminishing enthusiasm
- A bottom-up approach must be utilized to the greatest extent possible
- Each stakeholder must actively participate in the planning stages. The participation of community members needs to be facilitated by the other stakeholders.

### **Signed partnership agreements**

Partnership agreements are contracts signed by the major stakeholders of CBT partnerships to legitimize the accord. Although mainly self enforced, they are created within the existing legal and regulatory frameworks, therefore allowing for the possibility of legally settling disputes.

The use of such agreements was pioneered in the NHEP, where partnerships between communities, local authorities and a tour operator were first set out. They are now a staple in most kinds of partnerships involving communities and/or local authorities.

In general, it can be said that partnership agreements are successful in clarifying roles and responsibilities, as well as a reference document on key elements of the partnership. They are important for accountability guidelines of development organizations, local authorities and the private sector. As guidelines, then, they are successful.

As contract, however, the legally binding signatures are of little use or assurance that the stipulated conditions are met. Rural communities are unaccustomed and don't ascribe value to written contracts. Other partners, both public and private sector have been known to not honor contractual agreements without retribution.

Graham Harper, the initiator of the Nam Seuang Experience, who has adapted and utilized a version of the Fair Trek contract esteems that official agreements are unnecessary. For them, it would have been faster and easier to deal on an informal basis, as is customary in rural Laos. However, he warns that the tour operator must be responsible and trusted enough to broker a fair deal with the communities in informal relationships.

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*“Contracts: yes we have contracts, for land lease here and there - for boat landing rights - for services - with the Fire Brigade - with the Labor Unions - with the District and so on. But what are contracts on paper, if there is no functioning mechanism to implements them.*

*The Lao Law is very clear about contracts, but when it comes to a dispute, it is a long and arduous process to solve the dispute. So what is there to do? We have verbal contract and pay ‘tea money’ at every corner to keep the machinery running with no guarantees.” - Alex Wolkenhauer, La Folie Lodge- Don Daeng island, Champassak (2008)*

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### **Granting Exclusivity**

The granting of exclusive rights for tour operators to manage and sell tours has become an issue of tension and controversy between the stakeholders. The rationale between including this provision in partnership agreements was to increase the ownership feeling of the tour operator, thus allowing them to invest in training, maintaining quality up to its standards, carry out monitoring and enabling it to earn back its monetary investment and make profit from the operation- considering that CBT products usually have long payback periods and low margins.

In Laos, exclusivity has shown to work as long as competitors are not present. In practice, this condition is widely ignored by all involved stakeholders when the opportunity of increased financial benefits arises.

#### **The case of exclusivity: Luang Prabang Fair Trek**

The project greatest success factor- its proximity to Laos’ main tourist hub also became one of its largest constraints, with local tour operators encroaching on this exclusivity, eventually resulting in the PTD taking over the project’s administration & management. Tiger Trail’s contract included fines for unauthorized use, being then channeled into both the village and watershed conservation fund, creating incentives for villagers to report such intrusions. However, this method proved unsuccessful, as these benefits were superseded by greater personal benefits gained by unauthorized tours, such as direct payments for services or guide use, and most villagers failed to report such uses.

Some villages have reported such unauthorized use to PTD and the forestry department; however this failed to result in action being taken. In late 2008 the PTD took over administration of this partnership and conceded preferential terms to Tiger Trail, omitting them from paying the yearly \$350 membership to be able to operate treks in the area.

Nevertheless, this has not dissuaded Tiger Trail in investing in two subsequent CBT Partnerships and continuing to sell its Luang Prabang Fair Trek.

Somewhat ironically Tiger Trail recently built a backpacker lodge in a village which had signed an exclusive agreement with Buffalo Tours over their CBT Partnership, The Nam Seuang Experience. However, as the two products don’t compete with each other (backpacker treks vs educational organized tours) Buffalo Tours has welcomed this lodge and the increased benefits it can bring to the community.

- Signed contracts should be the result of extensive discussions between all stakeholders. Meetings, open discussions and regularly convening committees increase this communication.
- Signed cooperative agreements, although largely ineffective, do aid in building trust and clarifying roles. Consensus has it that they should be pursued, focusing on increasing governance and compliance to be able to guarantee their validity in the long-term.
- Safeguards should be built into contractual conditions which cannot be practically fulfilled
- Exclusivity, although ideal, is rarely respected, despite legally binding documents. It should not be stipulated in all instances, but rather applied where the context permits.
- Private sector companies should understand that if they do establish a profitable product, competition is likely to materialize, and therefore should take the appropriate steps in assuring worthwhile returns -by either having more setup funding come from donor organizations, accepting that extra costs borne by them may take longer to be recouped, or creating a product which, booked at the source market, would not compete with locally booked activities.

### Third-Party Mediation

Facilitators have proven to be an effective part of CBT Partnerships, especially in the project initiation and design phases. This is crucial in instances where there is infrequent interaction and mistrust between the entities, as is often the case in Lao PDR. Facilitators have traditionally been development organizations, which also aid through funding, training and project design assistance.

One must be wary of over-commitment by the facilitator causing other partners to pull back and cede responsibility. Development organizations should provide funding and

mediation for projects, without dominating and steering the proceedings, with the eventual goal of the PTD taking over such roles.

#### Development organizations' ideal roles & responsibilities

- Acting as supporters and mediators in the project
- Providing other partners with know-how and financial support during the first stages of the project
- Helping to provide training to the villagers (hygiene, cooking, management and hospitality)
- Assisting in the construction of tourist accommodation and funding equipment if villagers and the company cannot do so
- Supporting both the public and private sectors in trying to fill (financial) gaps
- Acting as the middleman and convening frequent stakeholder meetings in the initial phase
- Ensuring the community receives a fair deal and they fulfill their responsibilities
- Raising awareness in the communities about their roles and responsibilities before the contract is signed
- Capacity building to sustain the partnership once the development organization pulls out. This includes institutionalization and monitoring safeguards

Source: Schlicher, 2008. P. 19

## The Akha Experience: “GIZ will take care of it, we don’t have to worry”

In the initial two years of facilitation by GIZ, a general lack of commitment could be observed, which was illustrated by the fact that community members stopped working, stakeholders hardly ever met to discuss the project (other than with the tourism managers), and the company or public sector rarely visited the villages. This can be attributed to lack of incentives and capacity of all three partners involved.

## PROJECT DESIGN

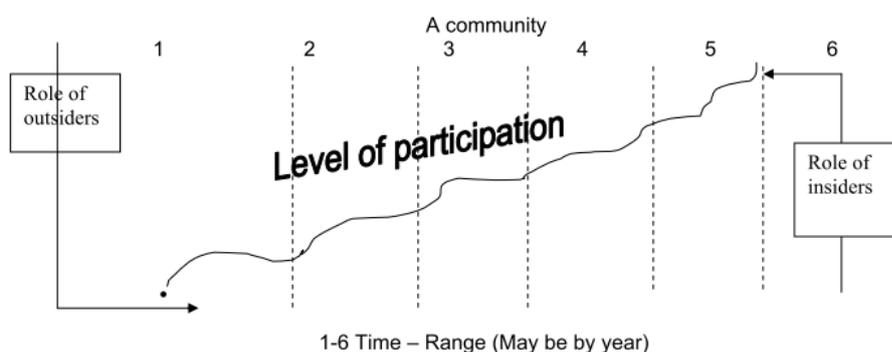


### Community Ownership and control

The community’s commitment to partnerships increases with time, understanding, and by investing their own resources. Figure 21 shows the evolution of community and outsider participation over time. Successful community-based projects have criteria requiring counterpart funding from villagers, such as UNESCO which has projects that require communities to invest resources to gain access to UNESCO funds. Rik Ponne, international team leader of the STDP advocates this approach and community input of resources- either time, material or monetary.

“Don’t do what villagers can- this leads to dependency. Don’t ask them to do what they can’t- this leads to frustration.” –  
Graham Harper, Buffalo Tours

Figure 21: Level of Community CBT Participation<sup>20</sup>



### Community development & Benefit distribution

To develop communities and alleviate poverty, benefits must be distributed throughout the community as well as improving infrastructure to be utilized by all community members. Several mechanisms have evolved in CBT partnerships to carry this out. Most mechanisms have been

<sup>20</sup> Mumm, 2006

established by the NHEP and honed in subsequent projects, being adapted to the situation and context.

Village Funds (VF) usually comprise of fixed monetary amounts pooled per tourist or group, administered by PTDs or village committees and utilized for maintaining tourist infrastructure, village-wide projects, or distribution within the community. Generally these are seen as successful mechanisms for community development; however some concerns have been raised over the transparency of their use. Figure 22 provides an overview of such mechanisms and their challenges in different CBT Partnerships.

