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Ecotourism, a tool that links Impact Investing to Conservation on the Ground?

Conceptualizing the Case of Ecotourism and Conservation in Lao PDR

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Abstract

Environmental and forest conservation have long been perceived as a constraint to economic growth and development. With a growing understanding of the benefits from ecosystem services for people, and benefits for conservation when managed by local people, synergies between conservation and development have become more prominent. This research paper analyses this link by looking at ecotourism as a tool to link development and biodiversity conservation in forest ecosystems.

For ecotourism to be a successful tool that contributes to sustainable conservation, it is required to have a social and environmental impact, contribute to national economic growth and is linked to sources that provide sustainable finance. The case of Lao PDR's ecotourism sector has been chosen to position ecotourism within these cornerstones and conceptualize an incorporation of the private sector and private investments. Specifically, a growing market for impact investing presents an important source of funding for starting and developing locally managed ecotourism enterprises that contribute to conservation. Intermediaries, such as impact investment rating organization can play a vital role to connect capital providers to small enterprises on the ground. Furthermore, decision-makers' perceived relevance of private investments in conservation related enterprises can contribute to the sustainability of ecotourism and thus, also conservation.

Abbreviations and symbols

ADB	Asian Development Bank	LDC	Least developed country
APTA	Asia-Pacific Trade Agreement	LENS	Lao Environment and Social
ASEAN	Association of Southeast Asian Nations	M&A	Merge and Acquisition
CARG	Compound Annual Growth Rate	MEA	Millennium Ecosystem Assessment
CBD	Convention on Biological Diversity	MONRE	Ministry of Natural Resources and Environment
COP	Conference of the Parties	MPI	Ministry on Planning and Investment
CSR	Corporate Social Responsibility	NERI	National Economic Research Institute
DFIs	Diversified Financial Institutions and Banks	NPAs	National Protected Areas
DFRM	Department of Forest Resources Management	NSEDP	National Socio-Economic Development Plan
EIA	Environmental Impact Assessment	NTAL	National Tourism Association Lao PDR
EPF	Environment Protection Fund	NTFPs	Non-Timber Forest Products
ESG	Environmental, Social and Governance	ODA	Official Development Assistance
ESIA	Environmental and Social Impact Assessment	PA	Protected Area
FDI	Foreign Direct Investment	REDD+	Reducing Emissions from deforestation and forest degradation
GDP	Gross Domestic Product	UNCTAD	United Nations Conference on Trade and Development
GEF	Global Environment Facility	UNDP	United Nations Development Programme
GIIN	Global Impact Investing Network	UNEP	United Nations Environment
GoL	Government of Lao PDR	UK	United Kingdom
GSG	Global Social Impact Investment Steering Group	USA	United States of America
HSF	Hans Seidel Foundation	USD	United States Dollar
IEE	Initial Environmental Examination	UXO	Unexploded Ordinance
Lao PDR	Lao Peoples Democratic Republic	WB	World Bank
		WTO	World Trade Organization
		YoY	Year on Year

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1. Introduction

1.1 Demarcation and purpose

Local and international initiatives across the world are advancing innovative sustainable development solutions that combine the needs of people with those of nature. In the centre of discussions is a sustainable management of natural resources. Here, biodiversity and intact forest ecosystems play a special role. Their conservation is often seen a factor that is slowing down economic growth, while benefits from conserved ecosystems only reveal in the long-term.

Benefits for sustainable livelihoods that are provided by intact ecosystems are continuously found to be stronger. Especially with the Millennium Ecosystem Assessment in the early 2000s the wide-reaching benefits from these so-called ecosystem services¹ made it on the global agenda. With a growing understanding of benefits from the intactness of ecosystems, apart from the short-term benefits of resource extraction, plantation-forestry and monocultures, ways need to be found to include these benefits in development strategies. Ideas and approaches are diverse and often include institutionalized financial mechanisms that offset activities with a negative environmental impact and provide funding for biodiversity conservation and the consideration of ecosystem services in nature based industries.

Livelihoods and natural resources are intrinsically linked. The human life depends on nature's resources in various ways, while their conservation benefits from improved local livelihoods (Adams 1990, Scherr 2000, CB. Barrett 2011, Fisher 2012, Woodhouse 2015). Over the past decades, concepts that aim to combine conservation and development have been many, ranging from people centred to nature centred ideas. Currently, the conservation mainstream promotes to mainstream conservation goals into nature based industries. Here, one example is ecotourism. Today, this enterprise based conservation in the developing world is often taken up by projects from development partners. However, due to declining international public funding the development finance sector is changing, and private philanthropy and investment plays a role of increasing importance. Here, one rather new type of investment that aims to achieve a positive conservation-livelihoods impact is the so-called impact investing.

¹ The paper (MEA Board 2005) identifies four categories. Firstly, provisioning services, as ecosystems are providing resources such as raw materials, food and water. Secondly, its regulation services, as ecosystems balance and control the climate and diseases, decomposed waste and clean water. Thirdly, cultural services, which are non-material services with historical, educational, spiritual and recreational benefits. Fourthly, supporting services that are a foundation for its other services, including nutrient cycles, soil formation and crop pollination.

There exists a wide body of literature that explains links between livelihoods and conservation, and tools like ecotourism that aim to introduce synergies between conservation and development. Few publications elaborate on the role that private investments and the investment environment plays. Additionally, few have conducted research in the sense of a country's readiness for a globally promoted conservation tool like ecotourism, in providing a combined analysis of the policy environment, the existing approaches grounded in academia, suitable financial streams, the investment climate and decision-makers' perceived relevance of these links. Therefore, this paper aims to elaborate on these factors and their impact on a country's "readiness" for mainstreaming conservation goals into one of its industry sectors. Ecotourism has been chosen as it is currently the only industries that depends on biodiversity and the intactness of ecosystems², and accordingly, creates value and incentives for its conservation. While, additionally, showing high growth rates (Fennell 2015).

For the link between the conservation and development, Lao PDR is a special case. The country's main goal (MPI 2016) is to graduate from its least developed country (LDC) status with "innovative, green and sustainable economic growth [...] [while ensuring] environmental protection through efficient utilization of the natural resources to ensure sustainability" (MPI 2016:86). This is in line with Lao PDR's ambitious Forestry Strategy for the Year 2020 (FS 2020) with the target to achieve a forest cover of 70 percent by the year 2020³.

This makes Lao PDR an interesting case in at least three ways. For one, to achieve the LDC graduation the country is at a crossroad that decides the sustainability of its development. The official commitment to green and sustainable growth and the commitment to a growing area of forest cover, while aiming to improve the human development index, requires innovative ideas and methods. Second, *vice versa*, these innovations will contribute to the global knowledge in terms of sustainable development and natural resource use. These innovations are well needed as many countries are struggling to balance conservation and development. Even more, to achieve synergies between the two. Third, since development partners are well engaged in the politics and strategic development of Lao PDR, the case of Lao PDR is an excellent example for the localization of global mainstream ideas. Currently, this is the promotion of ecotourism for biodiversity conservation. Therefore, Lao PDR

² Apart from the (eco-) tourism industry, research can establish the conservation-development link (West 2006) with biodiversity as a central objective. As this "industry" is rather small in terms of its economic contribution, the paper focuses on ecotourism.

³ Currently national forests are reported to cover 44 percent of the country. (Expert interview with the international technical advisor from World Bank, April 2017. The WB's LENS2 project builds government capacity in environmental assessment management, while working on the management of National Protected Areas and illegal wildlife trade.)

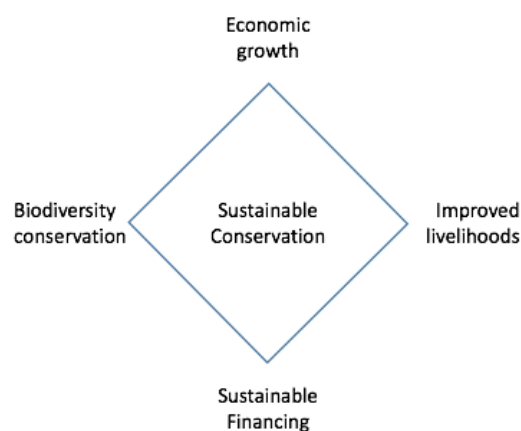
provides an interesting case how global development and conservation tools meet a specific local context.

Exactly this encounter is what led to this paper. How ready is a country like Lao PDR for ecotourism that benefits the conservation of its natural resources and biodiversity, while fulfilling the requirements impact investment?

1.2 Combining Goals – Conservation and Development

The question is if ecotourism enterprises offer a nodal-point for the combination of different goals for sustainable conservation. These goals are improved livelihoods and human well-being, sustainable economic growth, biodiversity conservation and a further incorporation of the private sector through an investment channel such as impact investing. The four umbrella topics for sustainable conservation also make the corner-stones of the conceptual framework.

Figure 1: The sustainable conservation black-box



- a) Biodiversity conservation as a target;
- b) Economic growth, as it provides government ownership and incentives for conservation, counteracting forest land-conversion;
- c) Improved livelihoods, as this often results in non-extractive livelihood strategies and reduces pressure on ecosystems, while also providing local incentives and ownership for conservation
- d) Sustainable financing for conservation related topics, which supports new conservation initiatives and helps existing ones grow, nurturing an ongoing interest in conservation.

1.3 Research question

In line with the government of Lao PDR's strategy to adopt a sustainable growth model, where eco- and nature-tourism play an essential role, and in line with the COP13's Cancun Declaration that identifies mainstreaming conservation into tourism as a strategy to maintain biodiversity, this paper aims to identify requirements for a sustainable ecotourism model, and Lao PDR's fulfilment of such. Specifically looking at ecotourism's conservation benefits, social impact and invest-ability.

Accordingly, the research question for this papers is: To what extend can ecotourism in Lao PDR fulfil the requirements of biodiversity conservation, social impact and impact investing?

In doing so, the paper establishes a conceptual framework that not only sheds light on ecotourism's role as a tool to link conservation and development, but furthermore argues that the investment readiness of ecotourism enterprises is vital for sustainable financial flows in conservation, and therefore important for sustainable conservation. Apart from ecotourism's role in linking conservation and development while attracting investments that contribute to sustainable conservation, suitable investment channels and decision-makers' perceived relevance of the link between investments and conservation, make the core of this paper.

The overall research question is divided into four sub-sections that will guide the reader through the paper. Chapter 2 looks at the current ecotourism environment in Lao PDR. Chapter 3 at the livelihoods and biodiversity conservation aspects of ecotourism. Chapter 4 investigates the investment readiness of Lao PDR's ecotourism industry. Chapter 5 presents a conceptual framework and looks at Lao PDR's readiness for ecotourism.

2. Existing ecotourism in Lao PDR

2.1 Introduction to Lao PDR's ecotourism

The tourism industry in Lao PDR generally turns around the country's nature and culture. To some extent most of Lao PDR's touristic destinations have some aspect of nature- and cultural tourism that visitor, especially international ones, come to experience. To investigate Lao PDR's ecotourism within the corner stones of social, conservation, economic and investment opportunities for the country, the following part identifies the existing ecotourism environment in Lao PDR.

Research sub-question one: To what extent does ecotourism exist in Lao PDR and what are its characteristics?

This section presents five different existing approaches to ecotourism in Lao PDR. For each group one example will be presented. In order to position these approaches in the existing academic body and Lao PDR's country context, this section will start with a literature review, followed by Lao PDR's policy environment for (eco-) tourism and macroeconomic statistics.

2.2 Literature review on ecotourism

2.2.1 Mass tourism and Alternative Tourism

The term ecotourism is today used in many ways. Both, on the provider and the tourist side this is often grounded in very different reasoning. Objectives include its conservation benefits, inclusiveness, environmental education, but also marketing, adventure and an experience of un-touched-ness. The main reason for its original development, however, was a counter-revolution opposing the mass-tourism industry due to a dissatisfaction with its impact on the destination. Even though, mass tourism often looks good on economic statistics, when looking deeper, positive development aspects of tourism can be outweighed by significant social and environmental disadvantages. Considering these externalities, translates the economic benefits into local disadvantages (Krippendorf 1982). In touristic hot-spots, the touristic infrastructure such as transportation, hotels and resorts, and the social behaviour increase in complexity. Over time, this can overwhelm these areas, especially in the developing world (Young 1983). The understanding of these effects from tourism helped alternative tourism concepts to their rise. Other than mass conventional tourism, the concept of alternative tourism promotes that tourism policies should no longer solely concentrate on economic and technical necessities and rather emphasize on the touristic demand of an unspoiled environment, natural and cultural resources, while considering the needs of local people (Krippendorf 1982).

The concept of ecotourism itself, can be traced back to the late 1960s and early 1970s, as researchers became more concerned about the environment (Nelson 1994). During this time Hetzer wrote about the relationship between tourists and the environment, and defined some of the first rules of responsible tourism⁴ (Fennell 2015, recounting Hetzer 1965). Social and environmental effects from tourism can hardly be eliminated. However, certain principles during the design and land management of tourism can help to reduce negative effects and nurture positive ones. A study on resident attitudes towards tourism development (Harrill 2004), for example identified that the longer residents are exposed to touristic activities and the closer people live to touristic area, the more negative their attitude towards the touristic development is. Especially, ensuring resident access to sacred structure and meeting points was identified as a reason for ongoing positive local attitudes towards the local tourism industry. Aspects that are often lost due to the sheer number of tourists in mass-tourism spots.

However, due to its economic importance for the touristic destination and the ongoing demand for the easiness of mass tourism⁵ there will always be some room for it in the tourism sector (Butler 1990). Furthermore, the decision is often not between alternative and mass tourism. Often the local context requires one or the other, and typical mass tourism would not be able to develop in eco-touristic areas anyways (Butler 1990). In such cases, it should be considered if tourism is the right development strategy all along. Furthermore, if and how negative effects from tourism on the location can be reduced to a necessary minimum, even within the concept of eco-tourism. The negative local effects due to the number of tourists, however, is not the only factor setting ecotourism apart from other approaches to tourism.

2.2.2 Nature tourism and Ecotourism

In the word ecotourism, the prefix “eco” clearly stands out. The word “eco” originates from the Greek word (οἶκος) for "environment" and identifies ecotourism's connection to nature.

⁴ a) Minimum environmental impact; b) Minimum impact on, and maximum respect for host cultures; c) Maximum economic benefits to the host country's grassroots; and d) Maximum recreational satisfaction to participating tourists.

⁵ Butler (1990) writes that many advocator of travelling to mass-tourism destination enjoy exactly this feeling of being part of the mass.

Figure 2: Use of the word Eco over time



Source: Google definitions; Searching google for: “eco definition”⁶

Ecotourism is often described as one form of nature tourism. While on first sight, ecotourism and nature tourism seem very similar, the impact of nature tourism to the destination is often very different (Fennell 2015). Nature tourism includes all forms of tourism that are connected to the enjoyment of nature in a wild or undeveloped form. This can be mass tourism, adventure tourism, low-impact tourism, or ecotourism. Ecotourism, on the other hand, has the goal of contributing to the maintenance of species and habitats. Either by directly contributing to conservation, or by creating income for the local community and respectively reducing the pressure on ecosystems, while generating value (incentives) in their protection (Goodwin 1996). Additionally, ecotourism presents an option to generate revenue for the protection of areas by collecting duties and taxes for their use. While the label ecotourism is often used to give tourist activities a green image (Mowforth & Munt 2003), the environmental sustainability of enterprises and their direct contributions to conservation is difficult to achieve and measure in practice (Harrison, 1996).

2.2.3 Definitions of Ecotourism

The term “ecotourism” was first used by Ceballos-Lascuráin in the early 1980s to describe:

“traveling to relatively undisturbed or uncontaminated natural areas with the specific objective of studying, admiring, and enjoying the scenery and its wild plants and animals, as well as any existing cultural manifestations (both past and present) found in these areas.”
(recounted by Fennell 2015:9)

⁶ The word “Eco-” has been trending since the 1960s. Also the time when the concept of ecotourism started its journey.

Later, different types of ecotourism were further categorised based on their local impact, sustainability and distinction from mass tourism. The terms deep and shallow (Acott et al. 1998) are used to describe ecotourism's environmental sustainability and benign, community development and participation (deep), or if the term ecotourism is used to attract greater numbers of visitors while continuing with the same attitude towards the environment (shallow). Latter can even have negative environmental effects as "the environment is seen as a resource which can be exploited to maximise the benefits to humans. [...] [Where] Management decisions are made from a utilitarian, anthropocentric viewpoint." (Acott et al. 1998: 244). This shallow form of ecotourism has also been described as pseudo ecotourism, further grouped into "lite" ecotourism (adopting some ecotourism guidelines, while focusing on nature related tourism) and greenwashing (pure marketing, without intention to follow ecotourism guidelines) (Donohoe and Needham 2008). Apart from the environmental impact, a central factor of ecotourism is local participation and sensitivity of visitors towards the area, its people and culture (Ziffer 1989). In a nutshell, ecotourism aims to appreciate wildlife and natural resources in a non-consumptive way, while directly benefiting conservation and the economic well-being of local residents (Ziffer 1989). Further definitions outline the environmental education aspect of ecotourism (Quebec Declaration at the world ecotourism summit 2002; Wallace & Pierce 1996), or the inclusiveness of the touristic experience (Wallace & Pierce 1996)⁷.

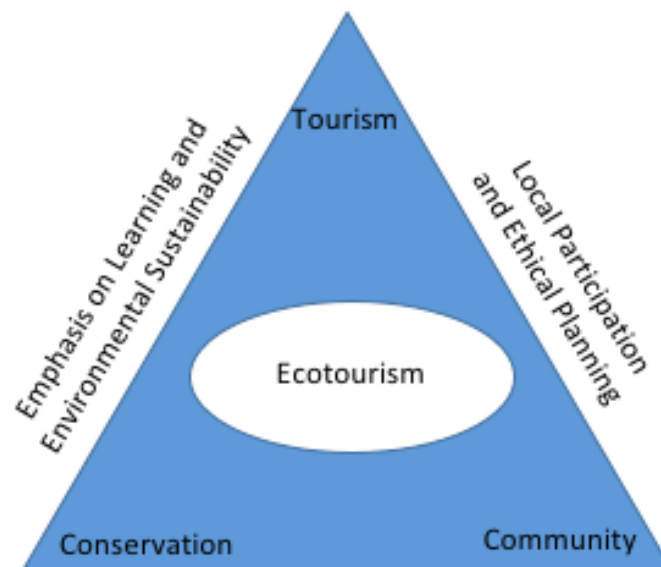
⁷ Wallace & Pierce (1996) formulated six principles for ecotourism that are

- 1) "Minimize negative impacts to the environment and to local people" (p.848)
- 2) "Increase in the visitor's awareness and understanding of natural and cultural systems and subsequent involvement" (p.849)
- 3) "Contributes to the conservation and management of legally protected and other natural areas" (p.849)
- 4) "Maximizes the early and long term participation of local people in the decision process that determines the amount and kind of tourism that should occur." (p.850)
- 5) "Directs economic and other benefits to local that complement rather than overwhelm traditional practice." (p.850)
- 6) "Provide special opportunities for local people or employees to visit and enjoy protected natural areas and learn more about the wonders that other visitors come to see." (p.850)

Fennell (2015:17) offers a definition of ecotourism that is comprehensive on the important aspects, however not too restrictive. Ecotourism is a form of

“Travel with a primary interest in the natural history of a destination. It is a form of nature-based tourism that places about nature first-hand emphasis on learning, sustainability (conservation and local participation/benefits), and ethical planning, development and management.”

Figure 3: The ecotourism triangle



2.3 Lao PDR's tourism context

Lao PDR was under Japanese and later French occupation the entire first half of the 20th century and only became independent with a constitutional monarchy in 1953. Since 1975, the one-party socialist republic is led by the Lao People's Revolutionary Party⁸.

⁸ Some more socio-economic facts on Lao PDR:

Since 1996 Lao PDR aims to graduate from the status of least-developed country (LDC) by 2020, and to eradicate poverty in a sustainable manner (Lao PDR 2013). The country has managed to reduce poverty levels due to an increasing social stability, supporting government policies and an inflow of overseas aid (Harrison 2007). In 2015 overseas development assistance accounted for four percent of Lao PDR's GNI (WB Data). In the Human Development Index, Lao PDR (138) ranks lower than its neighbours Vietnam (115), China (90), Thailand (87) and

International tourism in Lao PDR started with the political change towards an open-door policy in the mid 1980s, with first international tourists arriving in the late 1980s. The Government of Lao PDR gradually opened its borders to the broader international public after previously only welcoming tourists and conference delegates from former socialist countries (Phommavong 2011). The country developed its first national tourism plan in 1990 which concentrated on small and controlled groups of package tourists. This changed with its second National Tourism Development Plan in 1998 which emphasized conventional sightseers, special interest tourists such as eco- and adventure tourists, cross border tourists and domestic tourists (Harrison 2007).

In 2005 a tourism strategy specifically for ecotourism was published, with the definition of ecotourism:

“Tourism activity based in rural areas that is geared towards: conservation of natural and cultural resources, local socio-economic development, and visitor understanding of, and appreciation for, the places they are visiting.”

(NTAL 2005:8)

Table 1: Further events and policies related to international tourism development in Lao PDR

Year	Event
1975	With the establishment of socialist Lao PDR tourists come from former socialist countries
1986	Open door-policy for international economic integration
1989	International tourists start arriving
1990	First National Tourism Plan
1992	Laos National Tourism Authority (LNTA) established
1998	Second National Tourism Strategy broadening tourist audience, including ecotourism
2004	Tourism as strategy for poverty reduction in the National Growth for Poverty Eradication Strategy
2005	Separate Strategy for Ecotourism
2005	Lao Tourism Law
2007	Upgrade LNTA and provincial tourism departments
2011	Out of 1,493 tourist attractions in the country, 849 (57%) are eco-tourism, 435 cultural, and 209 historical tourist attractions
2016	Out of 1,916 tourist attractions in the country, 1,093 (57%) are eco-tourism, 541 cultural, and 282 historical tourist attractions

(compiled from Harrison 2007; Phommavong 2011; MPI 2011; MPI 2016)

slightly better than Cambodia (143) and Myanmar (145), out of 188 nations (UNDP 2016). This is quite an accomplishment since in 2003 the country still ranked last in the region (Harrison 2007).

2.3.1 Official tourism and ecotourism sites in Lao PDR

In 2015, Lao PDR counted a total of 1,916 tourist attractions. These consist of 1,093 natural attraction sites, 541 cultural sites and 282 historic sites. Additionally, there exist two world heritage and 20 national heritage sites in Lao PDR (MPI 2016). Furthermore, the country already provides a wide touristic infrastructure⁹. To a large extent the tourism sector is driven by hotels, guest houses and restaurants that are small and locally-owned, with an average of 15 rooms (Harrison 2007). Lao PDR, aims to establish itself as an ecotourism destination, especially for the international travellers, and there already exists a wide range of lodging and activities that are connected to ecotourism. Within the ecotourism sector, different types of travel arrangements are being offered. Here, each arrangement focuses on a different aspect of ecotourism (or a combination of these) including nature, adventure, livelihood impact, conservation impact or cultural learning. Community-based and ecotourism project, especially within protected areas, are often supported by development partners and international donors, who cover the initial costs of their development. For the sustainability of these project it is important to involve responsible partners from the private sectors at some point during the project phase (Harrison 2007). Not all national protected areas offer lodging. However, there is generally the opportunity to explore the park with local “eco-guides”, who have knowledge of indigenous plants, animals and the local culture.

2.3.2 Tourism in Lao PDR’s strategic five-year plan

Every five years, Lao PDR’s Ministry of Planning and Investment (MPI) publishes its National Socio-Economic Development Plan (NSEDP). The current (8th) plan was agreed upon in 2016 and is regarded Lao PDR’s guiding strategic document and measure for achieving socio-economic development, industrialisation and modernisation towards the year 2020. Its view on the period of the previous five-year plan (the 7th NSEDP) points improvements in terms of the promotion and development of the national eco- and cultural tourism out¹⁰. For the period of the current five-year plan, the Government

⁹ Additional tourist infrastructure in Lao PDR includes 368 travel agencies, 54 tourism related companies, 542, 1,907 guest houses, 1,744 restaurants and 168 entertainment centres (MPI 2016)

¹⁰ The 8th NSEDP states successes in the “promotion and development of eco- and cultural tourism through implementing community based tourism projects, organizing festivals to attract tourists to the famous areas such as Luangprabang, Vang Vieng, Muang Sing and Xiangkhouang, improvement of tourism infrastructure and enhancement of tourism services. Tourism and border trade have been progressing well.” (MPI 2016: 57)

of Lao PDR indicates tourism as one of the four priority industry segments¹¹ for the development of its service sector.

Lao PDR's current five-year plan indicates that the government of Lao PDR is dedicated to further develop the national tourism sector. Furthermore, in using terminology related to inclusiveness and sustainability (see appendix one) the 8th NSEDP reflects the government's objective to make this development accessible to a broad population, while considering the environmental impact.

2.3.3 Lao PDR's tourism in macroeconomic numbers

With the policy environment playing a facilitating role, there has been an upward trend in Lao PDR's tourism industry. From 2011 to 2014, the number of visitors per year and the total revenue earned from tourism increased constantly year by year (MPI 2016).

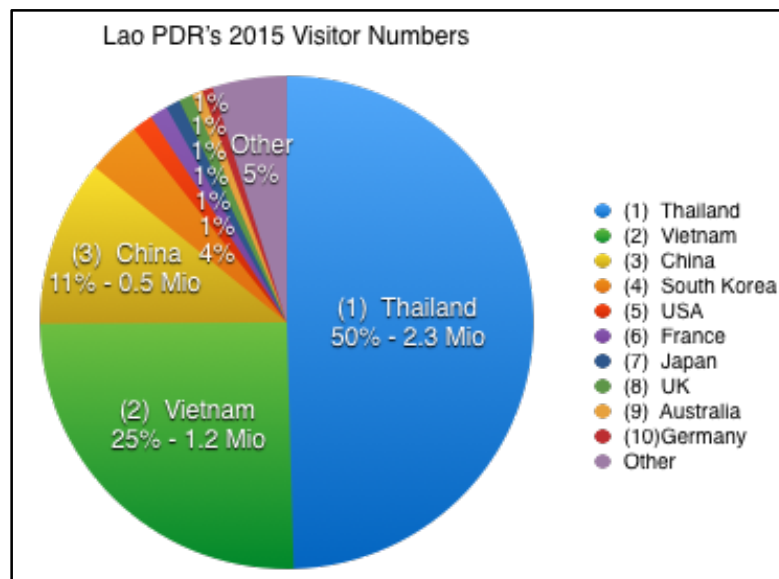
Table 2: Lao PDR's tourist arrivals and revenue earned (MPI 2016:38)

Description	Unit	2011	2012	2013	2014	2015 (est)
Number of tourist arrivals	Person times	2,723,564	3,330,072	3,779,490	4,158,719	4,684,429
Applied inflation rate	%	7	7.2	8.4	7.9	13
Revenue	US\$	406,184,338	506,022,586	595,909,127	641,636,543	725,365,681

Notable is that 50 percent of the visitors in 2015 were Thai nationals. Furthermore, since 2009 between 77 - 82 percent of the visitors were nationals from one of the ASEAN countries.

¹¹ The other sectors being wholesale and retail sale, logistics service, finance and banking

Table 3: Visitor ranking based on top ten country of origin and number of tourists (LNTA 2016)



Vietnamese, Chinese and South Korean nationals, which rank second to fourth in terms of visitor numbers, tripled and for South Korea over eight-folded in only six years between 2009 and 2015. Per year, this results in an average growth of 22 percent and for South Korea over 37 percent accordingly. The number of Vietnamese visitors grew faster in the beginning of that period, South Korean later during that period. Furthermore, the decline of Australian tourists between 2014 and 2015 is prominent.

Table 4: Growth in number of visitors for top ten country of origin (LNTA 2016)

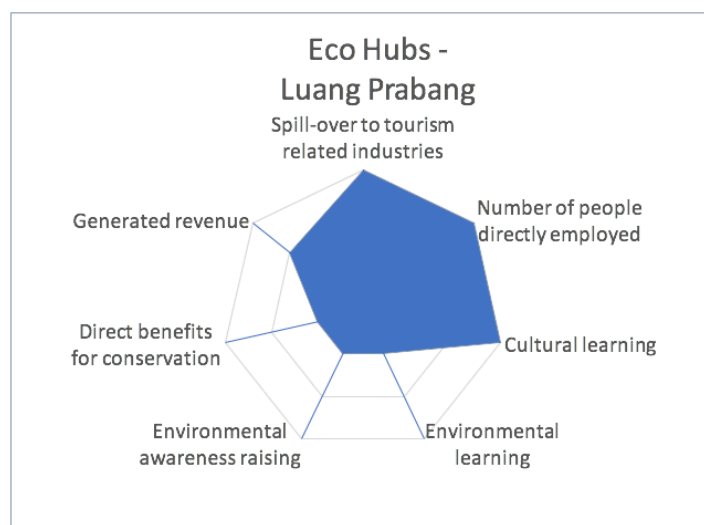
Country	% growth 2014- 2015	% growth 2009- 2015	Average YoY Growth 2009-2015
Thailand	13.6%	82.2%	8.9%
Vietnam	7.2%	300.3%	21.9%
China	21.1%	298.9%	21.9%
South Korea	72.1%	824.9%	37.4%
United States	2.6%	60.3%	7.0%
France	5.8%	73.6%	8.2%
Japan	-2.3%	56.1%	6.6%
United Kingdom	6.3%	53.5%	6.3%
Australia	-22.9%	43.2%	5.3%
Germany	7.0%	80.1%	8.8%
Total ASEAN	11.3%	122.8%	12.1%
Global Total	12.6%	133.2%	12.9%

Apart from the number of tourists, the created revenue with each visitor is important for tourism's contribution to Lao PDR's economic growth. Currently, the market of relatively high-spending tourists is small but growing and, the GoL has prioritized Japan, Australia, France, the UK, Germany, the USA and Canada (Harrison 2007) for its efforts to attract this type of tourists.

2.4 Grouping Lao PDR's ecotourism

Lao PDR's ecotourism industry and related activities show some tendencies in terms of their arrangement. Here, five types of ecotourism stand out. These, range from self-organized tours on trails and tracks that can be found in travel-guides and online travel forums, to eco hubs that are strategically strengthened by the government. Each type, addresses different criteria of ecotourism from literature. Below, each of the identified types of ecotourism is presented according to one example (see appendix three for background information)¹².

Figure 4.1: The Eco Hubs - Luang Prabang



Considering the ranking on the different aspects of ecotourism, the eco-hub Luang Prabang itself can be categorised as shallow or lite ecotourism. Furthermore, the destination is closer to nature- and mass tourism than ecotourism.

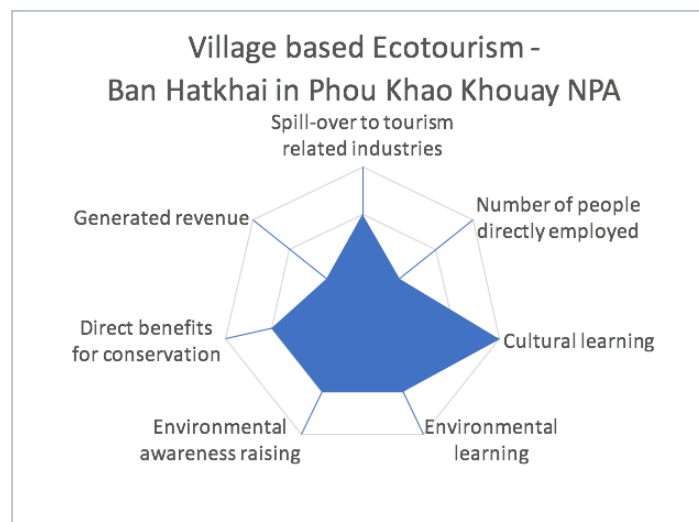
¹² The ranking is based on observations and interviews during study tours. Criteria for ranking in appendix 3.

Figure 4.2: Adventure-wildlife tours - Vang Vieng Challenge



In terms of the different criteria for ecotourism, the tour itself can be considered as shallow or lite ecotourism. Furthermore, it is closer to nature- and adventure tourism than ecotourism. This, however, depends on each tour itself. Other tours, such as the *gibbon experience* put a great focus on their conservation impact, in establishing local conservation projects or financial schemes.

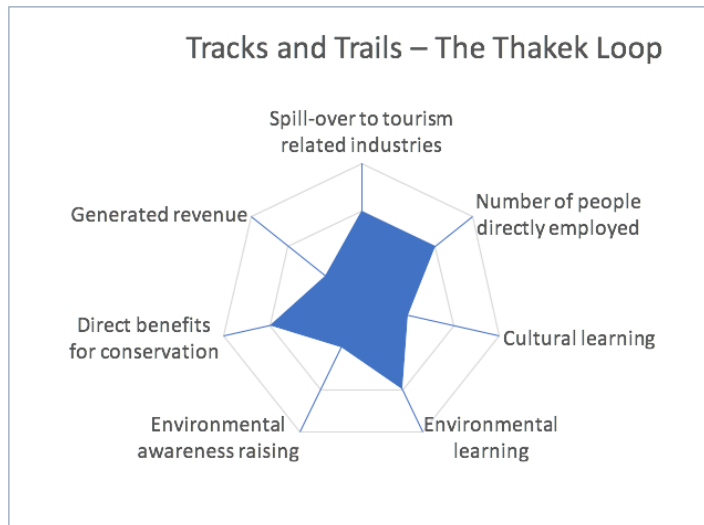
Figure 4.3: Village based Ecotourism – Ban Hatkhai in Phou Khao Khouay NPA



In terms of the definitions for ecotourism, village based tourism falls best under eco-tourism. There exists a high participation of the local community; it provides a high cultural learning experience living within the village or even staying with a family; most expenditure on the side of the tourists benefits the development of the village; locations are generally of the grid and surrounded by

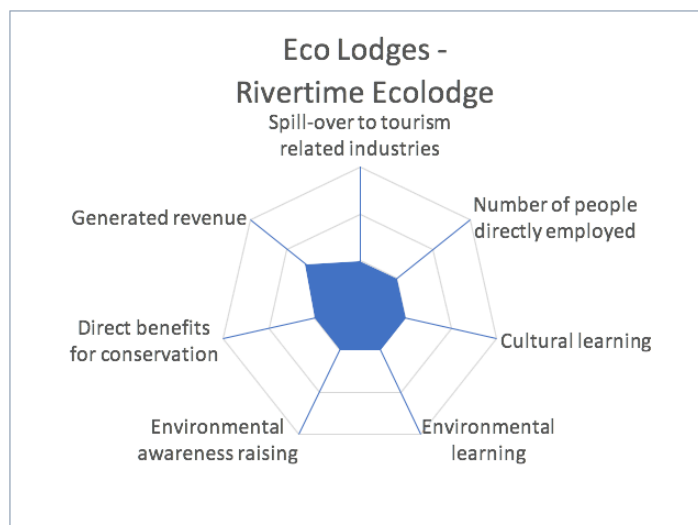
undisturbed nature; and in most cases there exist payment schemes for conservation. Accordingly, it can be considered as deep ecotourism and straight forward community based ecotourism.

Figure 4.4: Tracks and Trails – The Thakek Loop



Tracks and trails like the Thakek Loop can be considered as shallow or lite ecotourism, with some aspects of deep ecotourism depending on the lodging that visitors choose. This type of ecotourism is close to nature- and adventure tourism.

Figure 4.4: Eco lodges – Example Rivertime Ecolodge in Vientiane Province



Considering the low rating in all categories, the eco-lodge itself falls under shallow, and between lite and pseudo ecotourism. Furthermore, the destination is closer to nature tourism than ecotourism. Due to the diversity of eco-lodges this cannot be generalized for all. However, there exists a tendency towards little positive environmental impact.

Lao PDR is already known as an eco-tourism destination with a wide range of models and destinations. In terms of the academic literature the different models can be positioned within the eco-tourism definition ranging from deep ecotourism, with an obvious and planned contribution to conservation and local livelihoods, to pseudo eco-tourism that is nature based, however green-washing the enterprise mostly as a marketing strategy. Currently there are little regulations, or strict definitions of eco-tourism existing in Lao PDR, and in the end, the conservation and livelihood impact depends on

financial and management schemes. The next section will therefore elaborate on the community-based resource management and livelihood aspects of ecotourism.

3. Ecotourism's contribution to livelihoods and biodiversity conservation

3.1 Introduction

"Ecotourism [...] attempts to knit the elements of economy and ecology together (via parks) through the philosophy of sustainable development."

(Fennell 2015:88)

Ecotourism is widely promoted by governments, development partners and conservation related organizations for its contribution to conservation. Even though conservation is one of the central objectives of ecotourism, the conservation impact is mostly indirect. The link between ecotourism and conservation can be established through the generated revenue, and accordingly, the locally improved livelihoods (Fennell 2015; Funnell & Bynoe 2007; example studies by Hitchner et al. 2009). This link will be discussed in the following section. A link that also stands out in the two definitions and the declaration that surround this paper¹³.

Accordingly, this section will look at the resource management and livelihood aspects of ecotourism and elaborate on the link between conservation and development.

Research sub-question two: How does Ecotourism contribute to livelihoods and biodiversity conservation?

Since the analysis of livelihood and conservation benefits from ecotourism is difficult to measure (Brandon & Wells 1992) and, preferably, requires long term and in depth studies of the environments

¹³ Recounting from section one and two:

Declaration that outlines the current relevance of ecotourism for sustainable development:

"Nature-based tourism relies on **biodiversity and diverse ecosystems** to attract tourists. **Tourism can contribute directly to the conservation** of sensitive areas and habitats through a variety of activities and by raising awareness of the importance of biodiversity. There are **pathways for ensuring the long-term sustainability** of tourism while also ensuring that it contributes positively to biodiversity" (CBD-COP13's Cancun Declaration, 2016:Annex 1)

Main academic definition of ecotourism for this paper:

"Travel with a primary interest in the natural history of a destination. It is a form of nature-based tourism that places about nature **first-hand emphasis on learning, sustainability** (conservation and local participation/benefits), and **ethical planning, development and management.**" (Fennell 2015:17)

Lao PDR's definitions of ecotourism:

"Tourism activity based in rural areas that is geared towards: **conservation of natural and cultural resources, local socio-economic development**, and visitor understanding of, and appreciation for, the places they are visiting" (NTAL 2005:8).