**Figure 22: An Overview of Community Benefit Distribution Mechanisms<sup>21</sup>**

Project	Mechanism	Challenges
Kamu Lodge	<p>\$1 per tourist, jointly administered by the lodge, tourism authorities and the village.</p> <p>Recently its use as a microfinance operation for villagers to take out loans has been explored</p>	Currently they have a 50% default rate on loans. Villagers who default are then not allowed to take out a loan for one year and must prove their ability to administer the loan subsequently.
Nam Seuang Experience	\$2 per tourist per day goes into village fund, administered by villagers through a committee. A board with treasurer, director, finance, deputy director, oversees village finances with each post filled by a person from a different village	The village is left to self-administer this fund and often is spent on festivals
Fair Trek Luang Prabang	<p>Annual tour operator membership fee of \$350. \$1 per tourist is paid into the Village Fund, and \$1 into the forest protection fund. The VF is administered by the PTD, with villages wanting to access the funds submitting proposals benefitting the entire community.</p> <p>The forest protection fund is managed by the PTD and the forestry office and used to improve the quality of the natural environment in the Fair Trek area</p>	A lack of transparency in fund dispersal and usage

<sup>21</sup> Compiled from primary and secondary research

### **Amount of benefits received**

The benefits received through CBT Partnerships are of a wide scope. All CBT Partnership models focus on spreading benefits through involving as much of the community as possible in service delivery and village funds. Inclusive business models focus more on infrastructure such as building schools and clinics, whereas DACBT Partnerships tend to focus more on building organizational capacity and education. Efforts have been made to increase value chain linkages, such as using the village produce for tourist meals, with the more experience stakeholders have in such projects, the more effort being put into such endeavors. However, villagers have been known to resist this due to the increased responsibility it places upon them.

When it comes to monetary benefits, the ability for the villagers to renegotiate rates as their capacity increases is seen as an important element, something which has been contractually agreed upon in The Akha Experience, with a clause that would terminate the partnership if both parties fail to agree on yearly rates. However, this measure was stipulated by the development organization and initially not pursued by the villagers or the tour operator. A similar measure met more success at the Elephant Tower CBT project, where villagers are able to negotiate rates directly with tour operators. However 6-7 years were taken for this level of capacity to be reached.

### **Increasing benefits for villagers**

In various CBT partnerships, it has proven difficult to motivate villagers to earn extra income. They have reiterated the need for more income but are not willing to put in the extra effort required to earn it. Examples range from working as staff of the Kamu Lodge and taking out micro-loans to producing handicrafts which the lodge has *guaranteed* villagers they will buy.

A lack of confidence, trust, hesitance towards change and short-term thinking are prevalent bottlenecks for villagers and working examples, continuous assistance and recurring encouragement have, albeit slowly, helped curb this.

### **Hiring Employees at the Kamu Lodge**

When the lodge opened they were seeking to employ people from nearby villages. The first year nobody in the village wanted to work for the lodge, so they had to hire people from Luang Prabang town. The villagers want money but are hesitant to work for it in a domain the lack confidence in. Slowly as the community got accustomed to the lodge, a few young people began applying and receiving training. One year later only members from surrounding communities work for the lodge.

### **Range of dispersal of benefits**

The reach of benefits is equally as important as the amount, with traditionally CBT projects aiming to benefit the poorest community members. This motive has been largely debated in academia, and argued that the specific attributes of tourism do not allow it to benefit the poorest members of society, but rather those that have access to a higher rung of capital and skills (Zapata et al, 2011).

This is echoed in CBT projects, partnerships or otherwise, both in Lao PDR and worldwide. It has been noted that notwithstanding benefit distribution mechanisms, families which are better off tend to gain more from tourism, possibly increasing the gap between rich and poor Oula (2006). This occurs for two reasons:

- I. The richer families often make up the village leadership, which can lead to unfair allocation through nepotism and corruption

- Richer families have higher quality houses, skills (service & language) and greater education, making them better suited to receive home stay guests, become cooks & guides

Studies in Nammat Kao Village, part of the NHEP project found that the richest 20% of households received 53.93% of the total tourism income, whereas the poorest 40% received only 15.44%. A survey from four CBT contexts in Laos also revealed that 20% of households received no income from tourism while 18 percent earned over \$50, with the remainder distributed between these

**Income structures and tourism benefits:** The villages taking part in the Nam Seuang Experience were asked to recreate their income structures through participatory approaches, displayed in the chart on the right.

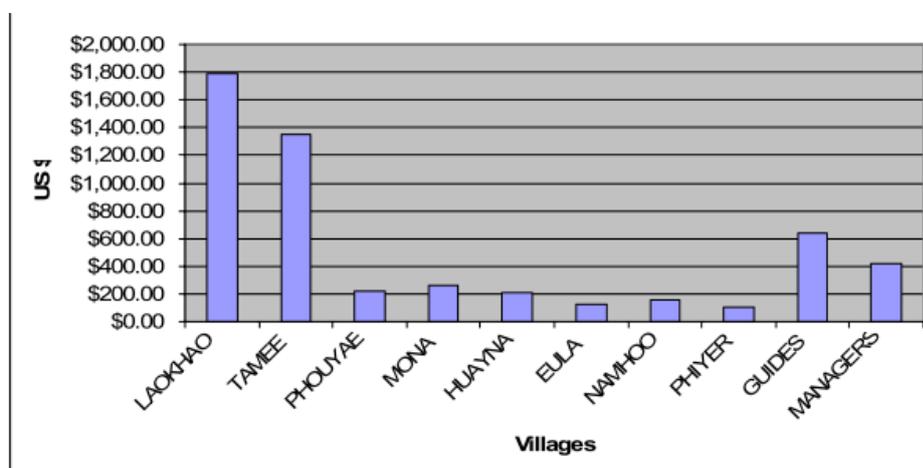
The village leadership came from the top 10%, with the richest 40% being those most involved in home stay and service delivery.

Income Bracket	Percent
High Income	10%
Medium Income	20%
Relative Poor	30%
Absolute Poor	40%

extremes (UNDP & LNTA, 2006). Similar results are found at the Nam Seuang Experience.

Uneven distribution of benefits is not only an occurrence within villages but also between villages, such as in The Akha Experience, which had the following distribution noted between its villages. The main reason for this is the use of certain villages for home stays or meals, with other villages not being allocated to provide such services.

**Figure 23: Income Distribution Between 'The Akha Experience' Villages<sup>22</sup>**



### Amount of transparency in benefit-sharing arrangements

Transparency is seen as a key factor of CBT success by all parties involved, and various approaches have been taken to increase transparency.

<sup>22</sup> Mumm, 2006. P. 9

In the **Nam Seuang Experience** the communities continually stress fairness in allocating benefits. They are comfortable with its transparency, and rate this as one of the most important aspects. All donations to be shared in the villages are announced and given to the village chief during village meetings to reduce the possibility of unfair distribution. Each payment to the community must be signed for along with their costs, which increases accountability, however is very time consuming.



Village Funds administered by various stakeholders have been the most successful way to increase transparency, with yearly meetings of all stakeholders to review earnings and income earned.

### **Demand-Led Product Design**

One important issue when it comes to private sector involvement in CBT ventures is their target market. This can be split into two sections, the quality of the product and the activities proposed.

#### **Quality of the Product**

In Laos, CBT is practically synonymous with low-quality home stays. It is notoriously difficult for high-end products to be integrated into CBT. Such products require lodges, toilets, food, guides and service of a certain level not present in rural villages. The lack of consistency in their provision also does not create an environment for high-end experiences. The operators willing to partner for CBT projects tend to be those with greater funds and organizational ability, targeting higher yield customers who are searching for more upscale experiences. Therefore a dissonance exists between the products which can be developed and those which are demanded. A few privately owned and run products exist in Laos, such as Kamu Lodge, La Folie Lodge and Tree Top Explorer, however these product shy away from traditional CBT.

#### **Activities**

The majority of CBT activities in Lao PDR involve multi-day treks blending nature with cultural tourism. Although worthwhile, this single-product focus endemic to Laos can decrease the attractiveness and returns of future CBT projects. NHEP -the example most often utilized when planning CBT projects- has developed mostly CBT treks, and the rest of Laos has followed suit. There is a sense, especially in donor-initiated CBT that trekking products are developed in a blanket fashion without giving sufficient thought to other product opportunities, and therefore that the CBT trekking market may begin to saturate. This is due to the fact that an expertise in developing such products has been established and market studies are rarely carried out. Unique products such as Ban Na with its wild elephant tower and Tree Top Explorer's zip lines (with 500 visitors in its first 6 months) highlight the success and need to diversify products.