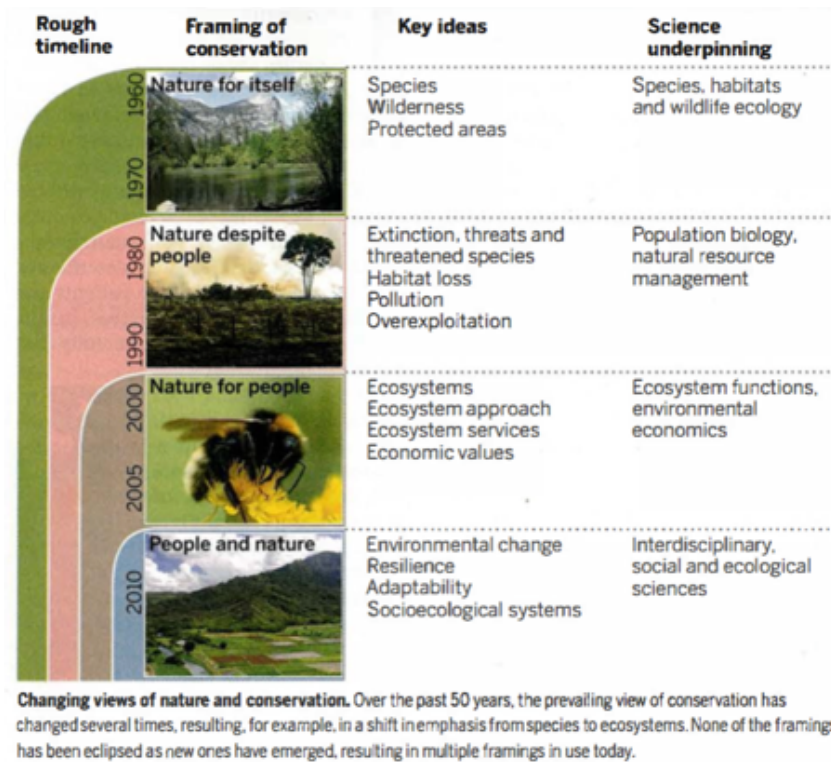
surrounding the ecotourism programmes, this paper will look at general trends and concepts that underlie ecotourism as a tool for this link. Furthermore, a contested successful initiative, the village based ecotourism project in the Nam Et-Phou Louey national protected area, will be presented and discussed.

3.2 Literature Review

Conservation aims to assure a coexistence of people and nature. Different approaches to conservation are generally defined by the priorities that are given to each side of this link between people and nature, and their coexistence. These priorities have changed rapidly during the past five decades (Fisher 2012, Mace 2014, Aechtner 2016), shifting from a strict conservation of complete habitats, a focus on certain species, over people centred approaches, to a focus on a sustainable mutual interaction between natural ecosystems and the human society. Today, this rapid shift has resulted in a broad variety of ideologies and motives for protecting the environment. Since each local context and its needs are distinct, each situation require specifically tailored initiatives (Brandon & Wells 1992; Aechtner 2016). Conservation of ample forests in the context of a socio-economic situations that lacks funding for monitoring and patrolling demands different strategies than areas with a high conservation value that are home to highly threatened ecosystems and species.

Mace (2014) distinguishes four successive approaches in conservation policy during the past decades (see figure below). Depending on each conservation stream, a focus lies on segmentation, where protected areas of untouched nature are either set aside, or concepts that link nature and people through concepts that aim to achieve a sustainable coexistence, preferably through models where one strengthens the other.

Figure 5: Changing views of conservation during the last 5 decades (Mace 2014:1559)



The Cancun Declaration (2016) underlines today's focus on people and nature, as it promotes conservation based on mainstreaming biodiversity conservation in industries that depend on natural capital¹⁴. The declaration's priority industries for this combined approach of people and nature are tourism, fishery, agriculture and forestry. Here, the tourism sector is of special interest as a tool for conservation, as it directly benefits from healthy ecosystems and biodiversity. In nature- and ecotourism this is often what visitors come to see.

3.2.1 Sustainable development

On a macro-scale, the combination of conservation and development fits well into the sustainable development movement, which is based on the nexus between social equity, environment sustainability and economic development (Giddings et al. 2002; Samndong 2015). The central idea of

¹⁴ This idea of excepting that it is important to provide people an inclusive access to nature, however promoting sustainable use, is closely related to the concept of enterprise based conservation (see 3.3). The hypothesis is that once an enterprises' stakeholders see the benefits of biodiversity, they help to counteract internal and external threats themselves.

sustainable development is that economic development is intrinsically linked to the environment, and that sustainable growth needs to discourage the destruction of natural resources (Sachs 1993).

The idea of combining economic development and environmental conservation is older. The term “sustainable development” appeared first in 1987’s “Our Common Future” report from the World Commission on Environment and Development (Keyser 2002). Especially the oil crises in the 1970s, and pollution, acid rain, global warming, hazardous wastes, depletion of the ozone layer, habitat destruction, and rising health threats were a wake-up call and led to a rethinking in terms of the scarcity of resources and limitations to growth (Phanthavong 2009).

Making use of market tools for the link between development, and the conservation of natural resources and biodiversity is debated controversially. Some argue that the economic market provides social and economic structures to environmental externalities and is therefore an effective tool for conservation (e.g. Hartwick & Peet 2003). Others argue that the link between conservation and development through market structures and capitalistic institutions is complicated, especially on a village level (e.g. Brandon et al. 1992). The argument that the use of market structures leads to a commodification of nature, however, has been contested by the valid argument that nature is already commodified in that it is “natural capital” (West 2006:42). Currently, however, it is often more productive to exploit it, than to conserve it. Extractable products are given a higher financial value than the intactness of ecosystems and its ecosystem services. In today’s capitalist system the missing financial value of a range of natural capital leads to a distortion of the prices for resource based products with negative externalities (Bromley & Cernea 1989).

3.2.2 Conservation and local livelihoods

Conservation and development is also linked locally. On one hand, rural poverty and environmental degradation is geographically often present in the same areas. Livelihoods in areas with high poverty rates depend to a large extent on natural capital such as forests, soils, water, and wildlife (Barrett 2011). Poverty, therefore often leads to higher rates of land degradation¹⁵, while degraded land leads to higher rates of poverty. A “downward spiral” between poverty and the environment (Scherr 2000). *Vis versa*, improving the affected population’s livelihoods is a key-factor for sustainable conservation (Adams 1990). Accordingly, conservation programmes that also improve local well-being, nurture environmentally friendly behaviour, generate a positive perception of such programs and even lead

¹⁵ This is often linked to rural population growth, agricultural expansion and intensification (Scherr 2000)

to an engagement of the local population in conservation practice (Woodhouse 2015). Programmes that aim to sustainably combine the two are widely known as integrated conservation and development projects. Successfully linking development (improved livelihoods) and conservation, however, is difficult, and depends on the local context (Fisher 2012).

Allowing human access to high conservation area to achieve this link, is discussed controversially. The conservation of habitat that is home to endangered species often demands strict regulations including an enforced restricted access to the ecosystem. This, however, is often in conflict with poverty reduction and local livelihoods (Adams et al. 2004). Therefore, integrating livelihood programmes for an alternative income within protected areas, is essential for conservation (Brandon & Wells 1992). Here, ecotourism is one example. Others argue that especially within protected areas fortune and misfortune are distributed unequally as they improve the socio-economic status for some parts of the population, but exclude others (Brockington & Wilkie 2015).

3.2.3 Participation

Apart from improved livelihoods, the participation of local communities in conservation and sustainable natural resources management is important for its sustainability. This led to the uprising of community-based conservation approaches which consists of a variety of concepts such as community forestry, collaborative forest management and community fisheries (Fisher 2012). In the centre is the co-existence of people and nature, as the local population is often the one who bears the costs of conservation (reduces access to land). Accordingly, if the community is not considered, conservation programmes are often unsustainable and unsuccessful. Conservation is sustainable when natural resources or biodiversity are protected by, for and with the effected community (Western & Wright 1994; Fennell & Weaver 2005). For the context of protected areas, Child (2013: xvii), for example, argues that national parks need to be democratised, as “transparency, accountability, and democratic decision making are essential to ensuring that economic benefits are accrued by local resource managers.”

In terms of making use of local participation for a sustainable use of natural resources, models and incentives are diverse. A flagship programme for wildlife conservation, the Campfire project in Zimbabwe, decentralized the authority for the use of natural resources from the central government to the district level. This resulted in a more sustainable use of resources, for this case wildlife. The

programme introduced sport-hunting¹⁶ as a conservation based income tool and its revenue stays to a great extend within the village or community. This provides local financial incentives to participate in the sustainable management of wildlife (Child, 1996). The successes of this project are well-documented (Fisher 2012) and show that local communities participate in conservation when they feel ownership over natural resources and see a benefit in its conservation.

A critique towards this participation-based approach to natural resource management is that critical decisions are still made based on powerful interests within or even outside the country (Mowforth & Munt 2003). Furthermore, that community based approaches expect a certain heterogeneity within communities, which, if not the case, possibly creates conflict over the use of resource (Agrawal 1997; Leach et al. 1997).

3.2.4 Pro-poor tourism

Ecotourism is a tool that aims to establish the link between development and biodiversity conservation (Hitchner et al. 2009; Funnell & Bynoe 2007; Fennell 2015;). Either directly, or by providing an alternative to resource-extraction based income. To best nurture tourism's contribution as alternative income that benefits conservation, and since poverty is a driver of land degradation (Scherr 2000), tourism programmes should aim to be inclusive and pro-poor. Pro-poor tourism can generally be defined as "tourism that generates net benefits for the poor" (Ashley et al. 2001:2). In doing so, pro-poor tourism aims to alleviate poverty and reduce vulnerability (Mowforth & Munt 2003).

Tourism was acknowledged as a tool for development in the 1970s. Only in the late 1990s, people started recognizing the industry's role for alleviating poverty and started promoting "pro-poor tourism" as a more morally correct approach to tourism (Harrison 2007). Especially, when practiced on a community level. Notably here, are the parallels to the concepts of community-based resource management. Ashley et al. (2001), in their book on pro-poor tourism strategies, stress the economic participation of the poor, through direct local employment and local sourcing of products and services.

¹⁶ Poaching for the capitalization of some parts of the animals was exchanged for very selected and sustainable hunting activities that generated higher revenues. The conservation-based livelihood tool (sport-) hunting could be argued to be a form of tourism or leisure activity for high spending visitors. Through this project, these revenues stay locally and engage communities into the conservation of the high value species.

Local ownership and control of tourism related activities is another concept that ensures pro-poor benefits from tourism (Scheyvens 2004).

Critics of pro-poor tourism say that it is not an effective tool to eliminate absolute poverty as it makes some sections in poorer communities better off, however often not the poorest (Mowforth & Munt 2003), and that these benefits for the local people still need to be substantiated (Harrison 2007). Furthermore, there exists the view that tourism and ecotourism cannot be considered as development, but rather as modern imperialism or colonialism (Johnston 2006). This is in line with the argument that tourism is based on neo-liberal strategies for market-led growth and private sector development (Scheyvens 2004).

3.3 Ecotourism as a conservation enterprise

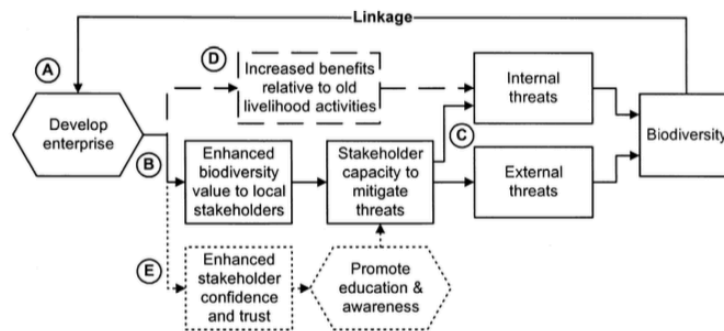
For this paper, a focus lies on the importance of engaging individuals and the private sector in conservation. Here, an interesting concept is enterprise based conservation. In engaging individuals and the private sector in conservation, these conservation enterprises contribute to conservation in three important ways. First, they create value in conservation and motivate stakeholders of such enterprises to support conservation. Second, they provide income and therefore reduce pressure on ecosystems. Third, these enterprises provide investment opportunities¹⁷. The core hypothesis of enterprise based conservations lies in the reduction of threats for biodiversity:

“if local communities receive sufficient benefits from a viable enterprise that depends on biodiversity, then they will act to counter internal threats, caused by stakeholders living at the project site, and external threats, caused by outsiders, to that biodiversity.”

(Salafsky et al. 1999:1586)

¹⁷ There exist two groups of investments into conservation enterprises. Those with an expected financial return generated from the conservation enterprise itself, and investments with a conservation objective, paid back through financial environment schemes that aim to offset the loss of ecosystems and their services. The latter financial flows from (environment or carbon) offset schemes could be consolidated in bigger funds that support the establishment of such conservation enterprises, support their growth and impact, or contribute funds in other areas of need.

Figure 6: The enterprise based conservation approach (Salafasky et al. 2001: 1586)¹⁸



As well as for community-based resource management and pro-poor tourism, the focus on local participation, and benefits for the local community and their livelihoods stands out. Attributes of conservation enterprises that are grounded in the economic-conservation link, which are also important for the sustainability of ecotourism businesses.

3.4 Example of a financial schemes for ecotourism

During the analysis of existing ecotourism types in Lao PDR (Chapter 2), village based ecotourism projects stood out for their inclusiveness, contribution to conservation and locally created value. Especially financial schemes that directly contribute to village funds and create revenue streams for the protected area management help to establish an economic-livelihood-conservation link that translates the economic revenues from tourism enterprises into a community and conservation impact. The village-based ecotourism project in the Nam Et-Phou Louey protected area presents an innovative example for such a financial linkage. Here, visitors pay a wildlife-bonus based on the number of seen animals. A financial mechanism that creates direct local incentives for the conservation of wildlife.

¹⁸ Apart from their successful economic-conservation linkage, Salafasky et al. (2001: 1586) list five main conditions for conservation enterprises to be counted as such: (A) The biodiversity linked enterprise is viable. (B) It generates short- and long-term benefits for a community of stakeholders (financial, social, and/or environmental). (C) The stakeholders, including the local community, are involved and have the capacity to take action to counter threats. This capacity to cope with internal threats includes (D) alternative sources of income to reduce pressure on this ecosystem. (E) For the sustainability of conservation enterprises stakeholder should have confidence and trust in the endeavor.

Additionally, the ecotourism programme has a defined financial “taxation” scheme to ensure the contribution of tourism to the community’s development and conservation¹⁹.

Figure 7: Example financial scheme for ecotourism²⁰

The Night Safari’s “tax”-collection in percent for a visit by two persons includes:	
a)	Village development fund 15 percent, this fund is shared among the villages inside and around the protected area;
b)	A district fee of 2 percent. This is a tourism tax that aims to support the provincial tourism department. Usually, it is agreed that this fee is handed over to the district for activities related to the management and development of the district;
c)	A protected area fee of 7 percent. This fee contributes to the protected area fund, and supports conservation and management activities;
d)	The wildlife bonus for seen wildlife. This bonus depends on the species, the number of animals and the number of different specie seen by tourists. It normally starts at 3.000 kip per specie (0.34 Euro). Seen species, includes those observed during the night tour and those on pictures that are collected from camera traps during the trip;
e)	A handicraft development fund 3 percent. This fund supports the local production of handicraft;
f)	A 7 percent fee for the maintenance of tourism;
g)	A good service bonus of 10.000 Kip per tourist (1.13 Euro). This bonus depends on the tourists’ tour evaluation for each tour and is shared among the service personal in the village.

¹⁹ The different eco-tours with in the Nam Et-Phou Louey NPA are all non-profit. Earnings are reinvested into the local ecotourism and other conservation projects (Nam Et Phou Louey website 2017).

²⁰ Source: Khaisy Vongphoumy, Specialist for Ecotourism in the Nam Et-Phou Louey national protected area, 2017

3.5 Discussion

Ecotourism's impact on livelihoods and biodiversity conservation is only as good as the programme, and the regulations that support it.

There are several soft and hard factors that can contribute to the successfulness and inclusiveness of the livelihood and conservation aspects of ecotourism. Soft factors are the awareness raising aspect and perceived value-creation in biodiversity. Especially local participation and ownership of initiatives contribute to this. In terms of participation, the need for homogeneity of communities is noted in literature as a possible conflict-point. Lao PDR stands out through its diversity in ethnicities. Furthermore, over the past years, many communities have been resettled for the construction of large hydropower project. The newly built communities often show a high diversity of ethnicities in a confined area. Furthermore, the ownership of project and enterprises in the hand of the rural population requires intensive trainings and programmes that builds capacity²¹. Currently many protected area based ecotourism projects are implemented by development partners. These initiatives help to build local capacity and step-by-step hand projects over.

Hard factors are financial schemes and land-management factors. Acknowledging the fact that some high value conservation areas need to be set aside for nature and the (threatened) species within them. These areas need to be included in financial calculations and should be financed though the value earning areas around them. This is part of the other hard factor: financial schemes. Conservation and park-management cost money²². Financial schemes that benefit conservation and livelihoods are therefore the backbone of ecotourism's link to the two. Especially the wildlife-bonus of the Nam Et-Phou Louey NPA presents an interesting link between livelihoods, wildlife conservation and the participation of communities in conservation.

Currently, ecotourism's role in conservation is mostly focusing on the provision of an alternative income. With a growing engagement of the private sector in conservation, related industries such as ecotourism, an environmental taxation can contribute a major part to the financing of protected areas. However, with ecotourism being a national strategy for economic growth, Lao PDR's broad

²¹ Interviewed experts noted that currently the local capacity for ecotourism related skills is very low.

²² Currently national protected areas in Lao PDR receive public funding of up to 40Mio kip per year (4500 Euro), while in Savannakhet the two parks together receive this amount. Funding that does not live up to the needs of protected areas. Another source of funding are projects from development partners. These, however, do not reach all of Lao PDR's protected areas. Accordingly, the financial contribution from the private sector is vital for conservation initiatives. Contributions through financial scheme like the Night Safari project's, or taxation of ecotourism projects and related activities that use national protected areas for their business.

definition of ecotourism²³, and weak regulations and monitoring, the risk is high that ecotourism turns into nature-based mass-tourism, with detrimental environmental results. Especially within protected areas the focus should lie on biodiversity conservation.

However, showing that conservation can generate revenue, is an important showcase for policy makers and their future decisions in terms of land management. To date, decisions are still often made based on economic profitability.

3.6 Conceptual framework from Literature

Concluding from literature, it can be said that there exists a link between conservation, the target community and (eco-) tourism.

In order to achieve sustainable conservation, the community needs to be engaged and see a positive change for their lives, including an improved livelihood and well-being. Here, tourism presents a tool that strengthens this community-conservation link. Especially (deep) ecotourism aims to (a) generate revenue from healthy and intact ecosystems, and the biodiversity within them, which creates community incentives for conservation, (b) raise awareness and pride²⁴ about the beauty of nature that others come to visit, and the need to conserve it, and (c) reduce pressure on ecosystems by providing alternative income to unsustainable extractive activities. Up to a certain extend the link between the three can be described as synergies²⁵. However, there are limits to all three ends²⁶.

²³ Lao PDR's definition of ecotourism: "Tourism activity based in rural areas that is geared towards: conservation of natural and cultural resources, local socio-economic development, and visitor understanding of, and appreciation for, the places they are visiting" (NTAL 2005:8).

²⁴ In Lao PDR's Eld's Deer Sanctuary, community pride over the endangered Eld's Deer helps to protect species. Community members use the forest for the collection of NTFPs and wood. In doing so they "monitor" and report illegal behaviour. Reportedly, without financial incentives and mostly out of pride that this ecosystem is the only left home for Eld's Deer in Lao PDR (Expert interview with previous project manager of the WWF project. The project area was now taken over by UNDP which aims to integrate sustainable financing mechanisms for conservation).

²⁵ Synergies:

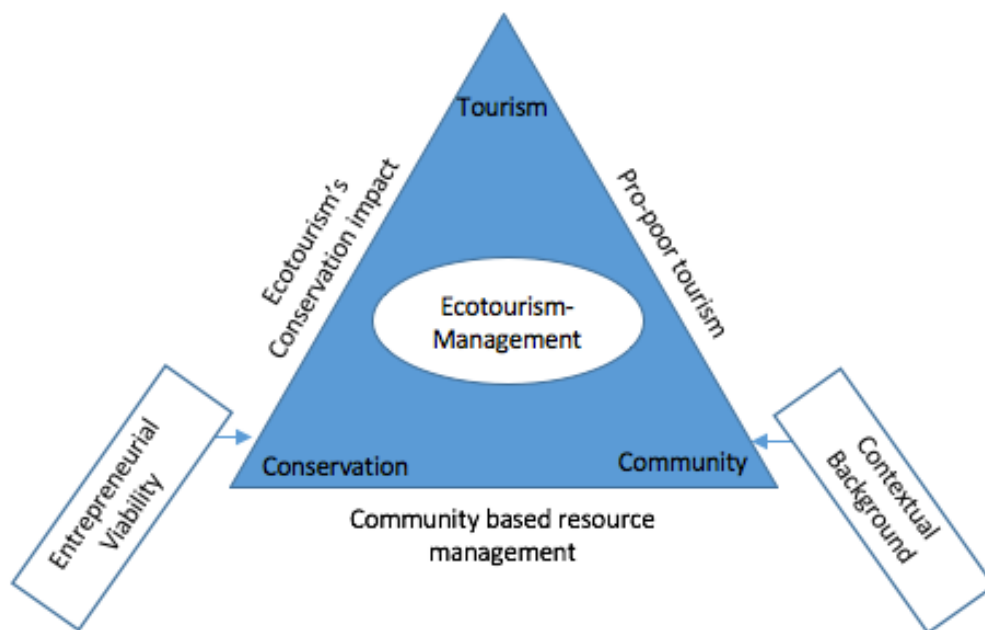
1. Better conservation -> more wildlife -> more visitors or visitors that stay longer -> more benefits for community
2. More visitors -> more employment and community benefits -> reduced pressure and greater incentives to conserve -> increased conservation
3. Increased community wellbeing -> better conservation -> more wildlife and biodiversity -> more visitors

²⁶ Too much tourism is unhealthy for the surrounding ecosystems and the community. Too restrictive conservation has negative implications for the community and tourism in terms of access to nature. Too much community engagement and participation in tourism can be complicated to manage.

To achieve a balanced combination of the community-conservation-tourism link, with strong synergies and little trade-offs, literature offers different concepts that strengthen the link between the different cornerstones. Here, community-based resource management, the concept of ecotourism to conserve nature, and pro-poor tourism.

Additionally, the entrepreneurial viability²⁷ of the eco-touristic enterprises and the contextual background are important to consider to successfully link the three. Every place has a different existing societal structures, culture, different conservation needs and different community needs. While the (long-term) viability of the ecotourism is like the glue that holds the triangle together.

Figure 8: Conceptual framework for ecotourism derived from literature



²⁷ Some criteria on ecotourism's viability from literature in appendix 12

4. Lao PDR's Ecotourism's and private sector investment

4.1 Introduction

"Donor-supported, community-based tourism projects [in Lao PDR and elsewhere] may be sustainable only in partnership with the private sector, while the pro-poor credentials of tourism enterprises in the private sector are frequently under-rated."

(Harrison 2007:199)

Currently, many ecotourism and community-based tourism initiatives, especially within protected areas, are supported by international donors. Generally, the provided funds clearly outweigh the short-term financial returns from ecotourism (Harrison 2007). Especially in times of declining development funding, and Lao PDR's goal to graduate the least developed country status (which will presumably lead to a cut in global development funding), an engagement of the private sector is essential and vital for sustainable conservation. Furthermore, private philanthropy and investment-interest in responsible endeavours with a positive impact are growing. This development can be further nurtured for conservation.

Globally there exists a trend towards responsible investments, both on the investment and investor side. On one hand, policies and frameworks aim to select quality investments, while monitoring their impact (UNCTAD 2015). On the other, investors are interested in sustainable and responsible portfolio investments that, apart from a financial return, focus on environmental and social factors for the portfolio selection (Statman 2007, Renneboog et al. 2007, Caplan et al. 2013). One rather new type of environmentally and socially responsible investment is the so-called impact investing. For the environmental sector further specified as conservation related impact investment. This type of investment aims to, not only aims to reduce negative impacts of investments, but to achieve positive results in terms of forest, biodiversity and habitat conservation.

With a growing global consent of the importance of ecosystem services, sustainable development and concepts like green growth, the demand for investment opportunities to enhance nature or offset its degradation is also growing. Apart from private investors, also governments and development finance institution are looking at possibilities for payments in return for carbon credits, investment opportunities for ecosystem based climate change adaptation and mitigation, ecosystem based water quantity and quality management, or habitat conservation, forest rehabilitation and reforestation.

Here, private investors can play a facilitating role by providing capital for public services that are later paid back by government institutions, financed through payment schemes to offset carbon²⁸ or land conversion²⁹, theoretical trading mechanisms of payments for ecosystem services³⁰ (including the REDD+ programme), or an environmental tax³¹.

This section aims to position ecotourism in the link between investors with an interest in a positive environmental impact, and conservation initiatives on the ground that require access to funding. Therefore, looking at the conservation enterprise aspect of ecotourism and its invest-ability in Lao PDR. The argument is that the investment readiness of conservation based enterprises defines the possible contribution from the private sector to conservation. While a growing (impact) investment sector has the potential to be a significant source of funding to help meet conservation needs, the investment-readiness of Lao PDR and its ecotourism sector depends on Lao PDR's investment climate, government policies and regulations, and non-governmental vehicles (such as financial intermediaries and rating organizations).

The third research sub-question is therefore: To what extend does Lao PDR qualify for private sector investment in ecotourism?

²⁸ These cap and trade schemes help countries' compliance with obligations such as the Kyoto Protocol, or the EU Emission Trading Scheme. Furthermore, there exists a small-scale, voluntary carbon offsets market for individuals, companies, or governments to mitigate their own greenhouse gas emissions for example for travelling or the use of electricity. An example here is the Gold Standard, an institution that provides certification and funding for climate and carbon mitigation projects that can be supported to offset greenhouse gas emission from emission-intensive activities (<http://www.goldstandard.org>).

²⁹ These land-development offset measures aim to find a balance or even synergies between development and occupation. Germany, for example, has an integrated ecological compensation system that offsets landscape and natural interventions such as a sealing of soil (the "Eingriffsregelung" in english "Intervention Regulation") since the 1970s. This includes a compensation through the establishment of biotopes and landscape scenery (Tan et al. 2014).

³⁰ These are incentives to farmers and landowners to manage their land in a way that it (continues to) provide(s) ecological services (see 1.1 on ecosystem services). Payments for ecosystem services have been defined as "a transparent system for the additional provision of environmental services through conditional payments to voluntary providers." (Tacconi 2012:35)

³¹ Lao PDR is currently drafting an instrument on environmental taxation of waste, air and water pollution that aims to reduce or eliminate the country's pollutions, while at the same time not limiting, but supporting its economic competitiveness (HSF 2016).

4.2 Literature review

4.2.1 Foreign direct investment and development

The role of private investments for development is steadily increasing in its importance. Foreign direct investment (FDI), is a traditional example of trans-border investment. FDI is not solely an important source of financing, it transfers technology and knowledge, raises tax revenues, creates employment, opens new markets for exports, and lifts productivity and competitiveness by adding to the stock of capital equipment (Schmidt & Culpeper 2003). FDI is especially valuable if initial investments are required that are too large for the local government. In that way FDI is a catalyst to national development (Inderst et al. 2012; Byun et al. 2012). This inflow of financial capital, knowledge and physical means is, on one hand, important for a country's development, however, can have a strong impact on the social, cultural and environmental situation (UNDP-UNEP 2015). To balance these effects and nurture positive outcomes, investment frameworks (appendix 5) help to identify environmental and social issues, select the right type of investment and its monitoring, and identify inter-sectorial linkages in terms of negative and positive spill-overs.

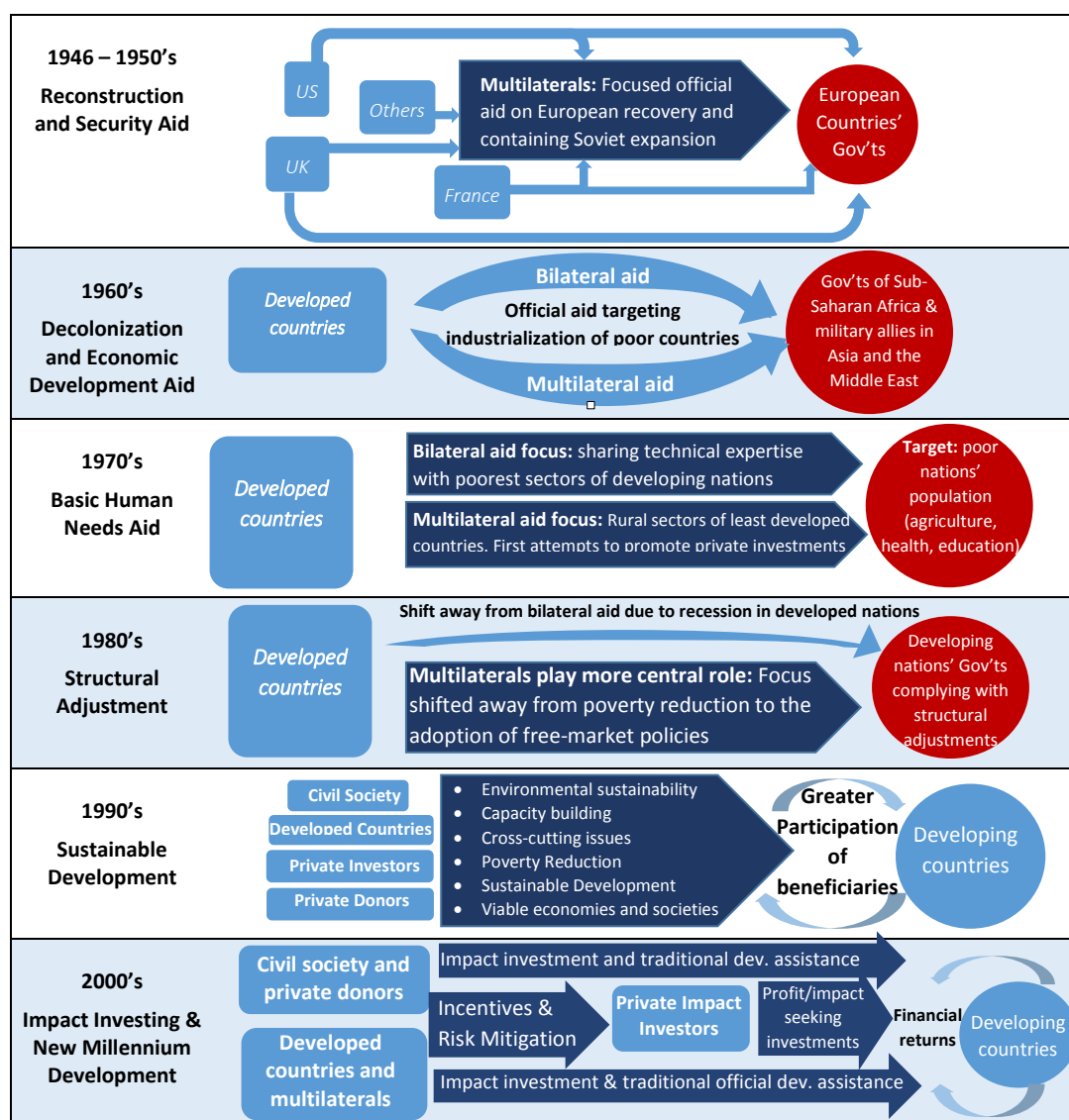
Challenges of FDI for quality development, mostly consist of missing inclusiveness and sustainability, generally originating in uneven power relations (Schmidt & Culpeper 2003). Often, well-needed economic development from investments that drive the economy, is a better argument than their environmental or social considerations. Especially for developing countries it is challenging to scale up the volume of financial inflows while fostering an environmentally friendly and inclusive practice. Inclusive practice that institutionalizes equal opportunities to access benefits from economic growth. Environmentally friendliness that results in sustainable growth and secures vital ecosystems that are today often located in low income countries. Places with a growing share of the global emissions, often from the conversion of forests, while having limited resources for environmental conservation and the mitigation of pollution (Golub et al. 2011) (criteria for inclusiveness and greenness of investment in appendix 4). Furthermore, FDI generally results in foreign ownership³², where some of the created value leaks the host country and does not contribute to its development. Lastly, FDI often reinforces already existing patterns in the domestic economic structure, making it hard to diversify the economy into new, more value adding industries. While a competitive advantage is important,

³² Investopedia's definition of FDI: "Foreign direct investment (FDI) is an investment made by a company or individual in one country in business interests in another country, in the form of either establishing business operations or acquiring business assets in the other country, such as **ownership or controlling interest** in a foreign company." (Investopedia 2017)

this leaves the receiving country active in single sectors; in developing economies, often natural resource based ones³³.

The marked led approach to development heavily defined development policy in Latin America and Africa in the 1980s. A period known as the lost decade (White 1996). A period that also helped the sustainable development movement to its rise. Now, advocates of impact investing again look at market vehicles and the potential of public-private partnership to achieve global development goals.

Figure 9: The Post-War Evolution of International Development Financing
(Balkus, Luque & Van Alfen 2014)



³³ In Lao PDR, the main recipient sectors of FDI are currently agro-forestry businesses (plantations such as rubber, eucalyptus and banana), hydropower (large scale projects that convert entire ecosystems into lakes, with dams that block the migration-roots and that flow of fertile sediments) and mining (with large scale conversion of forested landscape, often inside national protected areas).

This flowchart clearly sheds positive light on the role of impact investments for development, considering that currently this sector is only a small part of the entire investment sector. However, the chart outlines how the official development assistance (ODA) component of the international development finance sector is decreasing in importance, and how market structures are taking over its role. Even though, impact investing currently only contributes a small part to the total investment that is made, some advocates predict a lot of potential (Bugg-Levine & Emerson 2011, Mudaliar et al. 2016, GIIN 2017). Furthermore, since foreign direct investment generally leads to foreign ownership of enterprises³⁴, it is of interest to have a closer look at the growing impact investing market for a possible link to locally owned enterprises and initiatives.

4.2.2 Impact investing

Impact investors intend to have a positive impact while generating financial returns with their investments (Bugg-Levine & Emerson 2011). Michael Drexler and Abigail Noble of the World Economic Forum published the definition “an investment approach intentionally seeking to create both financial return and positive social impact that is actively measured.” (Drexler & Noble 2013:7) Here, “actively measured” stands out, when compared to other definitions (e.g. Bugg-Levine & Emerson 2011; Nature Conservancy et al. 2014). However, two important words that describe the (social, environmental or governance) transparency and accountability that, in practice, sets impact investments aside from other investments. A movement that was started through criteria such as the environmental, social and governance (ESG) criteria for the selection and management of portfolio investments (Statman 2007, Renneboog et al. 2007, Caplan et al. 2013). With the change that impact investing not only aims to reduce negative impacts (on such criteria), but actively aims achieve positive results.

³⁴ The two main types of FDI flows are cross-border M&As and greenfield investment. While FDI flows, especially in emerging markets, are currently driven by cross-border M&As from multinational cooperations (UNCTAD 2016). However, greenfield investment has a greater welfare-impact on the host economy due to greater local contribution, development of knowledge, an increasing capital formation and enhanced productivity (Byun et al. 2012).

One type of impact investment, specifically into environment and conservation related topics, is the conservation related impact investment. In their flagship report for this type of impact investment the Nature Conservancy (et al. 2014:9) defined conservation related impact investment as

“an investment that is intended to return initial capital or generate profits, while having a direct positive impact on natural resources, biodiversity and ecosystems.”

The logic behind impact investing is what Jed Emerson described as blended value. He describes that every organizations (for-profit or non-profit), creates value that has components in terms of economic, social, and environmental benefits or, accordingly, negative effect (Emerson 2003). He argues that people generally aim to achieve both, economic wealth, and social and environmental justice. This Includes investors and financial institutions that seek to integrate their philanthropy in their investment behaviour (Bugg-Levine & Emerson 2011). Bugg-Levine and Emerson (2011) further argue that the shortest line between investment choices and social impact, is lending capital directly to social enterprises and projects, where private equity and direct lending investment generates the greatest social impact³⁵.