#### **Long-term financial viability**

Given that Laos' first CBT project began operating ten years ago, and the first CBT Partnership began in 2005 it is difficult to gauge their long-term financial viability. However all CBT Partnerships continue to operate, with promotional & sales support being the most crucial element that the private sector has contributed to this factor.

#### **Taking into account contextual circumstances**

Traditionally, participatory approaches have focused primarily on the communication process between stakeholders and less on the institutional or organizational cultures faced. Organizational culture

encompasses the shared rituals, routines, organizational structure, symbols, languages, stories and myths, role of leadership, power, and control mechanisms of a group. CBT Partnerships are not a one-size fits all solution and require several contextual circumstances to be present for them to succeed. More attention should be paid to solutions that are tailor-made for the operating context of each collaborating process.

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*“We need a better analysis of Pro-Poor intervention models and in which situations they are best applied” – Rik Ponne, STDP International Team Leader*

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Recently, development organizations have been most sensitive to the importance of culturally compatible solutions. Private sector institutions with extensive Lao experience have also illustrated the success in taking such aspects into account. The public sector generally lags behind in this regard.

Cultural characteristics of villages must be taken into account when planning projects, as Exotissimo’s incidental experience below recounts.

**Exotissimo** is involved in two CBT projects, the **Kamu Lodge** and **The Akha Experience**

The Kamu villagers are more dependent, take less initiative and have narrow horizons, and most importantly lack organizational capabilities. They have been noted to fit better with the inclusive business model of the lodge, which garners benefits, however requires less direct involvement in management and administration.

The Akha villagers, conversely, are more independent, entrepreneurial, prefer more freedom to make their own decisions and manage things by themselves. The model CBT Partnership works well with them, allowing this better organized village greater autonomy and responsibility to make decisions. Neither approach was planned to take advantage of the villages’ characteristics, however have been identified as success factors and should be taken into account when planning future approaches.

## PROJECT IMPLEMENTATION

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### Site management

Site managers on the behalf of the company have been seen as the best way to ensure quality and guest satisfaction. The site manger coordinates on-the-ground logistics with villagers and between stakeholders on an operational level. Hiring a site manager out of the inhabitants of the involved community is the best way to integrate him/her, however is often difficult to find individuals with the skills to undertake these tasks. Promising local leaders should be identified and groomed for future positions.



The **Nam Seuang Experience** has hired and trained a site manager from one of the villages to ensure the day-to-day management and coordination. His responsibilities are to coordinate permissions and licenses with local authorities, ensure the preparedness of home stays and service provider groups and solve operational problems, while acting as a link between the company and the community. His efforts have ensured a success to the partnership, however the lack of succession planning and the low pay denote a real risk for the success of the partnership should the site manager choose to leave his job.

### **Monitoring & Feedback Mechanisms**

Once a project is set up, the largest problems are its maintenance and management. Such mechanisms have aided partnerships in evaluating their success as well as improving the amount of benefits received, and reducing negative effects of CBT Partnerships.

The term 'Monitoring' however, is relegated to the development world, and is difficult to delegate to the private sector. This is a good example of differing perspectives of the sectors, which have caused misunderstandings and inefficiencies in CBT Partnerships.

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*“Monitoring’ is development terminology, the private sector will monitor profits, not more”*  
– Tour Operator

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Due to lack of funding, logistical difficulties in data gathering, lack of capacity and will, monitoring is consistently the least respected contingent in CBT projects. Formal monitoring remains a weak point in CBT PPPs. It remains challenging in DACBT Partnerships, and in most cases is all but forgotten once the development organization pulls out. Examples from various projects are discussed below:

#### **Local authorities being trained to monitor projects at the NHEP**

“Monitoring is likely the first thing to be dropped after the project funds cease. It requires funds for per diems and transport out to each village, and is time-consuming, requiring remote travel, in-depth interviews with several dozen households, and then tedious data entry. Tourism department staff do not have the skills to perform analysis, it does not have any measurable results or outputs for them, it has no internal value.”

Source: Gujadhur et al, 2008. P. 12

#### **Shifting the responsibility for monitoring to the private sector in The Akha Experience:**

“Both the tour operator and the public sector failed to regularly monitor and collect feedback in the villages. The tour operator only collected feedback from tourists and from an exclusive, small group of village tourism managers (who failed to consult the other community members). The development agency regularly monitored in the beginning, but was unable to set up a sustainable, long-term monitoring system after phasing out of the project.”

Source: Schilcher, 2008, P. 7

The Luang Prabang Fair Trek has had similar monitoring problems to The Akha Experience, which resulted in unsatisfied community members ceasing to work, and only a handful of households receiving income from tourism.

#### **Private Sector initiatives at the Nam Seuang Experience:**

Buffalo tours carry out sporadic meetings with villages and stakeholders to assess progress. However it is not completed methodically and quantitative data is not collected. Part of their fund for tourism maintenance is utilized for monitoring costs such as transport and compensating local authorities.

The three avenues that could be pursued to improve this situation, all have their bottlenecks:

1. Allocate this responsibility to local tourism authorities
  - This has been tried; however PTDs lack the capacity and will to do so effectively and regularly unless compensated. Long-term compensation funding and capacity building by Development Organizations could be a viable alternative to long-term direct agency involvement
2. Design a system which would allocate this task to development organizations over a longer time period
  - This however is unlikely to happen given the funding and budget cycles of aid organizations
  - The creation of more flexible programs for funding CBTs is advised
3. Require the private sector partner to carry this out
  - Businesses often lack the capacity and will to carry out comprehensive monitoring



- Learn by doing- planning is important, however the projects begin stagnating and losing interest if too long is taken
- Regular in-village monitoring is certainly a necessity to prevent problems. Mechanisms must be designed as to assure consistent and sustained monitoring
- Local authorities and private sector authorities do not currently have the capacity or funding to carry out monitoring, and therefore must be assisted for an extended amount of time with training and financing

#### **External Factors**

The greatest threats to CBT projects in Lao PDR are other economic activities encroaching on the tourism areas, most notably commercial agro-forestry. Hydroelectric projects, hunting, logging, and poaching are also problematic - all of which have detrimental effects on Laos' flora and fauna. This has been a concern ever since CBT was introduced to Laos, with the greater economic benefits derived from other activities continuing to exacerbate the problem. In 2008 the National Biodiversity Strategy and Action Plan was published, outlining steps that would increase awareness and strengthen regulatory processes to diminish this threat to Laos' biodiversity and tourism. Solid improvements are yet to be seen, however it remains early in the implementation process.

### **Agro-forestry in NHEP**

“The biggest threat to NHEP’s CBT activities comes from commercial agro-forestry, which encroached on NPA terrain and buffer zones, altering the natural landscape to a startling degree. The [2008] Provincial Tourism Strategy, for political reasons or otherwise, did not mention this risk. Neither the project nor the PTD were able to influence the overall lack of government commitment to conservation.”

Source: Gujadhur et al, 2008. P. 40

If even the NHEP, the largest and highest profile tourism project in Laos cannot curb the government’s commitment to limit the encroachment of destructive activities, there is little that can be done on a project level to aid CBT Partnerships. This plays into a larger issue of power, governance and communication over competing interests. Governance capacities must be improved and the private sector needs strengthening through associations to be able to lobby the government for such enforcement.

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“There should be no illusions as to how much forest will be protected through the tour. The incentives for the villagers to grow rubber is very great, revenues from The Akha Experience will not be able to compete with it. So it remains to be hoped that at least the forest along the trails can be saved.”

Source: Mumm, 2006, p. 21

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The Akha Experience also cited industrial planting to be a major concern, with plantations being set up on trekking routes eroding touristic potential. The Nam Seuang Experience is facing the possibility of most of its project villages being flooded in five years, if a proposed hydroelectric project is approved. Buffalo Tours has already invested substantially in tourism infrastructure as well as community development through building a bridge, schools, toilets and water supply improvements.

Such problems can be traced to a lack of inter-governmental communication & cooperation, short-term thinking, lack of enforcement, corruption and a general lack of planning.

## Summary – The Partnership

Factor	Presence	Analysis
Site Selection		Most CBT Partnerships have selected sites of appropriate distance and tourism potential to ensure demand
Communication		Communication is limited by language, access and culture, it is slowly improving, however is a large constraint
Level of trust between involved stakeholders		Partnerships and cooperation have increased trust and social capital between stakeholders, however this varies by region and general mistrust exists between sectors
Understanding roles & responsibilities		Communities and authorities remain below-par in this regard, followed by the private sector and development organizations, with a better overview of roles
Signed partnership agreements		Beneficial in setting roles, however ineffective due to a lack of compliance and enforcement
Tour operator exclusivity		Allows for more private sector involvement and investment, however compliance and enforcement remain bottlenecks
Third-party mediation		Vital for project success, however must be carried out for appropriate time frames and ensure to <i>mediate</i> , not <i>lead</i> the process
Community ownership & control		Participation and control is a lengthy process, with many communities performing sub-par in this factor
Community development & benefit distribution		Inequality in benefit distribution continues to exist, however current mechanisms ensure a wide reach and do develop communities
Demand-led product design		Products are still heavily focused on the budget-midscale trekking market, however successful unique and upscale CBT products are emerging
Taking into account contextual circumstances		Dependent on stakeholders, contextual circumstances are identified and taken into consideration when developing projects
Site management		Trained and funded site managers have been noted to increase partnership success in ensuring logistics and operations
Monitoring & feedback mechanisms		Current mechanisms are undervalued, ineffective and unsustainable
External factors		One of the greatest threats to CBT are competing economic activities encroaching on project areas due to lacking communication, planning and zoning

## ANALYZING CBT PARTNERSHIP MODELS

The table below outlines the main characteristics of the three types of CBT Partnerships in Lao PDR.

**Figure 24: Lao CBT Partnership Characteristics<sup>23</sup>**

Characteristics	DACBT Partnerships	CBT PPPs	Inclusive Business Model
Examples	The Akha Experience Fair Trek Muang Ngoi CBT Nam Ha Forest Camp	Nam Seuang Experience Green Discovery Akha Treks	Kamu Lodge La Folie Lodge Elephant Village Tree-Top Explorer
Development & Conservation Benefits	High	Moderate	Moderate
Ease of implementation	Moderate	Low	High
Replicability	Moderate	Low	High
Suitability	NPAs, sensitive cultural areas, districts, businesses and communities with less tourism experience	Districts and communities with more tourism experience, unique products, midscale-budget	Upscale products, districts and communities with less tourism experience

### DONOR-ASSISTED CBT PARTNERSHIP

The first example of such a venture was The Akha Experience, a responsible tourism trekking circuit in Muang Sing set up by GIZ, and involving Exotissimo, 8 Akha villages and the PTD. Being the pioneers of this form of tripartite agreements, this project encountered initial resistance from the PTD in allowing companies to directly interact with communities. However, through facilitation by the development organization this issue was resolved and it continues to operate as a CBT Partnership.

Subsequently, in 2007 Fair Trek was set up by Tiger Trail, the PTD and 7 villages in the Xieng Ngern district, with ADB funding and SNV assistance. Three Fair Trek projects were set up- Luang Prabang in 2007, Nong Khiaw in 2008 and Muang Khua in 2010. Although organized by the same tour operator, they each face distinct challenges due to their locations.

Laying the groundwork for this partnership model was NHEP, which pioneered the involvement of the private sector (Green Discovery) in selling and administering its treks through partnership agreements.

One must note that until now development organizations have selected project sites, while in CBT PPPs and inclusive business models it is the private sector which has done so. This difference is crucial, as the development of products in specific response to market demand not only increases private

<sup>23</sup> Analysis compiled from primary and secondary sources

sector buy-in to such projects but better ensures their economic success. Involving the private sector in product development aids in increasing financial benefits as has been illustrated in the Fair Trek case. Donor aid, apart from being unsustainable can also undermine entrepreneurship and weaken the overall commercial proposition of the project by making it less dependent on income streams (Elliott & Sumba, 2011).

### Development & Conservation Benefits

High

The involvement of a development organization allows for the greatest amount short & long-term community benefits. This model is the most effective in terms of benefit allocation and dispersal. Projects with development organizations set up formal mechanisms to ensure that the benefits are spread and received by the poorer members of the community as well as applying a more thorough and consistent methodological approach to setting up these programs. Monitoring and feedback mechanisms, at least during the time that the development organization is involved, are carried out more regularly.

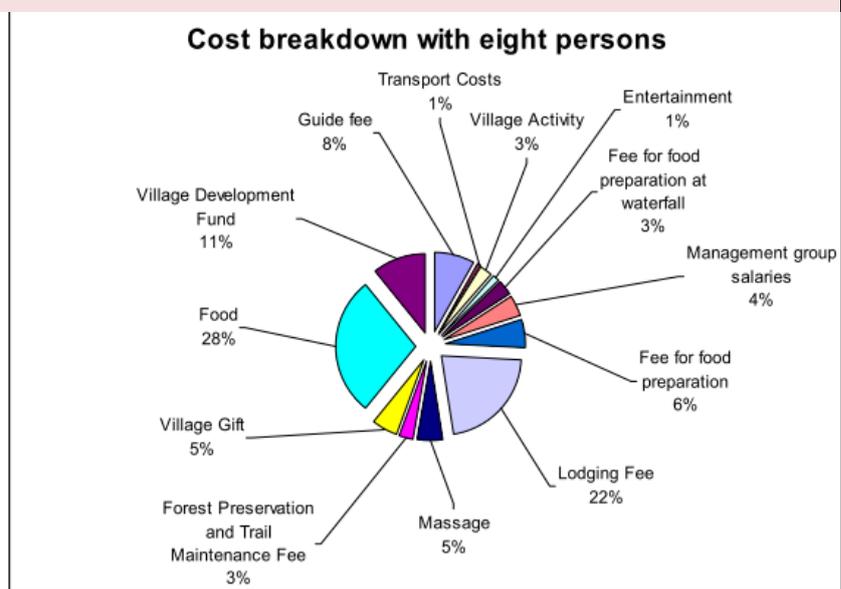
#### Case study: The Akha Experience<sup>24</sup>

Facilitated by GIZ, this project employed a variety of mechanisms to increase and spread benefits associated with CBT.

GIZ devoted the initial three months to awareness raising, sending two members of each village (16 members in total) on study tours of CBT projects in neighboring provinces.

Two tourism managers from

each village were then elected and the itineraries and activities were worked out in a participatory manner. GIZ also provided trainings of: guides, first aid, housekeeping, hospitality, cooking & hygiene, tourism management, English language, handicraft and accounting trainings. A village development fund was established and a rotational system of service delivery was set up, generating income for more households. Cost breakdowns were calculated and monitoring was carried out on a regular basis.



DACBT project cycles typically last from 2-5 years, and once development organizations pull out many benefits, especially retraining, monitoring, environmental awareness and protection programs are often diminished. Furthermore benefit dispersal systems such as village funds and rotational teams often have minimal impacts on the distribution of benefits in practice. This is however seen as an issue endemic to all CBT projects regardless of the approach.

<sup>24</sup> The Akha Experience, n.d.

### **Ease of implementation**

**Moderate**

Being facilitated by development organizations, this approach has a moderate ease of implementation, countered by the increased number of stakeholders requiring more effort in consensus-building. The additional bureaucracy required by development organizations in justifying expenditures and requiring audits slows the implementation process, however has positive effects on accountability and replicability.

### **Replicability**

**Moderate**

In creating several model cases utilizing this approach, development organizations have gained experience and knowledge on effective methods to replicate. The presence of monitoring and collection of quantitative data on impacts is unique to projects involving development organizations, which has aided in justifying their viability and honing the model.

The current global environment has led to the cutting of budgets for many development organizations, and tourism, being an industry and one in which it is difficult to quantify benefits, has been one of the first programs cut from organizations. SNV, which has been instrumental in facilitating CBT Partnerships in Lao PDR, has chosen to discontinue its tourism program. This will lead to less tourism projects being carried out in the medium future, or ones with less of a role of development organizations, transferring the increased responsibility of replication to the public and private sectors, both of which largely lack the capacity and will to do so.

### **Suitability**

DACBT, although theoretically ideal, is not always the best suited or feasible model in every situation. One must evaluate the approach's compatibility with the product, location and other stakeholders involved.

Partnership approaches including development partners are best suited for projects which are countering or solving a specific social or environmental problem. Therefore their use would be best suited for NPAs and sensitive cultural situations, such as when dealing with minority hill tribes or communities with little contact with the commercialized world. The presence of development organizations facilitates proceedings in provinces and districts less accustomed and confident to working with tourism or the private sector. This approach would also allow greater inclusiveness businesses without prior CBT experience.