The way how these investments work is generally, either through direct investments, or through investment funds³⁶. Especially for countries like Lao PDR, where enterprises for conservation related topic and ecotourism are generally expected to be smaller in size, financial intermediaries and depository institutions³⁷ play an essential role. They are the ones that facilitate capital streams between capital providers and impact enterprises, and often specialize on certain markets. Intermediaries, generally include investment banks, advisers, brokers and exchanges that create products, vehicles and investment structures that meet the needs of mainstream investors, as they create liquidity, reduce risk, lower transaction and information costs, and facilitate payment mechanisms (Drexler 2013). An important type of intermediary are rating- and certification

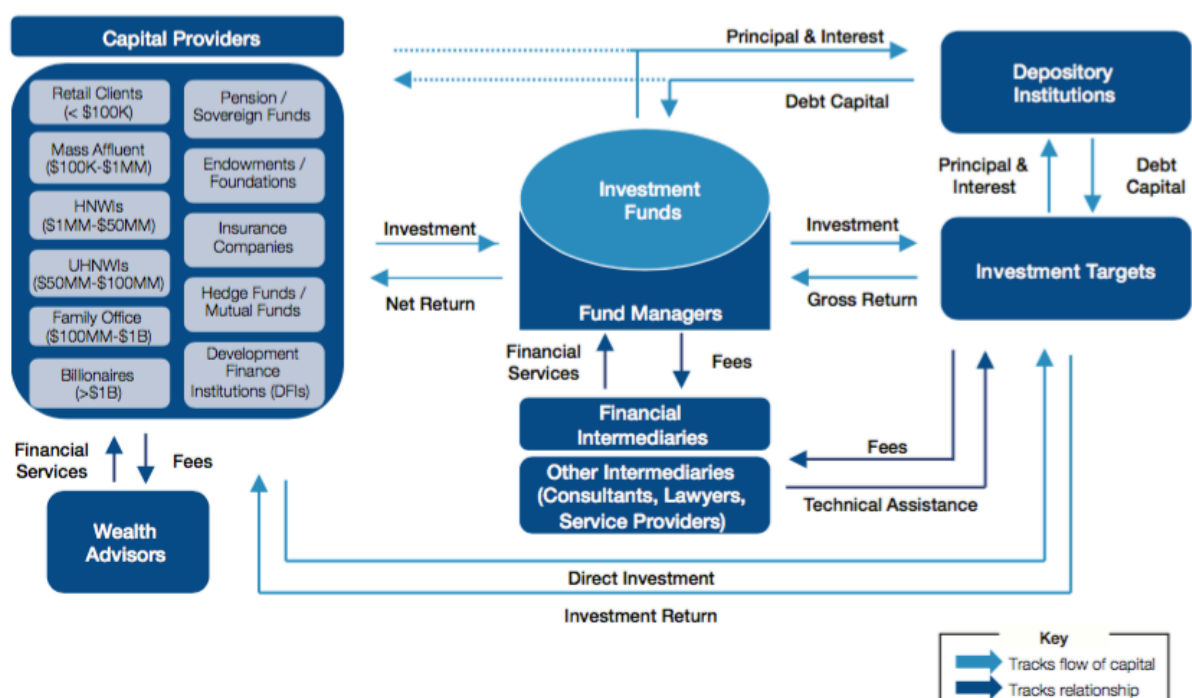
³⁵ This characteristic of impact investing also explains that currently most investments are flowing into microfinance. In the before mentioned survey by GIIN, a total of 33 respondents reported a total of 113 private “equity exits” that took place between 2008 and 2015. With the result that in the number of the reported equity exits microfinance, financial services and healthcare are the leading receiving sectors (Mudaliar et al. 2016). The conservation sector is with 7 out of 113 (6 percent) newly made private equity exits, currently a small, but still considerable sector.

³⁶ Different funds operate each in different institutional context, target sector or geographical location, in their use of subsidy and expected financial returns (Drexler 2013).

³⁷ See chart on the impact investment ecosystem and flows below

organizations that score the social and environmental performance of various funds and allow investors to benchmark and compare suitable target enterprises. Depository institutions³⁸ work like banks and have a more direct link to the target enterprise. They are often specialized in impact investing, receive and retail deposits, and administer the loans given to enterprises. These loans, provided to impact enterprises, are typically smaller in size than traditional commercial loans (Drexler 2013). These links between impact enterprises that require funding and capital providers is often what is missing. Here, depository institution and on the country context specialized financial intermediary help countries like Lao PDR to make the link from local impact enterprises to the global capital providers. However, impact enterprises can support this process, by providing valuable impact-related data to these supporting institutions and players. In that way impact enterprises show their attractiveness.

Figure 10: Impact Investment ecosystem and flows (Drexler et al. 2013:12)



³⁸ Currently pioneers sit mostly in Europe. Examples are the Charity Bank headquartered in England, and Triodos Bank headquartered in the Netherlands

Challenges that investors faced in the market that are currently still characteristic for impact investments are an appropriate capital across the risk-return spectrum and suitable exit options (Mudaliar et al. 2016). Other challenges are grounded in the innovative state of the impact investing sector³⁹.

Table 5: Challenges in the impact investing sector according to investors
(Mudaliar et al. 2016:9)

n = 158; 'Progress' column indicates the percent of respondents that noted 'some' or 'significant' progress on this indicator

Rank	Score	Available answer choices: "Lack of..."	Progress
1	431	Appropriate capital across the risk/return spectrum	73%
2	379	High-quality investment opportunities (fund or direct) with track record	82%
3	280	Suitable exit options	55%
4	265	Innovative deal/fund structures to accommodate investors' or investees' needs	78%
5	260	Common understanding of definition and segmentation of the impact investing market	84%
6	220	Research and data on products and performance	87%
7	216	Sophistication of impact measurement practice	86%
8	205	Professionals with relevant skill sets	88%
9	114	Government support for the market	69%

Note: Respondents ranked the top five challenges from a choice of nine options. Scores are calculated by weighting each rank by the number of respondents that selected it and summing those weighted totals.
Source: GIIN

A challenge for recipients of such funding is a possible over-indebtedness of individuals^{40 41}, in case their small scale social or environmental enterprise does not succeed. For locally started businesses that involve a great risk, a factor that needs to be consider.

³⁹ These are a lack of investment opportunities with track record, innovative deal/fund structures, a common understanding of definition and segmentation, research and data on products, impact measurement practice and a lack of professionals with relevant skills (see table above).

⁴⁰ Schicks (2010) identifies factors for and challenges from an over-indebtedness of individuals due to microfinance:

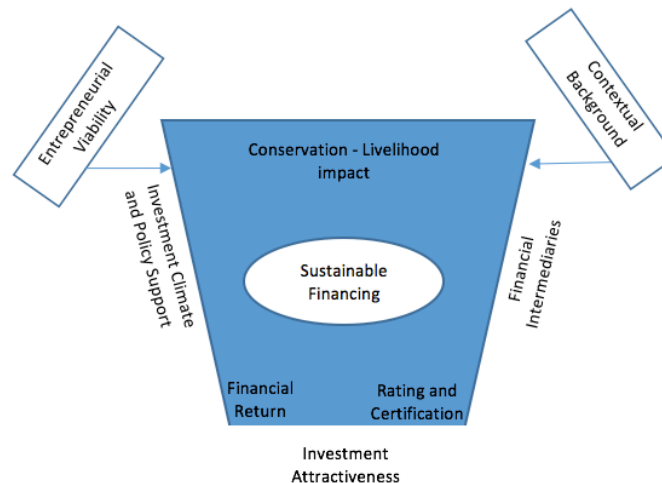
- Lenders enhance over-indebtedness risks in their marketing and growth focus, unsuitable product characteristics and inappropriate lending procedures;
- Borrowers contribute in their cognitive biases, psychological misrepresentations, and responsiveness to sociological pressures;
- External influences (e.g. shocks to the income and expenses of borrowers) can drive borrowers into over-indebtedness, facilitated by the institutional and legal environment.
- As a result, poverty of microfinance customers is enhanced, their social position is threatened and even leads to psychological disorders and health problems. Over-indebtedness represents a threat to the institutional sustainability of MFIs. And, over-indebtedness can trigger spill-over effects that harm healthy institutions and their customers.

⁴¹ In India's Andhra Pradesh, microfinance companies handed out small loans for people that were considered "very poor". They however, ended up in debt as they were no able to repay their loans. As a result, more than 200 indebted residents were reported to have committed suicide in 2010 (Business Insider 2010, DeMuth 2014).

4.3 Concept from literature

Per literature and data from impact investing related institutions, there exists an interest and trend towards impact investing. Here, capital providers require on one hand, a measurable and certified conservation and livelihood impact, and on the other, a financial return.

Figure 11: Conceptual framework on impact investing from literature



Key factors that contribute to this combination are the entrepreneurial viability of an enterprise and the contextual background such as conservation needs or social and geographical factors.

A supporting investment climate and policy environment contributes to the financial sustainability and return. Financial intermediaries, on the other hand, provide ratings and certification that assure and measure the impact, provide platforms where capital providers can benchmark different investment option and support conservation enterprises with suitable information on capital providers or impact funds.

4.4 The impact investment environment

4.4.1 Global trends

Since impact investing is a relatively new term, and investments range over different asset classes, sectors, and regions, there is still no understanding about the entire market size (GIIN 2017). The Global Impact Investment Network⁴², one of the main think tanks in this sector, produces an annual

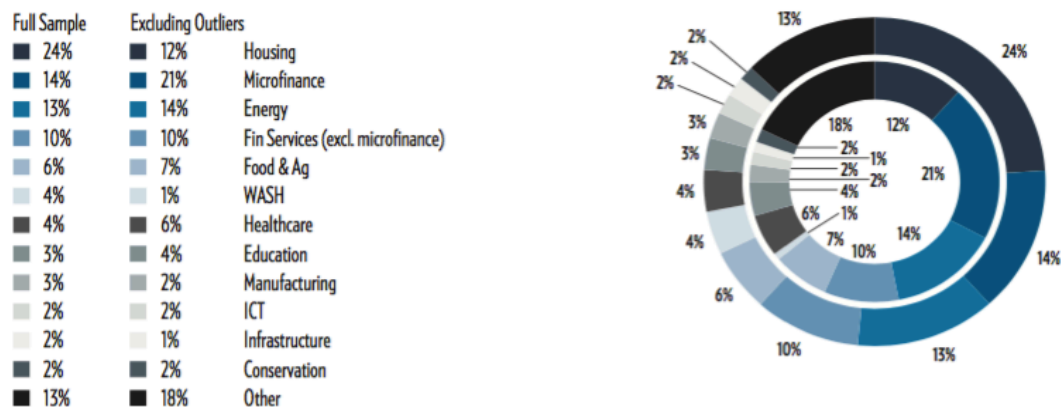
⁴² In addition to the Global Impact Investing Network's and the World Economic Forum's work, in 2015 the G8 has joined the movement by establishing the Global Social Impact Investment Steering Group (GSG). The GSG,

report based on a survey with key-players in the sector. Here, survey respondents reported committing a total of 15.2 billion USD with 7,551 impact investing deals in 2015. This is part of the 77.4 billion USD in impact investing assets that the 156 respondents managed by the end of 2015. Considering, that the global flows of foreign direct investment for 2016 was estimated at \$1.52 trillion (UNCTAD 2016), the impact investing market is small, but growing (Mudaliar et al. 2016).

Table 6: Current assets under management by the survey sample (Mudaliar et al. 2016:XXII)

Figure iii: Total AUM by sector

Outer circle: Full sample: n = 156; total AUM = USD 77.4 billion Inner circle: Excluding outliers: n = 153; total AUM = USD 49.5 billion



Note: 'Other' includes arts & culture, timber, forestry, waste management, pollution control, humanitarian assistance, community revitalization, and childcare.
Source: GIIN

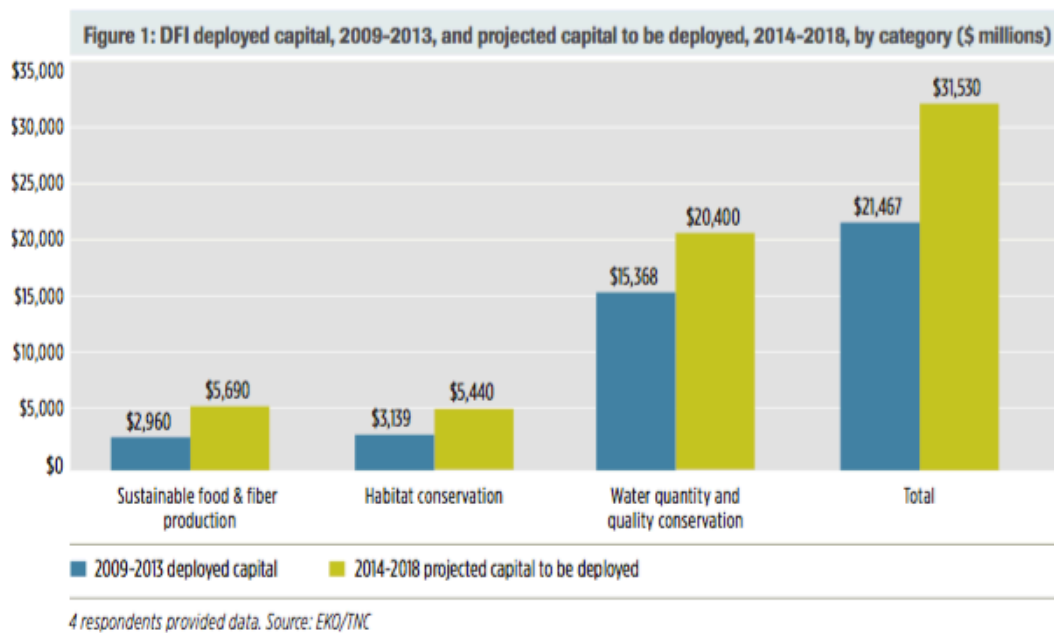
In terms of assets under management (AMU), the conservation related impact investing sector is part of the total reported sum of 49.5 billion USD (excluding outliers) with 2 percent and about one billion USD. A considerable amount for this new investment channel.

In a survey with five “diversified financial institutions and banks” (DFIs)⁴³ the Nature Conservancy et al. (2014:10) found that during the five-year period 2009-2013, these DFIs committed a total of 21.5 billion USD to conservation impact investments.

the G8’s “catalysing taskforce” for impact investing, aims to nurture a global social impact investment market. On their website, the GSG describes their agenda as “working to increase momentum by promoting a unified view of impact investment, facilitating knowledge exchange and encouraging policy change in national markets.” (GSG 2017) In this sense, we can expect to hear and learn more about impact investing in the near future.

⁴³ For example the European Investment Bank and the International Finance Corporation

Table 7: Deployed capital into conservation related sectors (Nature Conservancy et al. 2014:11)



4.4.2 Impact Investing environment in Lao PDR

The first book on impact investing in the ASEAN region (Stagars 2014) identifies that currently most strategic investors are generally multinational enterprises that invest through FDI channel, while retail investors have difficulties in access. As risks in the ASEAN region, Stagars (2014) names a missing protection of investors and political instability. In terms of investments in ecotourism in ASEAN, he sees a cooperation between local NGOs and communities as vital to create sustainable frameworks. These can provide the right education on how to deal with foreign tourists in a way that preserves customs and culture, and achieves greater economic resilience.

“Grants and sponsorship of NGOs that work toward this goal will have a large social and economic impact. Ecotourism could either form the business model of embedded social enterprises or be useful impact add-ons for external social enterprises.”

(Stagars 2014)

This argumentation outlines the importance of private-public partnerships in order to nurture impact investments in ecotourism. While private investors expect their capital to be at least returned, donor supported ecotourism projects show that initial investments clearly outweigh their short-term financial return (Harrison 2007). For enterprises that do not achieve a financial return from the beginning, the question is if governments or development finance institution consider funding in ecotourism for public expenditure related to conservation. Here, payments for ecosystem services, environmental offset schemes or an environmental tax provide existing concepts that provide nature based investments with funding. An ongoing contribution, or funding during the initial phase of ecotourism projects through such financial schemes will reduce the pressure on ecotourism enterprises to achieve returns from the very beginning and therefore, reduce the risks for investors, while increasing the attractiveness of ecotourism as an impact investment.

In 2005 the world bank supported the creation of such a financial scheme, called the Environment Protection Fund (appendix 7). This self-financed and self- managed organisation is currently financed by development partners (WB and ADB) and business operators in the energy and mining sector to offset their environmental impact.

Depository institutions that help smaller conservation enterprises to access funding, and intermediaries such as rating and certification organizations are to some extent existing in Lao PDR (three examples in appendix 8). Additionally, the Ministry of Planning and Investment has an existing platform that suggests and promotes possible investment projects (brief overview in appendix 9).

4.4.3 International view on Lao PDR's investment environment

Global financial investment flows to structurally weak, vulnerable and small economies, and flows to least developed countries are all strong (UNCTAD 2015). Furthermore, South–South FDI flows, including intraregional flows in ASEAN are on the rise (UNCTAD 2015) (see appendix 6 for a summary).

An important factor that contributes to a country's attractiveness towards these investments is the country's investment climate. This is a set of local opportunities and incentives for investors that shape the attractiveness for firms to invest (Mundial 2004). The factors that improve the investment climate are linked to costs, risks and barriers. These can partly be influenced by policy⁴⁴.

⁴⁴ Examples are a good security of property rights, quality investment promoting regulations and taxation, a supporting infrastructure, functioning financial and labour markets, and a good practice of governance linked to transparency, accountability and corruption. Factors that are rather difficult to change include a country's

In the WB's "ease of doing business" ranking (a summary in appendix 6), Lao PDR currently ranks relatively low (139 out of 190), but is improving.

Challenges mentioned by investors, mostly address an insecurity of investments⁴⁵ and a missing enforcement of legal rights⁴⁶. Accordingly, the owner of a foreign owned solar company noted that larger investment contracts are often issued over Singapore to ensure the enforcement of contracts. Furthermore, social initiatives, for example the provision of rural communities with solar panels for low interest loans (comparable to an impact investment), has in the past, been undercut by projects from development partners that offer the same service as grants. Additionally, investors mentioned challenges from high costs for land survey, conversion and transport (due to poor infrastructure).

One option to reduce risks is to invest through a Lao partner companies. A project manager for a locally owned architecture firm shared that international investor approach them with a topic in which they would like to invest. As a current example, he referred to a Japanese investor who had planned to invest in a waste water management facility in Lao PDR (also possibly considered an impact investment). While the architecture firm was hired to identify a suitable location and lead the project implementation.

geography and market size (Mundial 2004). Furthermore, local expertise, knowledge, specialization and effort are important factors for the attractiveness towards investments (NERI 2014; Ali & Zhuang 2007).

⁴⁵ One factor here is that the country's land has not yet been completely surveyed and allocated, which results in conflict over tenure. Investors mentioned that pledged concessions sometimes "all the sudden" turn into conservation areas.

⁴⁶ Investors report that in the case a family builds their house in the middle of an area under concession, investor have no way of enforcing their rights to the land. Here, local government authorities generally prefer to avoid the conflict with the local population.

5. Lao PDR's readiness for Ecotourism

5.1 Introduction

During the previous sections, this paper elaborated on different aspects drawn from literature and practice that are to consider when utilizing ecotourism as a tool for sustainable conservation.

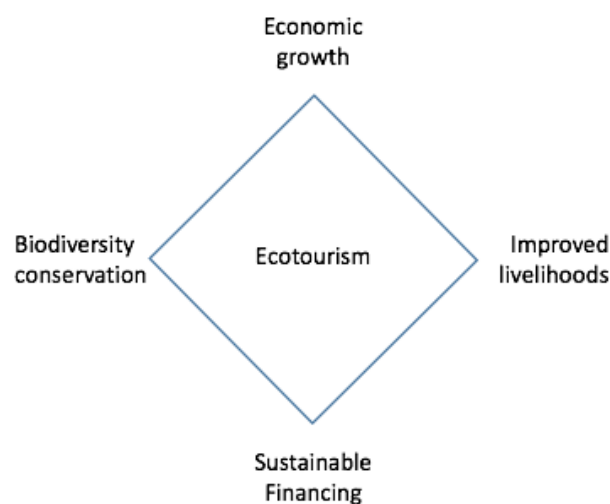
This section brings the introduced concepts together, explain the conceptual framework of this paper and position Lao PDR's ecotourism within it. Arguing that a link between ecotourism enterprises and a source of sustainable financing contributes to Lao PDR's readiness for ecotourism. Furthermore, expert interview responses outlines Lao PDR's conservation related decision-makers' perceived relevance of the link.

Fourth research sub-question: To what extend is Lao PDR ready for Ecotourism?

5.2 Conceptual framework

The paper started from the black-box of sustainable conservation. Its cornerstones are the need for biodiversity conservation, improved livelihoods, economic growth and sustainable financing.

Figure 12: Ecotourism as a tool that links different aspects of sustainable conservation

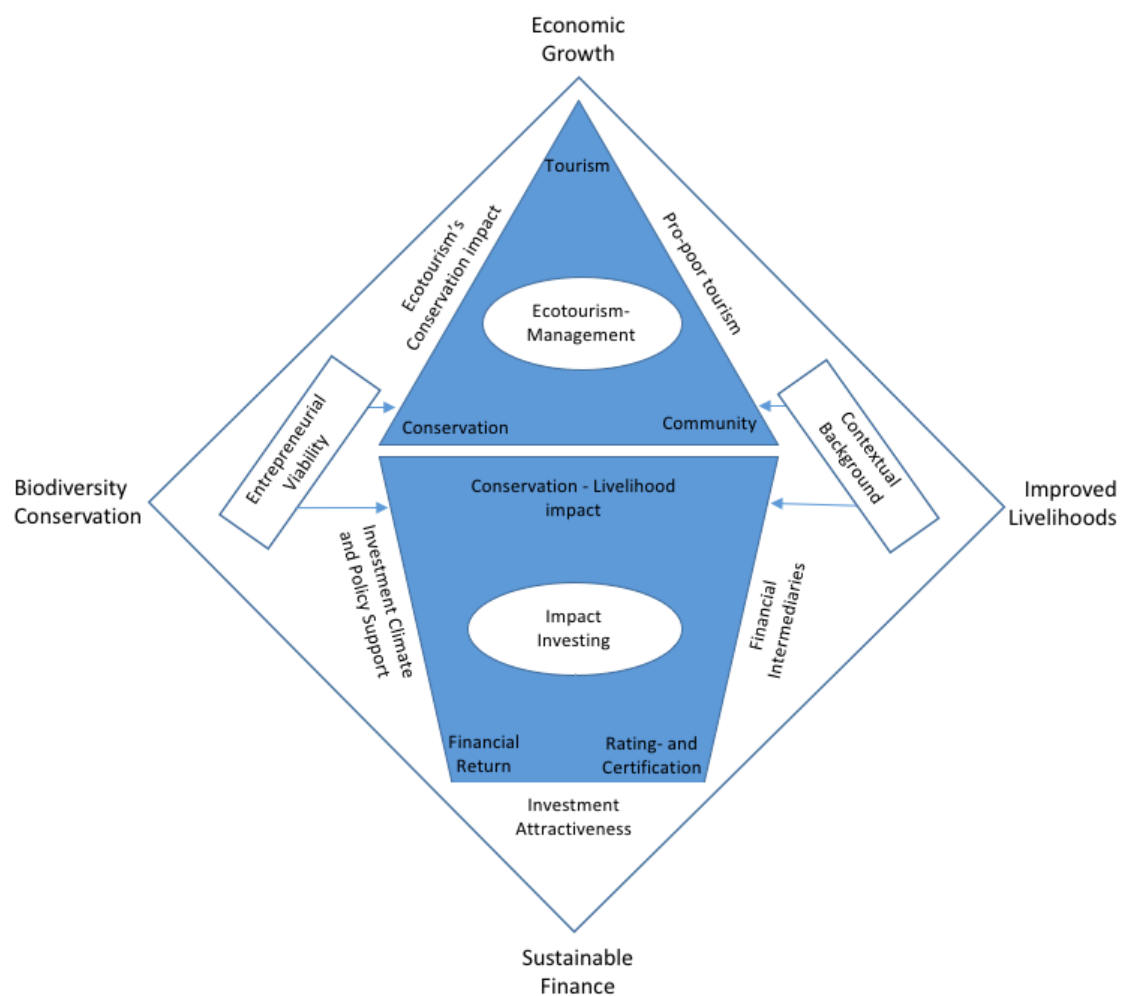


The concept of Impact investing was introduced as a possible source of funding that supports initial investments for ecotourism enterprises or contributes to their growth. Investments that are either

payed back through returns from the enterprise itself, or supported through public financial mechanism for conservation⁴⁷.

The conceptual framework below, combines both concepts. In doing so, this conceptual framework not only includes the objective of ecotourism (as a tool for sustainable conservation), but especially outlines different requirements in terms of a location's readiness for ecotourism.

Figure 13: Combined conceptual framework from literature



To be ready for sustainable ecotourism, a country's ecotourism industry must fulfil certain objectives, namely generate economic growth (national objective), improve livelihoods (local objective), contribute to biodiversity conservation (strategic objective) and attract sustainable financing (intrinsic

⁴⁷ Identified financial mechanisms include theoretical trading mechanisms to offset carbon or land conversion, payment schemes for ecosystem services, or an environmental tax (see 4.1 for more information).

objective). Furthermore, to be ecotourism (as per definition⁴⁸) it must achieve the tourism-community-conservation triangle.

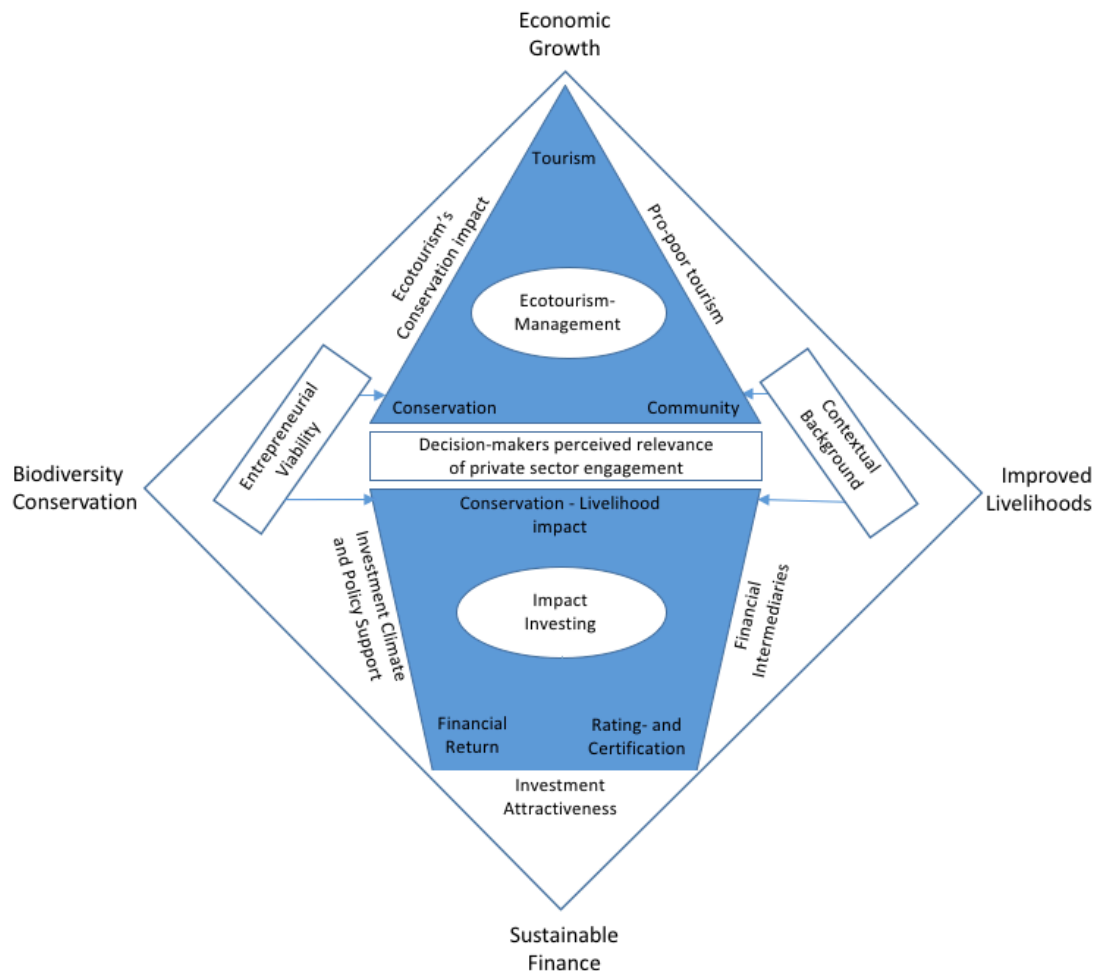
5.3 Lao PDR's readiness for ecotourism

Lao PDR has an existing set of policy papers that outline the country's willingness to further nurture ecotourism (section two) and aims to attract quality investments (section four). Furthermore, the investment climate shows suitable growth rates, however has room for improvements (section four). Additionally, Lao PDR already shows an existing ecotourism industry where some enterprises address the conservation-community-tourism link better and some less, however with some prime regulatory examples that achieve a successful link between the three (section three). Lastly, there exist some financial intermediaries and investment platforms in Lao PDR, including Lao PDR's environment protection fund (section four).

This section aims to address the links that were perceived to be missing in existing literature. Namely, local decision-makers' perceived relevance of ecotourism's benefits for conservation, of mechanisms to ensure inclusiveness and responsibility, and of conservation benefits from investments and the local demand for such. Without engaging decision makers in the link between private sector funding and ecotourism, a combination of the two is difficult to establish.

⁴⁸ "Travel with a primary interest in the natural history of a destination. It is a form of nature-based tourism that places about nature first-hand emphasis on learning, sustainability (conservation and local participation/benefits), and ethical planning, development and management." (Fennell 2015:17)

Figure 14: Decision makers filling the gap for Lao PDR's readiness for sustainable ecotourism



5.4 Perceived relevance of private sector engagement in Lao PDR's ecotourism

Overall the interviewed expert (see Appendix 10) see relevance in private sector contribution for conservation. This includes the interviewee's good ability⁴⁹ to identify existing investments with a positive environmental impact and a good identification of conservation aspects that could benefit from investments. Additionally, the interviewees show a clear understanding of challenges when introducing investments, and provided clear strategies to cope with these challenges. Furthermore, there exists a clear understanding of investments and ecotourism's contribution to conservation. The skill-set of communities to engage in new livelihood strategies such as ecotourism is perceived

⁴⁹ Ranking: see no relevance, good relevance, clear relevance; depending on the number of interview answers that originate in a (from the author) broadly perceived knowledge on the topic.

between not appropriate to none existing, however the interviewees have a clear idea of how to improve the local capacity.

When asked about existing private investment with a positive environmental impact in Lao PDR, interviewees answers ranged from compliance with regulations to investments that have a set of regulations that assures a direct positive impact to conservation.

Figure 15.1: Interview answers on existing investment⁵⁰

Existing private investments with a positive environmental impact	
Compliance with regulations on Environmental Impact Assessment	(2/6)
Investors that practice CSR	(2/6)
Investments with a direct impact (mostly ecotourism)	(2/6)
No such investments existing (in target district)	(1/6)

When asked about further demand for private investments into conservation related topics respondents mostly referred to industry spill-overs.

Figure 15.2: Interview answers on Lao PDR's demand for investments

Lao PDR's demand for investments in conservation related topics	
Promotion spill-overs in terms of Lao PDR's green and ecotourism image	(4/6)
Knowledge spill-overs for natural resource management	(3/6)
Revenue generation for conservation	(2/6)
Contribution to public services such as infrastructure	(2/6)
Ecotourism as a tool for conservation in creating an alternative income	(1/6)

⁵⁰ Since the interview question asked about existing investments, some referred to investment in their district or province. Therefore, for the response "no such investment", it is difficult to derive if there exists a missing understanding of investments with a direct conservation impact, or if there do not exists any such investments in the area the interviewees referred to.

When asked about mechanisms to ensure the inclusiveness of investments, the interviewees mostly referred to the establishment of regulations, while assuring compliance through a “carrot and stick”-approach.

Figure 15.3: Interview answers on mechanisms for inclusiveness and responsibility

Mechanisms to ensure inclusiveness of investments and responsibility of investors	
Community engagements and consultations	(3/6)
CSR initiatives	(2/6)
Decentralization of decision making for NPAs	(2/6)
Environmental assessment and feasibility studies	(2/6)
Engagement of other sector stakeholders	(1/6)
Transparency of investment (including self-reporting by investors)	(1/6)
Regulations for conservation on agricultural land	(1/6)
Dissemination of information and awareness raising in communities	(1/6)
Giving natural resources more value	(1/6)
Strategic village development plans including plans for ecotourism	(1/6)
Awareness raising and dissemination of regulations with investors	(1/6)
Building new initiatives on existing structures	(1/6)
Better government enforcement (e.g. fines and stop-orders)	(1/6)

When asked about key social and environmental issues in Lao PDR that could benefit from further investments the interviewees mostly addressed the three topical areas of economic, social and environmental benefits.

Figure 15.4 Interview answers social and environmental shortcomings

Social and environmental issues that could benefit from investments	
Job creation	(4/6)
Increased forest cover	(4/6)
Increased biodiversity (including wildlife and NTFPs)	(3/6)
Training and capacity building, and knowledge spill-overs	(2/6)
Promotion spill-overs to industries related to ecotourism	(2/6)
Revenue generation (for conservation and NPA management)	(2/6)
Watershed protection	(1/6)
Better access to communities (infrastructure)	(1/6)
Social and health benefits	(1/6)

When asked about the specific contribution that ecotourism can achieve for conservation, interviewees referred to its awareness raising aspect, revenue generation and promotion.

Figure 15.5 Interview answers on ecotourism and conservation

Role and potential of ecotourism for conservation	
Raise awareness on the importance of forests	(3/6)
Generate revenue for conservation	(2/6)
Support the promotion of the location	(2/6)
Engagement of communities in conservation	(1/6)
Preserve local culture and traditions	(1/6)
Knowledge spill overs from visitors	(1/6)
Generate income for communities	(1/6)
Contribute to reforestation	(1/6)
Biodiversity monitoring (including monitoring of illegal activities)	(1/6)

Local knowledge and skills to participate in ecotourism are generally perceived as very low.

Figure 15.6 Interview answers on community skills and knowledge

Perceived existence of skills and knowledge related to ecotourism in rural communities	
Non-existing	(4/6)
(Currently) not the appropriate skill-set	(2/6)
Local knowledge on culture, area, plants (medicinal) and animals	(1/6)
Lack of knowledge in terms of (government) rules and regulations	(1/6)

However, the interviewees provided suggestions how to best nurture appropriate skills or help community members to link their existing skills to ecotourism.

Figure 15.7 Training and capacity building strategies

Mentioned strategies to build capacity	
Key-staff dedicated to ecotourism on the central level	(1/6)
On the job training	(1/6)
Formal training	(1/6)
Bring people to existing and functioning ecotourism sport	(1/6)
Training on (resource efficient) production of handicraft	(2/6)
Training on how to link local knowledge (e.g. on fishery or forest) to ecotourism	(1/6)
"Learn how to make money from tourism"	(1/6)

Private investments are still perceived to have a negative impact on the environment, while benefits for the society and the environment are perceived to be indirect⁵¹. The focus on knowledge, promotion and other industry spill-overs (such as health care, training, biodiversity monitoring), clearly shows that conservation itself is still seen to be the role of the government and project from development partners.

⁵¹ Responses referred to knowledge spill-overs, in generating revenue for conservation, or in creating jobs and income. Furthermore, benefits from a private sector engagement are seen in its promotion of Lao PDR as a green and ecotourism destination.

However, ecotourism itself, also benefits conservation and livelihood indirectly. This can be either through financial schemes, conservation sub-projects and livelihood programmes, or through employment. Pure conservation investments in forested area are currently mostly focusing on developed countries such as the United States, where payment schemes for ecosystem services are already existing (Nature Conservancy 2014). Here, *New forests* (2017) presents one example (see appendix 8.1).

6. Conclusion and discussion

6.1 Conclusion

Ecotourism present a tool that can achieve a livelihood, conservation and economic impact. In doing so, it also complies with the principals of impact investing, as it combines a potential financial return with a positive social-environmental impact. However, the impact of ecotourism enterprises in only as good as the regulations that govern it, while the financial return during the initial phase is limited, and projects require strong capacity building programmes. Important for attracting impact investments in ecotourism are financial intermediaries, such as investments platforms and advisors that link capital providers with little insight in Lao PDR's investment market to ecotourism enterprises that require funding, while monitoring and certifying their impact.

More than an alternative livelihood strategy

Today, ecotourism in Lao PDR's protected areas is often introduced as a livelihood programme that alleviates negative impacts from restricting access to protected areas, and as a tool to reduce pressure on ecosystems by creating alternative livelihood strategies. However, ecotourism's potential for conservation is greater than that as is creates well needed revenue for Lao PDR's national protected areas, fits well into Lao PDR's sustainable development strategy, creates perceived and economic value in biodiversity, and therefore provides an argument against investment driven land conversion.

Payments for ecosystem services, offset schemes and financial intermediaries

Impact investments can help Lao PDR's ecotourism industry's growth and, accordingly, strengthen ecotourism's contribution to sustainable conservation. Financial intermediaries help to attract more investments. Furthermore, capitalizing the positive environmental impact of conservation enterprises such as ecotourism, through payments for ecosystem services or funds from environmental offset schemes, can support direct financial returns from the ecotourism enterprise itself and make investments more attractive. With the environment protection fund, Lao PDR already has an existing financial mechanism. However, currently intermediaries that link capital providers to small-scale ecotourism project are rare to non-existing. Nurturing this kind of institutions in Lao PDR will empower small ecotourism project through ratings and certifications, and provide platforms where capital providers can select and bench mark investment options. Furthermore, in retailing bigger loans, intermediaries not only provide loans to smaller enterprises, but furthermore spread loans over a diverse set of receivers and diversify risks for investors.

Relevance of investment for conservation

In Lao PDR, the government aims to drive GDP mainly through FDI. The government already installed different policies that aim to attract quality investments. Furthermore, decision makers clearly see relevance in investments that drive the country's conservation goals. This is an important step for Lao PDR's vision to achieve sustainable and quality growth.

6.2 Methodological positioning

For reasons of zooming into and deconstructing the context, structures and layers of Lao PDR's ecotourism sector, while filling missing gaps of information through expert interviews, a qualitative approach has been chosen for the fieldwork (Creswell 2007). Furthermore, explanation and the interpretation of observations are perceived through eyes and senses based on power, knowledge and context, a worldview closest related to critical realism (Gorski 2013).

Critical realism describes reality as being layered (Gorski 2013). A central idea of critical realism and this research paper is that causation derives from the power of structures and that studying a case requires to identify the structures and powers that produced it (Gorski 2013). Today, often economic growth and foreign investments, and on the other hand the conservation of the environment and intact ecosystems are still simplified to being contradicting developments. This research paper argues that a combination of economic growth and biodiversity conservation is possible, and requires a shift on different layers and their structures⁵². As these layers interact and influence each other they also open room for synergies.