## **CBT PUBLIC-PRIVATE PARTNERSHIPS**

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Two CBT PPPs have been identified for this paper: Akha Treks in Luang Namtha by Green Discovery and the Nam Seuang Experience, initiated by Buffalo Tours. Both projects share similar characteristics:

- Tour operators with previous experience in CBT projects
- The establishment of projects in areas in which tourism authorities have had prior experience working with CBT Partnerships
- Tour operators which have a strong focus on outcomes other than profit
- Strong, committed leadership of individual 'champions'

### **Development & Conservation Benefits**

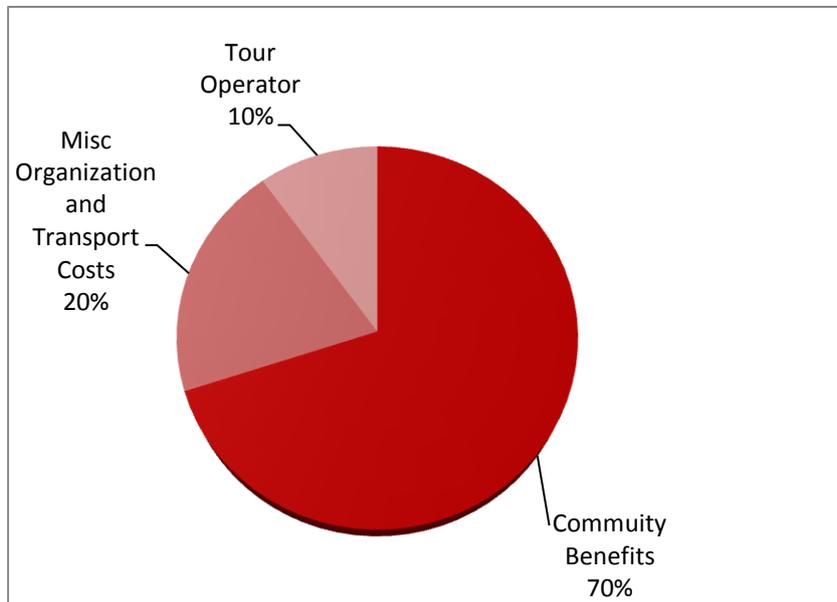
**Moderate**

With this model, more emphasis is put on increasing the amount of economic benefits than its distribution, with village infrastructure developments having priority over skills training and

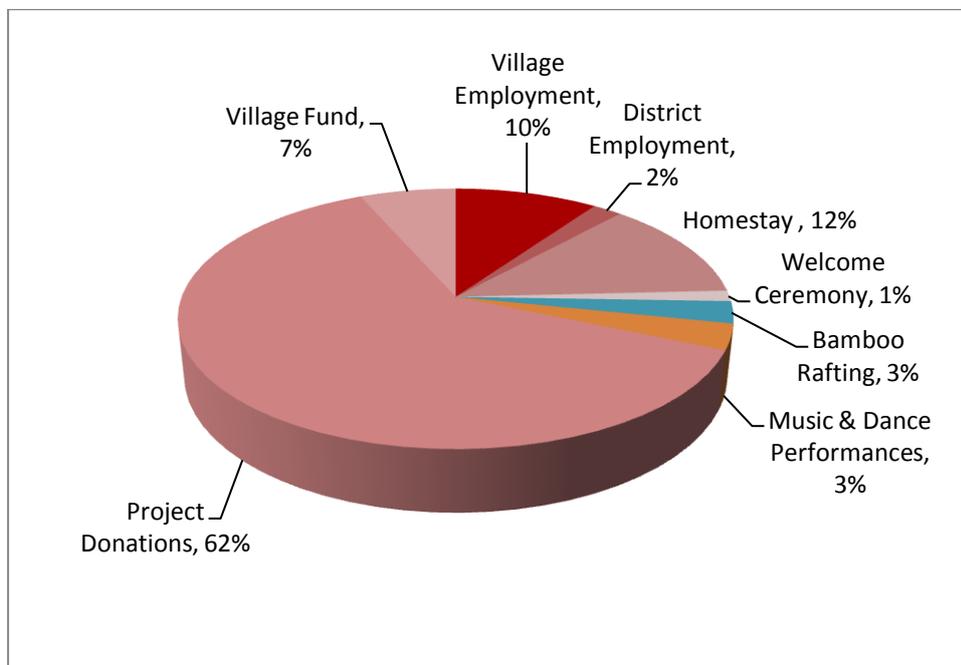
education/awareness building. This can be attributed to the fact that private companies lack the capacity to carry out such interventions.

From the study of the Nam Seuang Experience one can say that direct economic benefits are substantial- with \$52,000 being generated in benefits for the community, 61% of which comes from visitor donations. It is estimated that 70% of the project's income goes to the community.

**Figure 25: Total Revenue Distribution for the Nam Seuang Experience<sup>25</sup>**



**Figure 26: Revenue Distribution within the Community of the Nam Seuang Experience<sup>26</sup>**



<sup>25</sup> Seuang River Experience. (2011)

<sup>26</sup> ibid

### **Ease of implementation**

**Low**

The implementation of this model is difficult due to the lack of facilitation and external mediation. The lack of stakeholders (with essentially the private sector being the lead party in instigating and developing the venture) and subsequent reduction in bureaucracy does ease the process.

### **Replicability**

**Low**

This model calls for private businesses to overlook their profit motive and focus on community development, something which is rare in Laos. There is scope, however, for this model to be replicated by social enterprises, which can be defined as organizations that apply capitalistic strategies to achieving philanthropic goals (Borzaga & Defourney, 2001). This business model is increasing in popularity around the globe and can be seen as a fusing of development organizations and for-profit companies.

Green Discovery and Buffalo Tours have ample experience in Pro-Poor Tourism, and these successful models have strengthened their capacity and have provided them a basis for future CBT Partnerships. Buffalo Tours has however advised that the DACBT Partnership model would have optimal in its case.

### **Suitability**

Such products would be most suitable with districts and communities which have greater tourism experience and more trust in working with the private sector. Budget to midscale products are advised as community-owned and operated products generally lack the quality necessary for upscale products. Unique products sold in source markets, such as educational travel and volunteer tourism work best. Walk-in tours are more susceptible to competition, therefore decreasing the company's incentive to develop the project.

## **INCLUSIVE BUSINESS MODEL**

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As CBT has evolved, the thinking behind it has shifted from purely a mechanism to benefit the poor to increasingly take into account economic realities, acknowledging that it must be a functioning, self-sustaining business for it to reach its poverty-alleviation goals. Recently research has questioned whether the 'community-based' element is optimal or even necessary in achieving the goals of CBT and has identified two differences between CBT projects and conventional investments. They are:

1. Community-level, collective benefits
2. Empowerment of the community & building social capital

With the trend for companies to be socially responsible and the emerging concept of inclusive business models and social enterprises, collective benefits are increasingly being gained from private sector investments as well. In fact research suggests that business initiatives perform at least as well, if not better than, CBT ventures (Goodwin & Santilli, 2009). If the scope and amount of benefits in conventional investments outweigh those in CBT ventures is not confirmed by research.

### **Development & Conservation Benefits**

**Moderate**

When examining CBT Partnerships in Laos, the inclusive business model refers to companies which integrate communities in their value chain as well as in their tourism product, often establishing village fund, aiding in village infrastructure construction and education. Direct economic benefits are gained through employment, supplying food and handicrafts as well as auxiliary products. The communities

may also be the key tourist attraction, such as in the Kamu Lodge, where guests can spend the day with villagers and take part in their daily activities.

Since the community is not actively involved in administering and managing the product, they do not benefit from building their management and organizational capacity, which is a key caveat of CBT. Data on the amount and dispersal of benefits with this model is not available, however is assumed that community-owned and operated products result in more benefits for more community members, given the same amount of guests.

### **Ease of Implementation**

**High**

This model presents the greatest ease of implementation as singly owned business allows for greater quality and cost control, faster decision-making and greater consistency.

Full ownership of assets (such as Kamu Lodge) is a key incentive for private sector investment in projects as it guarantees a tangible product and investment returns. The private sector is often hesitant to invest in traditional CBT Partnerships as they are unsure they will remain involved until they recoup their investment, as was highlighted by Tiger Trail in its Luang Prabang Fair Trek (see boxed text on page [68](#)).

With this model local authorities tend to be supportive but not invasive as long as they are kept informed of developments and fees are paid. Working with communities remains a challenge, presenting similar constraints as other forms of CBT.

### **Replicability**

**High**

This model is the most easily replicable, as any product in rural settings can become an inclusive business. Three of the four inclusive business examples explored in this paper are by companies which have previous experience with DACBT Partnerships. Development organizations are also increasingly willing to work with companies to increase the benefits of inclusive businesses; however the design and funding cycle of development organizations have been known to hinder such cooperation.

### **Suitability**

With a better control of service and product quality this model is well suited for upscale or complex products, which require elevated initial investments.

## MAIN CONSTRAINTS TO CBT PARTNERSHIP EXPANSION AND REPLICATION

Main Constraints	Antecedents
Lack of value added in involving <b>local authorities</b> in CBT projects	<ul style="list-style-type: none"><li>•Lack of capacity</li><li>•Lack of funding</li><li>•Lack of understanding &amp; long-term thinking</li><li>•Lack of transparency &amp; accountability</li></ul>
Lack of commitment of <b>communities</b> to the partnership	<ul style="list-style-type: none"><li>•Lack of understanding of the project</li><li>•Lack of organizational capabilities</li><li>•Lacking operational skills &amp; capacity</li></ul>
Lack of <b>private sector</b> interest in investing in CBT Partnerships	<ul style="list-style-type: none"><li>•High effort &amp; cost</li><li>•Low returns</li><li>•Lack of capacity and will</li></ul>
Lack of standardized, appropriate & sustained <b>monitoring</b>	<ul style="list-style-type: none"><li>•Difficulty of rural access, communication and data gathering</li><li>•Lack of systematic, standardized data collection methods</li><li>•Lack of capacity</li><li>•Lack of will</li><li>•Lack of funding</li></ul>
Competing <b>economic activities</b> destroying the tourism potential of the sites	<ul style="list-style-type: none"><li>•Lack of communication between ministries and provincial government departments</li><li>•Lack of understanding of conservation and its benefits</li><li>•Lack of zoning &amp; enforcement</li></ul>

## SECTION 4: RECOMMENDATIONS ON ACCELERATING THE REPLICATION AND EXPANSION OF CBT PARTNERSHIPS

### Create a long-term plan for CBT development

Stakeholders need to create a long-term plan for the future development of CBT in the nation. At the moment, development organizations are following their individual strategies, creating a fragmented CBT environment based on differing requirements and goals. Having the public sector take charge (through the aid of such agencies) in creating a participatory CBT plan could help streamline and integrate such initiatives.



The UNWTO has aided Cambodia in the formulation of its own CBT plan. This includes pilot CBT projects, a human resources development strategy at national and local levels, institutional streamlining of its Ministry of Tourism as well as marketing strategies, business development and skills enhancement.

### CONSTRAINT 1: LACK OF VALUE ADDED IN INVOLVING LOCAL AUTHORITIES IN CBT PROJECTS

#### Recommendations:

#### Build PTD & DTO Capacity Throughout all Regions

- Undertake clear and detailed documentation of project phases
- Increase amount of and accessibility of CBT Partnership documentation
- Ensure that each PTD has at least one member who is familiar with the process of CBT Partnerships by having PTDs assign people to work **directly** in **all aspects** of planning & implementation of at least one CBT partnership per province

In 2005 the Overseas Development Institute produced a series of “How To” guides on increasing local linkages and setting up CBT Partnerships in Southern Africa

#### Harmonize Legal Procedures for Setting up CBT Partnerships throughout Provinces and Districts

- Identify provincial ‘best practices’ and expand them nationally
- Create documents and a web page dedicated to procedural information



The Jamaican Tourism Product Development Company has a [website](#) which acts as a clearinghouse for CBT information, from prerequisites to licensing and guidelines.

### Overcome Funding Bottlenecks

1. Build long-term funding frameworks
  - a. Improve governance transparency & accountability by working with provinces to reinvest portions of taxes and funds directly into projects or regions
2. Explore alternative funding options
  - a. Increase incentives for public sector involvement in monitoring & enforcing CBT Partnerships
  - b. Create 'monitoring funds' channeling a percentage of fees paid by projects
  - c. Have development organizations provide training and small-scale block grants for public sector monitoring of CBT Partnerships

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*“Development organizations have a lot of clout in Laos; they need to be more vocal about the government following through on agreements and requirements.” –Tour Operator*

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### CONSTRAINT 2: LACK OF COMMITMENT OF COMMUNITIES TO THE PARTNERSHIP

#### Increase Community Contributions to Projects

The more a community contributes to a project in the form of capital, resources or manpower, the more committed it is to its success. Not only must specific individuals be charged with (and compensated for) organization, maintenance and administration, but wider community buy-in is necessary as well.

Many communities however lack resources, understanding of the project and trust to allow them to contribute. A number of approaches can be utilized to increase commitment:

- Compensation schemes related to conservation- such as has been established at the Orchids Trek and Nam Et Phou Louey
- Instill in all aspects of the projects a clear relationship between effort and reward
- Work with villagers in the project selection phase to create a proposal from their behalf (similar to a simplified block grant proposal) to evaluate their ability to receive the project. This would help with understanding of the project, build organizational capacity, analyze the

community's strengths and weaknesses, to better design the project and create a feeling of effort tied to reward, instead of having CBT project bestowed upon them

### **Increase understanding of CBT and community roles**

In creating partnerships it is important to demonstrate 'quick wins' to involved stakeholders (especially community members) while building realistic expectations for long-term support.

### **Build organizational & leadership capabilities**

- Carry out an organization and leadership audit in the village proposal recommended above, then work with identified leaders to build their capacities through leadership development programs
- Train & pay community member as tourism manager on a **sliding rather than fixed basis**, depending on the number of tours

## **CONSTRAINT 3: LACK OF PRIVATE SECTOR INTEREST IN INVESTING IN CBT PARTNERSHIPS**

From a pure business perspective, these partnerships do not make sense. This is a crucial hurdle which must be overcome if these forms of partnerships are to expand. This can be done in two ways:

- 1) Create conditions so that these partnerships make more business sense by lowering financial and procedural costs or increasing profits. However raising profits is less realistic as pricing must remain competitive and benefits need to be shared, therefore the focus should be on lowering costs, which can be achieved through:
  - a. Reducing and centralizing startup and procedural costs for CBT Partnerships
  - b. Increasing the flexibility and availability of block grants for responsible businesses, thus lowering startup costs. This would include:
    - i. Increasing the flexibility in funding amounts- creating broader funding amounts that can be tailored to projects instead of fixed 'spend-all-or-nothing' as is currently the case
    - ii. Increase the flexibility on time-based grants, allowing smaller amounts to be spent over longer periods for activities such as retraining, monitoring and environmental awareness programs
    - iii. Increasing the general availability and volume of grants
- 2) Increase the private sector involvement in responsible tourism practices, by:
  - a. Providing responsible tourism trainings, such as SNV has done in Cambodia
  - b. Increase communication and documentation on the process and benefits of CBT Partnerships and pro-poor tourism in general
  - c. Place emphasis and recognize 'model' CBT Partnerships within the business community through awards
  - d. Having donor projects include requirements for collaboration with or product design advice from the private sector when setting up CBT projects

- e. Offering a 'responsible tourism business' certification which has **added value** for enterprises. This would entail designing a simple, business friendly 'responsible tourism business' certification and then making business certification a **requirement** to be eligible to receive block grants and/or permits to operate nature-based ecotourism ventures in NPAs. This would increase the motivation for operators to gain responsible credentials. However this must be designed in a **participatory** way to ensure that it does not add to procedural tasks, thus decreasing the incentives for operating responsible businesses.



The South African multi-award winning **Fair Trade in Tourism** is a non-profit initiative offering voluntary certifications for responsible tourism businesses. It has a 3-step certification process and various benefits such as a strong brand name and inclusion in marketing networks and promotional activities.

#### **CONSTRAINT 4: LACK OF STANDARDIZED, APPROPRIATE & SUSTAINED MONITORING**

##### **Increase the Length of Involvement of Development Organizations in Monitoring**

Development organizations should be involved in the project design until 5 years of operation to ensure socio-cultural and environmental safeguards and optimal community development. A commitment of regular monitoring and retraining, or outsourcing such features to PTD/DTOs should be given for a subsequent 5 years.

##### **Increase the Ease of Monitoring by Establishing Standardized Methods and Criteria**

Lao PDR has no CBT standards or certification scheme, making comparability difficult and greenwashing possible. A CBT certification system adapted to Lao PDR, followed by a standardized data-gathering framework to assess the benefits and successes of partnerships are necessary to increase the legitimacy and availability of CBT projects and their data.

A solution which would aid in centralizing and administering all CBT processes would be to create a Lao CBT Association. With the growing number of CBT projects being established in the country, Laos is reaching a time where there is the need for a purpose-build association to consolidate CBT practices. After the STDP's completion in 2013, many provinces will have working CBT projects and an association would be required not only to aid them in marketing and administering, but in creating a clearinghouse for inquiries, procedures and partnership facilitation. Development organizations could pool future funding in such an association, (with the goal of becoming self-sustainable on membership funds) rather than individual projects, creating a capable, local and centralized system to administer

CBT projects. A first step would be to create a CBT network of stakeholders, as was done in Cambodia in 2002, with the aims of eventually creating a fully fledged association.