This research aims to conceptualize a sustainable ecotourism approach that contributes to Lao PDR's conservation. The study is driven by a specific context-dependent knowledge generation within a bounded system. In theory (Flyvenbjerg 2006; Creswell 2007) this is a research problem well suited for a case study. The advantage of a case study approach to research is that it digs deep into a rather small sample (Flyvbjerg 2006) and studies phenomena in their natural settings, with the attempt to interpret based on the meaning individuals or groups ascribe this social or human problem (Creswell 2007). In collecting detailed, in-depth data that involves multiple sources of information (Yin 2003, recounted by Creswell 2007) a case study aims to present a detailed understanding of a complex issue

⁵² The layer and resulting structure of financial markets' understanding of benefits from biodiversity conservation, the layer of national and provincial policy to recognize the value of intact ecosystems and their services, the layer of local biodiversity conservation based enterprises, and the layer of individuals benefiting from wildlife and biodiversity through new livelihood strategies.

in one single context. For this paper, information has been drawn from policy documents and laws, macroeconomic statistics on tourism and FDI, study tours to ecotourism sites, direct observations and an engagement in related workshops. To fill the missing gaps, interviews were conducted with private sector individuals and key-experts in Lao PDR's conservation and public sector.

6.3 Sampling

To achieve in-depth information from a small group of expert interview, the non-random sampling strategy selected critical cases with maximum variation (see appendix 11 for the logic for selecting the paper's sample). This way of selecting experts for the interviews provides specific information about the research problem that permits to some extent logical generalization, however maximizes differences in interview responses to increase the likelihood that findings reflect differences in perspectives. One of the objectives of qualitative research (Creswell, 2007:126).

In order to facilitate the comparability of the expert interviews with decision-maker, structured interview with the same six questions were conducted with all six interviewees. This is a common approach for the inquiry of factual information from key- and expert informants (Hammett 2014). The interview lasted between twenty minutes and ninety minutes, with the general (surprising) tendency that the higher the position, the more time interviewees offered to share their knowledge. One interview was conducted with a translator (Lao to English) (Provincial Official from the Information and Tourism Department), while the other interviews were conducted in English. Only in one case there existed some difficulties in terminology (Vice-Governor of Xonnabouly District), however this could be overcome by explaining key-concepts and terminology in easier-understandable language.

The private sector interviews were conducted in a semi-structured, problem-centered manner to start the conversation smoothly and reach critical information after initial trust was built. However, this led to the consequence that the information from the structured interview was more informative and of higher quality, than the information inquired through the problem-centered approach. Apart from the two interviews, information was collected based on investor responses at the "Lao Eucalypt plantation sector meeting". Their point of view is important in the sense that investment in conservation and plantations are both natural resource based and therefore have similar challenges. However, critical here is that for plantations environmental and social considerations are often seen as limiting factors. Compared to ecotourism, where per definition, the social and environmental impact is an objective.

The expert interviews were recorded on tape and key arguments were written down in bullet-points. The combination of the two was then entered in a table, printed out and similar arguments were matched by hand. Due to the small sample of six interviewees, this method for coding and analysing

the collected data provided a good oversight over different arguments, while offering the possibility to rearrange and match responses without leaving other answers out of the picture. Since the private sector interviews addressed one specific section, their view on Lao PDR's investment climate, this information was not coded, but directly included in the appropriate section.

Information on existing type of ecotourism in Lao PDR was compiled through study-tours to at least on destination for each group. Apart from observations during the stay, additional data was gathered from short unstructured interviews at each destination, where interviewees often referred to their website for further data. Experiences were written down in a field diary, while the categories for their ranking is based ecotourism-literature that was reviewed earlier. Since each ecotourism type has its very own characteristic, the ranking is based on thematic groups for each score. This provides a rough, but informative overview for each ecotourism-type in Lao PDR.

The used secondary data was collected through online research or based on recommendations during the interviews. Data on the impact investing environment and specific actors was partly drawn from grey literature⁵³ and in some cases from the websites of leading impact investing networks⁵⁴, due to the fact that the concept of impact investing is still new to the academic literature. Since this data is not peer-review this could lead to weak empirical data. However, sources were chosen to be the leading institutions in this investment segment. A fact that provides some assurance of the correctness of the inquired data.

Further limitations to the used data is the relationship between the interviewer and the interviewed experts. Positionality generally influences the entire process of knowledge production and interpretation (Sultana 2007). This counts for both sides. While interviewees see the researcher in a particular way based on features such as nationality, age, ethnicity, gender, politics, worldview and identity, researchers perceive their observations in a specific way due to these attributes. Additionally, participants might respond with specific answers to please the interviewer or gain approval (Hammett 2014). During the time of research, I was still working at UNDP, an organization that provides Lao PDR with extensive funding that is important for the country. Especially official from the Government of Lao PDR could have been impacted due to this relation, shaping responses in a particular way. Here, the past nine months, living and working in Lao PDR, helped to provide some understanding of the setting such as cultural knowledge, which allowed to identify content between the lines.

⁵³ The Nature Conservancy et al. 2014; GIIN data from Mudaliar et al. 2016; and Drexler et al. 2013

⁵⁴ Global Impact Investing Network (GIIN); World Economic Forum's publications on Impact Investing; the G8's Global Social Impact Investment Steering Group (GSG)

Additionally, Lao PDR's official data is relatively weak and often shows discrepancies. This is reportedly due to a lack of data collection. One case that stood out were Lao PDR's statistics on FDI and ODA.

Ethically, the conclusion from interview responses to "decision makers' understanding of the link between investments and sustainable conservation" was perceived to be critical. This was taken into consideration and the analysis has been rephrased to "decision makers see relevance in the link between investments and sustainable conservation".

6.4 Future Research

In line with the sustainable development agenda this topical area is of current interest and will benefit from further research. Especially research on ecosystem services and a possible capitalization through financial schemes, the long term sustainability and real impact of ongoing impact investing, and the social and environmental impact of ecotourism will contribute to further advance the knowledge-pool on synergies between conservation and development.

(Word-count: 14,992)

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Appendix 1: Tourism in Lao PDR's strategic five year plan the 8th NSEDP (MPI 2016)

Lao PDR aims to:

“Develop tourism based on the application of natural, cultural and historic inheritance potential in an effective and sustainable manner through **participation** of the people; build complete- service-cycle tourism and link it to domestic and international tourist systems; train tour guide personnel; transform tourism into a **revenue-generating sector** of the country by focusing on prolonged tourist visits and increasing tourist spending in Lao PDR to **create employment and income** for the local population.”
(MPI 2016: 97)

Furthermore, the 8th NSEDP indicates targets for the current phase in terms of the tourism and ecotourism sector (MPI 2016: 97):

- a) “Increase the numbers of tourists to six million by 2020, and encourage an average stay of more than 10 days per head to generate a minimum annual revenue of US\$953 million.”
 - ➔ Logical framework Outcome 2, Output 6 on Protection of traditions and culture; Indicator number 133: Number of international tourists entering Lao PDR
 - ➔ Logical framework Outcome 2, Output 6 on Protection of traditions and culture; Indicator number 134: Revenue from tourism sector (International tourism receipts)
- b) “Develop 25 tourist sites; survey and allocate 40 tourist sites; improve and develop 10 tourist cycle sites of quality.”
 - ➔ Logical framework Outcome 2, Output 6 on Protection of traditions and culture, Indicator number 131: Number of villages developed into “Cultural Villages”; baseline 4,821 and no target 2020
 - ➔ Logical framework Outcome 2, Output 6 on Protection of traditions and culture, Indicator number 132: Number of established tourist sites: - National Heritage Sites (cultural/historical /natural) - nature tourism sites; Baseline 15
- c) “Produce souvenir for tourists (one district, one product) by 2020”
- d) “Expand markets to, or build markets in, remote and rural areas.”

Additionally, the Government of Lao PDR aims to nurture a positive investment climate for Lao PDR's tourism sector. The policies and legal instruments in the NSEDP outline the importance that investments are planned to play for the sector development (MPI 2016: 98):

1.	Promote public and private investment for focal and complete-cycle tourist product development
2.	Improve the quality of tourist sites, conduct a survey and plan tourist site redevelopment in line with the national tourist directions, to create more investment opportunities for the public and private sector.
3.	Concentrate on developing and renovating tourist site facilities to international standards and to yield local uniqueness
4.	Broaden and promote the call for more domestic and foreign investors to invest in the tourist sector
5.	Monitor and encourage business units to regularly contribute to tourism fund .
6.	Support and promote the sectors surrounding tourism to actively contribute to and participate in developing and promoting tourism
7.	Assign tourism diplomats and representatives to target countries to promote Laos tourism.
8.	Raise the Lao people's awareness of conserving their unique and proud traditions and culture
9.	Promote local administrative authorities to organize functions and tourist activities, such as ethnic minorities' cultural fairs, local traditions fairs and other important functions, to communicate their unique culture and local way of life to Lao and foreign people so that they will know and perceive ideas to visit various places in Lao PDR.

Appendix 2: Lao PDR's Visitor numbers – Top 10 Ranking of country of origin by number of tourists (LNTA 2016)

Especially notable is the rise in numbers of visitors from Korea starting 2013 and those coming from Australia in 2015. Furthermore, the top three are neighbouring countries, and only a quarter (76.6% - 81.5%) has a nationality other than one of the ASEAN countries.

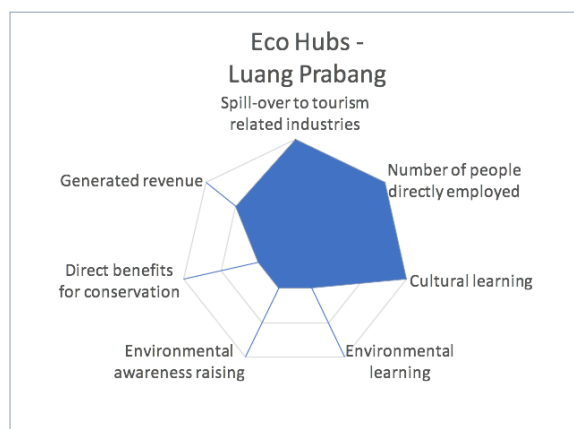
Country	2009	% first 10	% total	Rank 2009	2010	% total	Rank 2010	2011	% total	Rank 2011	2012	% total	Rank 2012	2013	% total	Rank 2013	2014	% total	Rank 2014	2015	% total	Rank 2015
Thailand	1,274,064	68%	63%	1	1,517,064	60%	1	1,579,941	58%	1	1,937,612	58%	1	2,059,434	54%	1	2,043,761	49%	1	2,321,352	50%	1
Vietnam	296,763	16%	15%	2	431,011	17%	2	561,586	21%	2	705,596	21%	2	910,164	24%	2	1,108,332	27%	2	1,187,954	25%	2
China	128,226	7%	6%	3	161,854	6%	3	150,791	6%	3	199,857	6%	3	245,033	6%	3	422,440	10%	3	511,436	11%	3
South Korea	17,876	1%	1%	9	27,312	1%	9	34,707	1%	8	53,829	2%	4	81,799	2%	4	96,085	2%	4	165,328	4%	4
USA	39,339	2%	2%	4	49,782	2%	4	50,092	2%	4	53,380	2%	5	61,608	2%	5	61,460	1%	5	63,058	1%	5
France	31,775	2%	2%	5	44,844	2%	5	44,399	2%	5	46,903	1%	6	52,411	1%	6	52,146	1%	6	55,151	1%	6
Japan	28,081	1%	1%	6	34,076	1%	7	37,883	1%	6	42,026	1%	7	48,644	1%	7	44,877	1%	8	43,826	1%	7
UK	27,044	1%	1%	7	37,272	1%	6	35,622	1%	7	35,964	1%	8	41,741	1%	8	39,061	1%	9	41,508	1%	8
Australia	24,209	1%	1%	8	30,538	1%	8	31,874	1%	9	33,878	1%	9	35,441	1%	9	44,964	1%	7	34,665	1%	9
Germany	17,710	1%	1%	10	22,583	1%	10	21,280	1%	10	23,417	1%	10	29,250	1%	10	29,800	1%	10	31,897	1%	10
Other	123,276	7%	6%		156,692	6%		175,389	6%		197,610	6%		213,965	6%		215,793	5%		228,254	5%	
Total ASEAN	1,611,009		80%		1,990,932	79%		2,191,224	80%		2,712,478	81%		3,041,233	80%		3,224,080	78%		3,588,538	77%	
Global Total	2,008,363				2,513,028			2,723,564			3,330,072			3,779,490			4,158,719			4,684,429		

Appendix 3: The five groups of ecotourism in Lao PDR

3.1: The Eco Hubs - Luang Prabang

In Lao PDR, a few cities are being promoted as tourist destinations that work as ecotourism hubs. The category eco-hubs describe places that themselves would not count as pure (deep) ecotourism themselves, however work as a base for eco-touristic activities throughout the day. Currently the locations Xiangkhouang (with the plain of jars in Phansavan Province), Pakse (with the riverine archipelago in the southern part of the Mekong river, an area in Champasak Province called 4000 islands), Luang Prabang (the ancient capital of the northern province with the same name, surrounded by tracks, eco-lodges and waterfalls), and Vang Vieng (Lao PDR's backpacker and party destination that currently develops government-lead towards an eco- and adventure-hub with tracks and trails through its limestone mountains, caves and blue-green lagoons). In terms of being a hub for eco-tourism, the destination Luang Prabang stands out. Already for its great number of visitors⁵⁵ the destination can hardly be ranked as a pure eco-tourism spot. However, the city itself is a cultural hub and its architecture appears mostly original, most tourist souvenirs are locally produced handicraft, and visitors mostly use the city as a basecamp to discover the surrounding nature. In terms of environmental education, cultural interest of visitors, and community development and participation the destination Luang Prabang and Lao PDR's ecotourism hubs can generally be considered ecotourism destinations. In its environmental sustainability and benign, however, there is often no change in attitude towards the environment and Lao PDR's ecotourism-hubs best fall under ecotourism lite (adopting some ecotourism guidelines, while focusing on nature related tourism) (Donohoe and Needham 2008).

Figure 3.1: Ranking of the Eco Hub Luang Prabang as ecotourism



Some other characteristics of Luang Prabang:

- (1) Important for smaller ecotourism related businesses in the area;
- (2) Highest density of tracks and trails in Lao PDR is in the area of Luang Prabang
- (3) Unique handicraft and small businesses in historic buildings provide a perception of inclusiveness, however mostly for low paying employment
- (4) One of the cultural centres in Lao PDR

⁵⁵ The World Heritage town currently attracts around 600,000 international tourists (Luang Prabang's tourism official in the Laotian Times September 27, 2016)

Appendix 3.2: Adventure-wildlife tours - Vang Vieng Challenge

Guided tours that combine an experience of adventure and wildlife are increasingly offered to tourists in Lao PDR. These are fully organized tours that bring groups into the forest and include lodging, food and transport. Today, such tours often combine tracking, wildlife observation and zip-lining through the forest with overnight stays in tree-houses or basic off-the-grid cabins. While some of them solely bring tourists into untouched forests, other have innovative payment schemes for the local communities and wildlife conservation. One of Lao PDR's flagship tours, the Gibbon Experience in the northern Bokeo province for example currently provides full time jobs to over 120 people and runs projects such as joint patrols with the Lao Government (on illegal logging, hunting, bomb fishing and land use), a tree-nursery for reforestation, and sustainable agriculture programs (Gibbon experience website). Therefore, the tours' local contribution to conservation and improved livelihoods varies depending on financial offset or distribution schemes. Here, also the tour-operator's or project background plays an essential role. If from the beginning on such a tour is introduced to contribute to conservation (which is often the case for village based tourism), the conservation impact is greater. The Vang Vieng Challenge and the Gibbon experience on the other hand were developed and are operated by the French tour operator Green Discovery, presumably to a greater extent for its business rather than for its contribution to conservation and livelihood. The private sector contribution to conservation in terms of off-setting and green-washing their adventure-tour, even if it's solely a business strategy plays a vital role for local conservation and creates some jobs. The Vang Vieng challenge is two-day tour that starts with a forest hike on the first day, includes abseiling through a waterfall, food and lodging in a cabin on the top of a mountain, and different zip-lines and abseiling down the mountain on the second day.

Figure 3.2: Ranking of the Adventure-wildlife tour Vang Vieng Challenge as ecotourism



Some characteristics of the Vang Vieng Challenge

- (1) Mostly young expats and backpackers
- (2) French foreign investor (Green Discovery)

Appendix 3.3: Village based Ecotourism – Ban Hatkhai in Phou Khao Khouay NPA

Especially within national protected areas, the government and development partners increasingly promote village based tourism. This type of eco-tourism has a long tradition in Lao PDR. Here, usually after a certain project inception phase, the village is taking over the entire eco-tourism initiative and manages visitors that come to their town, organizes guides, lodging and food, and manages the entire financial part itself. Often, there exist payment schemes that support the community and conservation. A popular and globally awarded eco-tour in the north of Lao, called Nam-Et Night Safari, for example, pays the community according to the number of seen wildlife, in the wild and on pictures that tourists were able to collect from camera traps. Furthermore, the conservation benefit of such projects is often the greatest due to the fact that tourism has been introduced to these communities with the intention to conserve nature and create benefits from wildlife locally. Either to create value in biodiversity and motivate local contribution to conservation, or to off-set restricted land-use in newly formed national protected areas. The night safari, for example, is the flag-ship attraction of a World Bank and WCS project in the Nam-Et national protected area to motivate communities' contribution to conservation and was introduced as part of a conservation project.

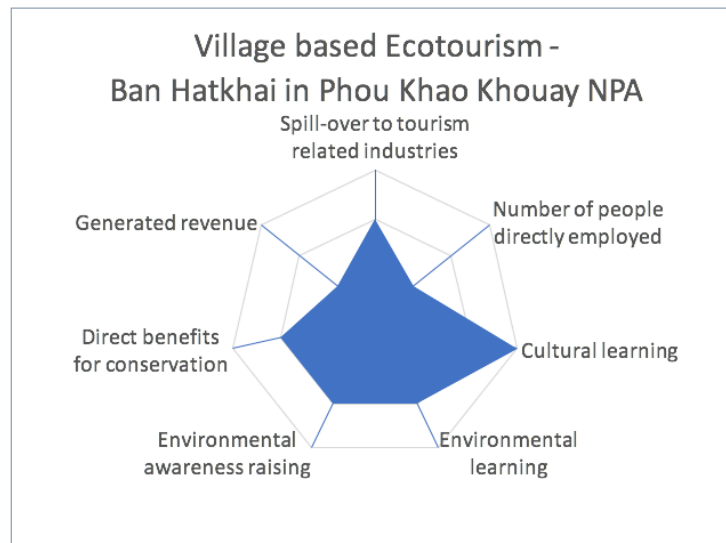
The Village based Ecotourism in Ban Hatkhai and the Night Safari are different in their arrangement and audience. The Night Safari was introduced by a development partner, and the Ban Hatkhai Village stay by the Government of Lao PDR. This results in some differences in target audience, prices, and payment schemes (development and conservation fund). A two day stay at Ban Hatakhai costs about 280,000 Kip (32 Euro), while the Night Safari's two-day programme costs 1,800,000 Kip (207 Euro) (643%). Just this price difference already makes a great difference in terms of visitors and impact.

The community-based tourism project in Ban Hatkhai Village is today entirely managed by the villagers themselves. Visitors can either stay within the private homes of the villagers, or in one of the two rooms in the tourism head-quarter of the village. Food is cooked by the villagers, who can also be hired as guides to the surrounding national protected area. The attractions in the NPA are different waterfall, hikes and untouched nature itself.