The CBT Nicaraguan Network and NACOBTA of Namibia are two example organizations which provide support to its members by way of grants, loans, marketing, training and organizational development. They also represent members' interests in policy development at the national level and in negotiations with the mainstream tourist industry.

#### **CONSTRAINT 5: COMPETING ECONOMIC ACTIVITIES DESTROYING THE TOURISM POTENTIAL OF THE SITES**

1. Ensure the proper implementation of the National Biodiversity Strategy and Action Plan
2. Increase communication between tourism authorities and between civic sectors
  - a. Include stakeholders from different departments CBT Partnership meetings, such as forestry officials- This has proved successful in the NHEP
  - b. Include clauses for inter-ministerial coordination on national and local levels as conditions in donor funded projects

It must be noted that all these solutions require a certain amount of funding, which is often the main bottleneck in such projects. However at the moment millions of dollars are being spent by JICA, NZAID, ADB and other organizations on CBT development projects which, without first addressing the abovementioned concerns, will have diminished success. Many of these recommendations do not require vast additional sums, but rather, new ways of allocating existing sums to increase their effectiveness.

It cannot be stressed highly enough that the private sector must be involved in **selecting** the project location and **designing** the product. This may seem clear in theory, however in practice it is still often not done. If businesses are not willing or available to partner, they can be hired as advisors.

## EVALUATION, CONCLUSION & DISCUSSION

### EVALUATING THE RECOMMENDATIONS

In an effort to provide feasible and applicable advice, each main recommendation has been evaluated. A weighted-comparison table (see Appendix 7) has been formulated to rank each recommendation on the basis of effort required to implement it and the value which it would bring.

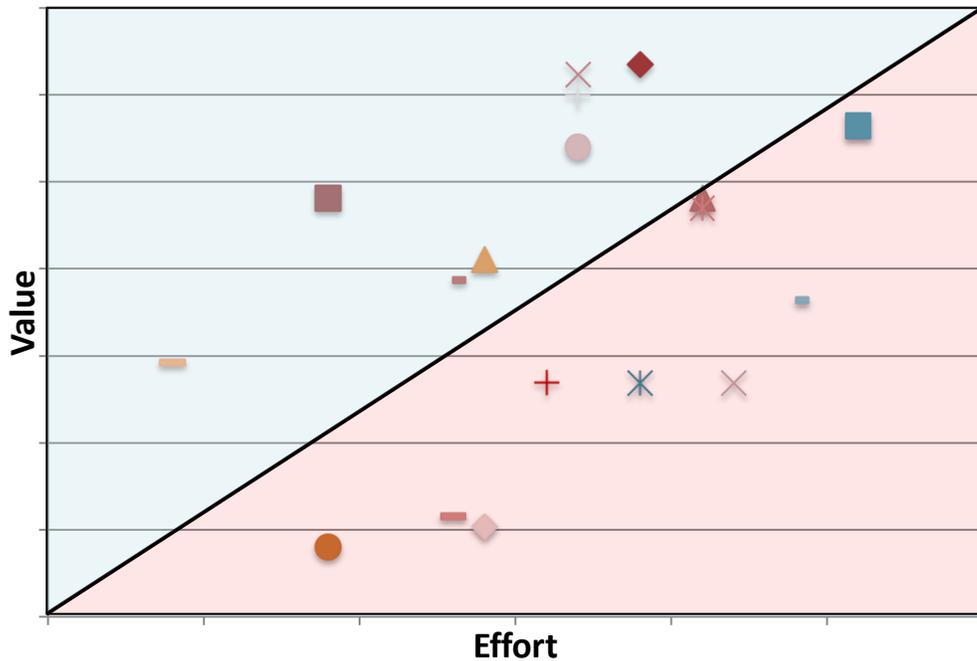
- **Value** has been measured through the possibility of revenue generation, environmental sustainability, benefits to stakeholders, reach, level of attractiveness, visibility and longevity.
- **Effort** has been evaluated based on cost, time to implement, ease of implementation and internal resistance (bureaucracy, organization).

The results have then been ranked by Laos CBT experts and plotted, resulting in the chart below. The recommendations to the left of the black line signify quick wins- in which the value brought outweighs the effort, while those on the right of the line currently require more effort to carry out than the value they add.

Certain recommendations are shown to have a disproportionately greater value than the effort taken to undertake them- these should be capitalized upon and enacted sooner rather than later, to build momentum and illustrate short-term wins- such as creating a Lao CBT network.

A number of recommendations are currently not net beneficial. This is can be due to the fact that they address structural issues- such as redesigning block grant systems and increasing government transparency & accountability, which are important, yet encounter high internal resistance. These recommendations should not be abandoned, but rather readdressed and embedded in long-term frameworks.

**Figure 27: Effort/Value Chart for Proposed Recommendations**



- ◆ Create a long-term plan for CBT development
- Ensuring that each PTD has a well versed member in CBT
- ▲ Harmonize legal procedures for setting up CBT Partnerships throughout provinces and districts
- × Improve government transparency & accountability in tax expenditures
- × Create 'monitoring funds' by channeling a percentage of fees paid by projects
- Have development organizations provide training and small-scale block grants for public sector monitoring of CBT Partnerships
- + Require that villages submit (with the aid of experts) a proposal to be involved in CBT Partnerships
- Create village leadership development programs to build capacity of tourism managers
- Train & pay community member as tourism manager on a sliding rather than fixed basis, depending on the number of tours
- ◆ Offer block grants which better meet the needs of CBT Partnerships
- Provide responsible tourism training courses for enterprises
- ▲ Emphasize 'model' CBT ventures through awards and promotion
- × Require private-sector collaboration in donor projects as conditions to fund disbursement
- × Design a responsible tourism business certification and tie it to access to grants and/or operating licenses within NPAs
- Establish CBT standards for Lao PDR
- + Establish a CBT certification scheme for Lao PDR
- Establish a standardized data-gathering framework for CBT to be utilized in evaluating all future CBT projects
- Create a Lao CBT Network

Own Illustration

## CONCLUSION & DISCUSSION

This paper has utilized a customized framework to analyze CBT Partnerships in Lao PDR, resulting in a typology of their characteristics, an evaluation of their enabling environment, success factors and constraints, followed by recommendations to overcome the bottlenecks and increase the reach and scope of such partnerships.

The core assumption forming the basis of this study is that CBT is in fact an appropriate and beneficial development tool. Much attention has been given to this topic, both in literature and practice. Although it is out of the scope of this study, the findings have shed light on this point as well.

The concept of CBT is not without its shortcomings. One major criticism of the concept is that it is said to make too small an impact on poverty alleviation, and it will remain a niche market, due to its high transaction costs. This is resonated by this paper's results, with findings stressing that CBT should not be implemented in a blanket approach, but rather careful consideration must be given to whether it is an appropriate development tool in each situation. The specific model to implement CBT must also be studied and much room should be given to adapt models to circumstances in a bottom-up, participatory manner.

Despite the current body of knowledge on CBT development and operating methods, many current projects are still designed and run according to outdated principles, yielding, with little surprise, sub-optimal results. There is always a lag between academia and practice, however processes and institutions must be designed in a manner to quickly adapt to an ever-faster changing world. Laos, with its controlling governance system, and CBT with its dearth of stakeholders is especially vulnerable to a slower rate of change, thus increasing this theory-practice divide.

The benefits of CBT have been found to be wide-ranging and difficult to quantify as they encompass not only monetary gain, but institutional strengthening, community development, empowerment, education and conservation. By including the private sector more effectively, the costs of CBT development are being reduced and brought in-line with benefits. What is important to realize is that CBT is and will most likely remain a niche field, to be applied in certain circumstances with much regard to adapting practices to local contexts.

### **Generalizability of Findings**

The level of **generalizability** depends on the impact which context-specific factors have on such situations. Field research tends to focus on local conditions and contextualized understanding of events. However, the use of a guiding framework in this research increases its generalizability. A certain level of transferability is also sought in the recommendations section of this paper.

The framework, developed from theory and worldwide CBT analyses can be utilized in evaluating other CBT Partnerships. Given the importance of context, the parameters by which to evaluate projects are broad, allowing for its transferability. As has been carried out in this paper, it can be utilized to pinpoint situation-specific constraints.

Although the enabling environment varies greatly between nations, many factors identified in the Laos case study are endemic to LDCs and rural areas. The development stage facing the specific nation and capacities of each stakeholder greatly determine the success factors and constraints of each operation, while within the partnership process itself, many elements have been echoed in other international

CBT projects. Laos opened itself to tourism relatively late, therefore can benefit from the hindsight of global examples to develop its tourism and CBT industry.

### **Suggestions for Future Research**

As has been discussed in the recommendations, the following topics require further research:

- Quantifying benefits accrued from CBT and comparing them to costs, therefore bringing a more 'business' approach to CBT in which investments and returns are accounted for
- Studies on mechanisms or schemes to increase community involvement and contribution to projects, either through resource contribution or compensation
- Conditions to optimize block-grants for CBT Partnerships
- Establishing standardized CBT evaluation criteria
- Market studies on demographics, travel behavior and purchase criteria of the CBT frequenting market, to better design products meeting their needs

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**DONOR-ASSISTED CBT PARTNERSHIPS****The Akha Experience**

**Location:** Muang Sing

**Year initiated:** 2005

**Partners involved:**

1. GTZ: Project initiation & design, donor, capacity building & training
2. Exotissimo: program design, marketing agent
3. 8 Villages in Muang Sing: Owners, project design and operation
4. Provincial Tourism Department: Institutional support

**Type of products offered:** Responsible tourism trekking circuit

**Partnership features:**

Exclusive contract with one tour operator for 15 years

Local booking office selling to walk-ins (making up 40% of the sales)

Set up utilizing the ST-EP approach

Fixed tourist capacity- 8pax/trip, 3 times a week maximum

**Top 3 Enabling Factors:**

Leadership and individual champions- Good leadership from village chief, Exotissimo's site manager's commitment

Development partner's guidance and funding

Structured and responsive village organization

**Top 3 Constraints:**

Lack of ownership feeling and therefore less commitment and participation by tour operator

Lack of zoning and land-use enforcement results in degradation through industrial rubber plantations

Lack of active participation of the community led to lower service standards and lack of maintenance

**Lessons Learnt:**

Villagers must be made aware that tourism is supplementary income

The project should be profitable to everybody. If it's not attractive, private sector won't be interested

Responsibilities must be clearly defined and understood; violators need to be constantly reminded until duties are fulfilled

GIZ assistance lasted for only 2 years, which has been deemed as insufficient. Facilitating agencies should be involved for 4-5 years in order to create a sustainable and organized enterprise

### **Fair Trek Luang Prabang**

**Location:** Luang Prabang

**Year initiated:** 2007

**Partners involved:**

1. Luang Prabang PTD (funding from ADB STDP (\$70,000 they say))
2. SNV
3. Tiger Trail
4. Seven Villages
5. Luang Prabang Provincial Agriculture and Forestry Office (PAFO)

**Type of products offered:** several itineraries involving ethnic village stays, which are combinable with elephant rides, kayaking and biking activities.

**Partnership features:** The tours contribute an average 30%

of the revenue generated directly to the villages

One year was taken to plan and prepare the project

**Top 3 Enabling Factors:**

Accessibility- 15 minutes from Luang Prabang has led to it being Tiger Trail's most frequented, and therefore profitable CBT partnership

Strong company committed to development through tourism

Strong marketing and promotion support

**Top 3 Constraints:**

**Exclusivity** of agreement was not honored, therefore resulting in the PTD administering the project rather than Tiger Trail

Lack of **Transparency** in allocation and dispersal of benefits: lack of rotation between families led to few households gaining benefits, food was brought from Luang Prabang rather than bought in villages

Lack of **understanding**, and therefore commitment from the communities. The development organization lacked staff and resources to organize and initiate meetings, with the rest of the partners not taking initiative either, contributing to this lack of understanding.

**Fair Trek Muang Khua - Living with the Akha**

**Location:** Muang Khua

**Year initiated:** September 2010

**Partners involved:**

1. Akha village
2. UNODC
3. Tiger Trail
4. PTD

**Type of products offered:** Volunteer tourism (English teaching) and Visitors taking part in villagers' daily activities, such as handicraft processing, free-range farming, rice planting and harvesting

**Partnership features:** Tourism was chosen as an alternative income to opium growing.

**Top 3 Constraints:**

**Distance** from tourist hub 8 hours- it is the least successful CBT project in terms of revenues gained, as it is expensive and time consuming to get guests to reach.

**Language barrier-** Only a few of the Ahka villagers speak Lao, and none speak English. From a communication and understanding point this increases difficulties.

Lack of cooperation from the DTO in selling the tour

**Lessons Learnt:**

Constant training, meetings and getting villagers consent and opinions is required

Villages must be ready for tourism- interested in having tourists over.

It takes a lot of effort and the company must have the right attitude (not only profit driven)

## Nam Seuang Experience

**Location:** Pak Xeng District



**Year initiated:** 2007

**Partners involved:**

1. Buffalo Tours: Initiator, management and marketing
2. PTD: Institutional support and guide retraining
3. Agriculture and forestry department: Environmental conservation
4. Industry and commerce department: Approval of venture

**Type of products offered:** Educational travel, volunteer tourism with home stays

**Partnership Features:** Direct benefits to villages is \$50,000 USD in 2010.

Development of this project took on average 2 years and \$70,000. \$35,000 of this came from IUCN in infrastructure and site manager grants.

The return on Investment for the company is projected for 7-10 years.

**Top 3 enabling factors**

Company with strong commitment to project management and needs analysis. Buffalo Tours is philanthropically involved in this project

Local, capable Buffalo Tours site manager

Permissive government policy. The groundwork was set to allow the partnership to happen

**Top 3 constraints**

The slow and time-consuming process of setting up and managing CBT approaches. It is much more difficult than direct investment

Government bureaucracy- permissions, documents, duplicates, and visits required are time consuming and costly.

Lag-time between product development and selling the products reduces the effectiveness of villager training and their motivation due to high expectations

**Lessons Learnt:**

Trust comes from communication and transparency. It takes a long time to build up and is easily lost

Connecting different mindsets and cultures of stakeholders is a very important but often overlooked aspect of partnerships

This project has been running for 4 years, but it is estimated that it will take 10-15 more years for community members to manage the venture on their own, which is the ultimate goal of this project

Community lodges are not necessarily required, sometimes tourists prefer to stay in home stays

Official agreements are not necessary

**INCLUSIVE BUSINESSES**

**Kamu Lodge**

**Location:** Luang Prabang Province

**Year initiated:** 2004

Partners involved:

1. Appletree: Owner & operator
2. Kamu community: consultation and cooperation
3. PTD: Institutional Support

**Type of products offered:** Authentic rural Lao life in high-end lodge (20 tents)

**Benefits:** 50% less child mortality, hygiene classes, new school was donated by tourists, library built by volunteers, clinic will be built next year.

**Success Factors:**

Strong leadership and project champion: Kamu village chief is very engaged and proactive

High trust level between all involved parties (due to transparency and communication)

Utilizing culturally compatible solutions

**Constraints:**

Low financial returns

Slow & lengthy setup and management process

Very low capacity and skill levels of villagers

**Lessons learnt:**

Building trust is a slow but necessary process which must be done at the speed of the villagers.

It must be communicated and explained that tourists represent more than financial returns

The importance of social capital

**La Folie Lodge**

**Location:** Don Daeng, Champassak

**Year initiated:** 2007

**Partners involved:**

1. La Folie Lodge
2. Communities on Don Daeng

**Type of products offered:** 12 bungalows with 24 luxury rooms catering mainly to Westerners

**Benefits:** Employ 52 out of 54 staff from the island, allowed for bringing electricity to the island, renovated a school, two Wats, financed festivals and provide micro-credit

**Success Factors:**

Support and assistance from the Village chief

Sensitized villagers due to previously build nearby community lodge

**Constraints:**

High seasonality leads to diminished revenues

Government support relies on regular 'tea money' installments

**Lessons Learnt:** Any development must have support from the grassroots. La Folie had support from the village chief from the start; he was the mediator with all consequent dealings from District to Provincial levels and central Government.

It is important to work from the grass roots up. The longer the implementation chain, the more money gets lost in the process.

## **Tree Top Explorer**

**Location:** Dong Hua Sao NPA

**Year initiated:** 2010

**Partners involved:**

1. Green Discovery- Initiator and owner
2. Community- cooperation and service providers
3. IUCN & UNWTO- co-financing the initial phase & providing training
4. PTD

**Type of products offered:** Trekking through coffee plantations, canopy tours & zipline (10 platforms), 2-3 day tours including canyoning, swimming in waterfalls, via ferrata

**Success Factors**

High demand due to unique product

High investment, and therefore long-term commitment by TO

Low environmental footprint and alternative (to logging) income generation

**Constraints**

**Supply chain linkages-** all food must be brought from Pakse due to lack of linkages

**Low skill levels,** especially English speaking hampers communication

**Lack of adherence to agreement-** the community changes guides without informing the TO and the PTD does not enforce exclusivity over the area.

**Lessons Learnt**

Transparency in benefit sharing is very important for the community