Example local contribution to community development - Ban Hatkhai Village stay fees:

- a) Village fund 50,000 Kip/person
- b) Dinner / Breakfast 30,000 Kip/ meal (cooked by villagers)
- c) Accommodation 60,000Kip for double room
- d) PA tax 40,000Kip/person
- e) Park entrance fee 5,000/day

Figure 3.3: Ranking of Village based Ecotourism in Ban Hatkhai as ecotourism



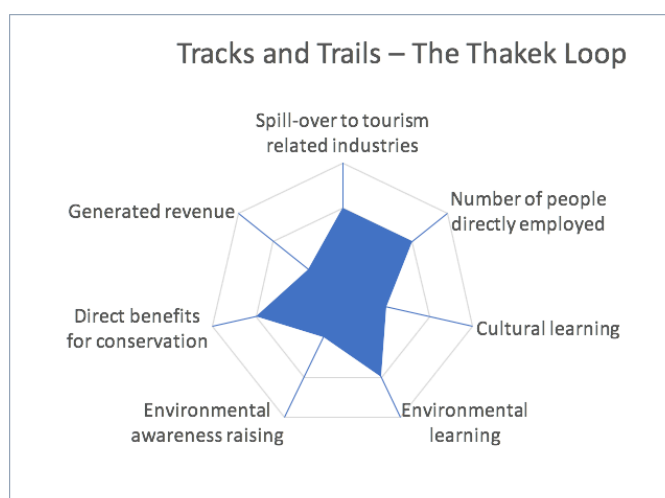
Some more Characteristics:

- (1) Absolute Lao experience
- (2) Little comfort (alternative tourists)
- (3) After two days in the village the locals know the visitor
- (4) Access over dirt road

Appendix 3.4: Tracks and Trails – The Thakek Loop

Another interesting, however relatively unpredictable concept are unguided, “open-source”-planned tours and trails. Such tracks or motorbike loops are often promoted in travel forums or travel guides and result in the development of a local touristic infrastructure. Through various media channels these routes become known within the travel and expatriate community and develop a life of their own. The idea of renting a motorbike as means of travelling is often chosen to experience the surrounding natural and cultural more directly. Most famous in Southeast Asia is the Vietnam route Saigon to Hanoi and vis versa. Here, mostly backpackers, buy an old Honda Win (250-300 USD) and travel the north-south route over a period of one to three weeks, while staying at home-stays or hostels along the way. As the track became famous and tourists started extending their motorbike tour to Lao PDR, Cambodia and Thailand, motorbikes also started ending up in these countries. For this reason, many motorbikes (mostly Honda Wins and some scooters) with Vietnamese number plate, can still be found in Lao PDR. A Laotian example of such a tour, in small, is the “Thakek loop” in Lao PDR. A motorbike loop that is certainly influenced by the Vietnamese counter-part. The round trip is a network of roads and highways that shape a rectangular and passes by several natural sites (e.g. caves, viewpoints and waterfalls), while starting and ending in Thakek. Since its introduction to the travel community, home stays, little basic resorts, bike rentals and touristic locations have developed by themselves, while promoting the local natural sites and ecosystems.

Figure 3.4: Ranking of the Thakek Loop as ecotourism



Some more characteristics:

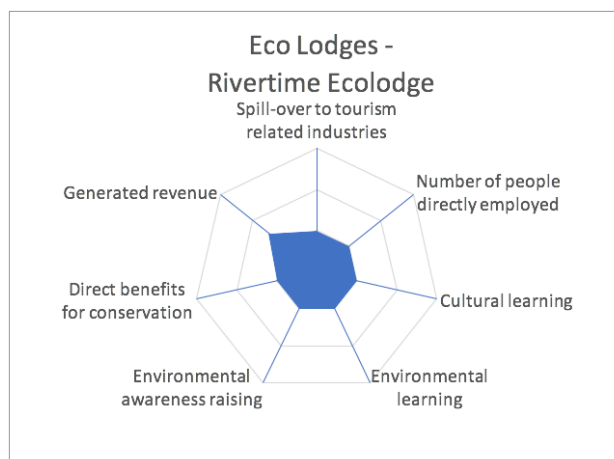
- (1) Mostly young backpackers and expatriates
- (2) Depending on the chosen lodging and restaurants the local impact varies
- (3) Promote the nature and cultural sites along the way
- (4) The tour passes one of Lao PDR's

hydropower projects that turned an entire ecosystem into a lake, with an interesting learning experience of the link between development and the environment

Appendix 3.5: Eco lodges – Example Rivertime Ecolodge in Vientiane Province

Eco-lodges are a common player in the ecotourism industry. Their local impact on livelihoods and conservation, however is generally between ecotourism lite (with some ecotourism guidelines, while focusing on the nature-experience) and greenwashing (Donohoe and Needham 2008). This results in a conservation and livelihood impact by provide alternative employment (to natural-resource extraction based income), improved access (e.g. infrastructure), stimulate new services (e.g. health facilities), strengthen the local market in some way, but usually shows limited local purchase (Wallace and Pierce 1996). Especially higher priced and luxury lodges often generate only a small part of their revenue locally. The Rivertime Resort and Ecolodge in Vientiane Province, about one and a half hours by car from Vientiane capital mostly contributes to the local development through employment opportunities. Currently only one family is employed at the resort, while the French owner lives overseas. The resort can also be used as a base for hikes and boat tours on the bordering river.

Figure 3.5: Ranking of the Rivertime Ecolodge as ecotourism



Some more characteristics:

- (1) With more marketing and some renovations this place can attract more visitors and have a great impact
- (2) Good distance from Vientiane, last part of the access road is a dirt road
- (3) Depending on the arrangement eco-lodges often address medium to high spending tourists

The ranking for each category is based on the following criteria:

Category / Score	0	1	2	3
Spill-over to tourism related industries	only enterprise stakeholders benefit	mostly employment related	employment, local sourcing and economic spill-overs	great value chain of tourism related industry (handicraft, guides, cafes, etc.)
Number of people directly employed	Employment of individuals within the community is the exception	A small group of people from the community is employed	some part of the community is employed in ecotourism enterprises and related activities	Wide spread full employment
Cultural learning	No cultural learning	Little cultural learning	Some cultural insights, mostly through existing cultural and historic tourism infrastructure	Cultural sights and deep insights into the local culture
Environmental learning	No environmental learning	Mostly through exposure to nature	Exposure to (untouched) nature & some information provided	Exposure to (untouched) nature; guides / signage that provide in-depth information
Environmental awareness raising	No awareness raising	little contribution to environmental awareness raising by ecotourism	Some awareness of environmental issues is driven by ecotourism; mostly through incentives	The community is fully aware of environmental issues and contributes to conservation
Direct benefits for conservation	No benefits or negative impacts on conservation	Little benefits for conservation; no financial schemes	There are some financial schemes installed that provide funding for conservation	Conservation is benefiting through large direct investments in the conservation of forests
Generated revenue	Very little spending of tourists	some revenue is created and stays locally	High expenditure of tourists creates some local value	High expenditure of tourists, including a long local touristic value chain; stays locally

Appendix 4: Inclusive and green criteria for investments

In Lao PDR's financial plan to achieve the goals set in the eighth NSEDP (MPI 2016:165), the Government of Lao PDR plans to:

*“Encourage investment from private domestic and foreign sectors to contribute more actively, focusing particularly on **quality investments**; create a favourable legal framework and **investment climate**, [...] monitor and inspect project implementation to ensure systematic **legal compliance and agreements** with the Government in a regular and highly effective manner; strengthen coordination and harmonize all stakeholders' implementation.”*

This outlines the strategical stream of attracting quality investments by creating a favourable investment climate, while ensuring legal compliance.

For the implementation of Lao PDR's environmental protection law (No. 29, National Assembly), the Ministry of Natural Resources and Environment (MONRE) has updated Lao PDR's Environmental Impact Decree (112, Prime Minister), by adopting the Ministerial Instruction (No. 8030, MONRE) on Environmental and Social Impact Assessment (ESIA) of investment projects and activities.

Here, social factors are explained as

“effects caused by an investment project or activity (on human life, health, livelihood, and cultural and historical assets).”

(MONRE 2015)

Environmental impacts as

“effects caused by an investment project and activity on ecosystems, natural resources, biomass, soil, water, climate landscape and historical monuments.”

(MONRE 2015)

While MONRE aims to reduce negative social and environmental effects of investments, the literature on this topic rather speaks of the two factors as positive goals. Namely, social inclusiveness and green growth.

Inclusive criteria for investment
<p>The ADB (Ali & Zhuang 2007: 10) writes "inclusive growth means growth with equal opportunities". This formulation includes two parts, the creation of opportunities, while making them accessible to all. Where "accessible to all" describes that all members of a society are allowed to participate in and contribute to growth equally⁵⁶, regardless of their individual circumstances. Where social exclusion or discrimination generally emerges from weaknesses of an existing system for property and civil rights. Meaning that these weaknesses mostly need to be addressed through public policies.</p> <p>Addressing poverty in terms of pro poor economic growth is a central mission of inclusiveness. On one hand, is the impact of growth on poverty stronger, if the initial inequality is lower or declining over time. On the other, contributes inclusive growth to poverty reduction efforts, by creating employment opportunities and making them equally accessible (Ali & Zhuang 2007). This requires a hand in hand approach of both, private and public actors to align the policy approach for growth and equal opportunities. Pro poor economic growth, based on the private sector needs to be incentivized (e.g. through public-private-partnerships), however, accompanied by public investment in education, health and infrastructure to create equal opportunities through preparation and accessibility. These two policy ideas also represent the two key approaches, absolute impact (empowerment, through improved human capita; direct positive impact) and relative impact (reducing discrimination; reduce negative impact).</p>

⁵⁶ The importance of equal opportunities can be grounded in its intrinsic (recognition that equal opportunities are a human right) and instrumental (growth potential due to equal opportunities) value (Ali & Zhuang 2007). For the case of inclusive growth, however, both are valid and important arguments.

Green criteria for investments

Green-ness of growth, first became a major topic with the sustainable development agenda that aims to balance between economic, social and environmental factors (more under section three). This concept is opposing the arguments of the environmental Kuznets curve⁵⁷ and the “*grown now, clean later*” attitude, in applying an integrated approach of growth with a sustainable footprint. Vis versa, to introduce green policies that will possibly contribute to economic growth. The central challenge of this sustainable approach towards development and growth is, to make growth more resource efficient, clean and resilient without slowing it.

Considering potential negative environmental effects from investments is often perceived as a constraint to their return and growth. However, this way of looking at capital assets and benefits is leaving externalities out of the picture, in terms of Garrett Hardin’s (1968) tragedy of the commons. Natural capital is an input, and economic production is directly dependent on natural resources (Hallegatte et al. 2012). Therefore, a country’s economic system depends on its stock of these natural resources. Activities in environmental conservation and its consideration increase exactly this natural capital⁵⁸. Furthermore, a functioning and enhancing environment increases the human well-being and, therefore, the human capital. It improves water and air quality and, subsequently, fosters physical and mental health. Additionally, an intact nature and ecosystem, provides a variety of ecosystem services (more under section one), many of which are just now starting to be understood.

Green growth, is a further concept in this field, which includes sustainability factors and an efficient use of resources, with the goal of making growth more resilient without slowing it (Hallegatte et al. 2012). The transition into a low-carbon, climate resilient and resource efficient economy, however, requires relevant investments, to a great extend from private sources (Inderst et al. 2012). This includes green technology and innovation, and for some cases larger initial investment, due to environmental and social considerations, that only pay off in the long run. However, an adoption of

57 Some environmental improvements can be observed with an increased per capita income, as for example for the water or air quality. However other environmental impacts from pollutants, agro-chemicals, a degradation of forests and biodiversity are in many cases widening and increasing. Maybe, over a longer period of time an improvement in terms of the Kuznets curve will be observed, however environmental degradation might proceed to fast to allow the entire global community to ignore sustainability in its grown models (Stern et al. 1996).

58 It can be argued that in the short term, a restriction of the use of natural resources reduces the stock of natural capital, or at least its value. In the long run, however, decreased degradation and exploitation not only increases the stock, but also increases its value; New ways of making use of functioning ecosystems, smaller global stock of remaining natural capital, higher value given to ecosystem services.

concepts from green growth for the region of Southeast Asia has various local benefits. Firstly, Southeast Asia's natural resources are an important factor for the region and need to be managed sustainably to assure long term gains. Secondly, the region is undergoing a rapid development including urbanisation, where low-carbon infrastructure and energy is important for a pollution-free, clean and climate resilient future. Lastly, the region could become a hub for green investment, by adopting sustainable economic and policy models, resulting in enormous positive spill-over effects for the region (OECD 2014). The main green growth policy concepts can be grouped in three main streams. Green growth that is in line with sustainable development and focusing on poverty reduction and global equity, concepts that emphasise innovation and its transforming role for industry and energy, and a stream recognising limits to growth while refocusing on growth that enhances equity and wellbeing (Scott et al. 2013).

Realizing the true value of natural capital assets - instead of receiving the green-ness of growth as constraints - requires a sustainable management of existing natural assets and a careful consideration of effects in case of their exploitation. The exploitation and degradation of natural capital, without its consideration in the economic analysis, could even be described as market failure (Hallegatte et al., 2012). Including those costs in the cost analysis will lead to an increased "true" productivity and competitiveness, and plays a stimulating role for sustainable growth. The two issues, an increase of the effective quantity of inputs and an efficient resource use, require bilateral, regional and international cooperation for the development and dissemination of innovations that subsequently create knowledge spill-overs instead of a displacement of dirty industry sectors (Inderst et al. 2012).

Appendix 5: Investment policy

Different policy and investment frameworks select the right type of investment and ensure its monitoring. A growing number of countries have formulated, reviewed and reformed their bilateral and multilateral international investment treaties. The majority in terms of incorporating provisions related to sustainable development (UNCTAD 2015).

One framework for investment policy (UNCTAD 2015) has been published addressing three levels of initiatives - national policy, international policy and promotion policy. The advice on national investment policy addresses the integration of responsible investment in national development policy⁵⁹ to harness investment for productive capacity building and subsequently enhance international competitiveness, motivate investor responsibility and voluntary CSR initiatives, and to explicitly formulated policy objectives with clear priorities and time frames. The latter furthermore contributes to the mentioned promotion policy. This includes the development of bankable projects for relevant sectors, a reorientation of investment incentives towards sustainable development (relevant sectors, and conditional for their contribution), and, furthermore, a promotion of regional cooperation through cross-border infrastructure development and regional clusters for sectors (e.g. Green hub Southeast Asia).

In terms of policy development, investment policies continue to address market liberalisation aiming to improve entry conditions and reduce restrictions. On the other hand, investment policies that are

59 Recognising the importance of private investments, and with the goal to attract and simplify the entire investment process for investors as well as government institutions, Lao PDR agreed on an Investment Promotion Law in 2009, a Decree on its implementation in 2011 and a One-Stop Investment Service. This One-Stop service includes regulations and laws, procedures of different sectors that are relevant to private sector investment promotion and ensures an implementation in line with national regulations. The goal of the investment promotion initiative is to offer an incentive mix that attracts FDI and counter balances the low investment attractiveness of the country due to its weak institutional framework, lack of transparency, undeveloped infrastructure, low ease of doing business in terms of ratings, and a skill base and educational levels that just start to take off.

The current promotion policy is related to the sector and region within the country, respectively "activities related to the eradication of poverty, improvement of living standard of the peoples, construction of infrastructure, development of human resources, creation of job opportunities" and "on the basis of the condition of the economic and social infrastructures and the geographic conditions" (Investment Promotion Law No. 02/NA, dated 8 July 2009) including profit (income) tax, custom duty and concession rental / royalty exemptions. However, stakeholders and the donor community question this incentive mix, due to its limited return in terms of tax revenue, job creation, technology transfer or other positive externalities, and negative impacts on local communities and the environment of land investments (Perera 2011). One of the results was a Order from the Prime Minister (PMO No 13/PM) in June 2012, which suspends approvals for all investment proposals for the exploration of a range of mineral ores and the export of raw minerals and rubber and eucalyptus plantations (Saunders et al. 2014) until effective environmental and social impact monitoring system, and an appropriate land and tenure management system are implemented.

geared towards sustainability are still outnumbered, with only 8 per cent (between 2010 and 2014) of the policies specifically targeting private sector participation in key sustainable development sectors, such as infrastructure, health, education and climate change mitigation. Furthermore, countries formulate international investment agreements (UNCTAD 2015, identifies 31 new ones in 2014) which address issues concerning cross border investments within a countries territory. Lately, some countries have revised their international investment agreements, however, one of the reasons being that international treaty based claims. Where developing countries continue to be in a weaker position.

Additionally, there exists a growing consent on the importance of mechanisms to identify environmental and social issues and inter-sectorial linkages in terms of negative and positive spill-overs (e.g. Lao PDR's social and environmental impact assessment IEE & EIA).

Appendix 6: Overview of investment trends and development of FDI

In Lao PDR, FDI contributes between 25⁶⁰ to 60⁶¹ percent to the biggest inflows of foreign capital⁶².

Globally, FDI inflows declined in 2014 (16 per cent to \$1.23 trillion) which can be accounted to the fragility of the global economy, policy uncertainty for investors and elevated geopolitical risks. However, the ASEAN region (up 5 per cent to \$133 billion) is one of the strongest regional alliances globally. FDI recovery is reported to be in sight, however, stronger in cross-border M&As than greenfield investment. FDI flows to developing economies (\$681 billion with a 2 percent rise), to structurally weak, vulnerable and small economies (3 per cent rise to \$52 billion) and flows to least developed countries (4 per cent rise to \$23 billion) are all quite strong. Furthermore, South–South FDI flows, including intraregional flows, have gained strength in recent years, where the Asian FDI outflows (increased by 29 percent to \$432 billion in 2014) are led by China, and in Southeast Asia by Singapore (\$41 billion in 2014). Most developing-economy investment tends to occur within each economy's immediate geographic region, with regional markets and value chains being the key driver. The service sector is the strongest within FDI, accounting for 63 per cent of global FDI stock, more than twice the share of manufacturing (in 2012). Furthermore, international production continued to strengthen in 2014, with all indicators of foreign affiliate activity rising (including sales, employment, exports, value added, assets, performance). (all UNCTAD data, 2015)

WB's ease of doing business ranking

Currently Lao PDR's ranking is weak (139 out of 190). A key recommendation is to streamline procedures that reduce the time involved for starting and conducting business. Further factors with low scores in the international rating on doing business in Lao PDR include resolving insolvency,

60 For Lao PDR the capital inflow of foreign aid in 2015 totalled at 3.8 billion USD, which makes about 74 percent of the three biggest sources. Followed by FDI of about 1.3 billion, with about 25 percent, and workers' remittances of 99 million, summing up to about 2 percent (Ministry of Planning and Investment, 2016). The total amount of 1.3 billion USD in FDI went to the biggest part in the three sectors electricity generation (energy), agriculture and mining, with 45, 37 and 14 percent, respectively. As for the origin of the investing actor, the greatest sum can be accounted to Vietnam (37 percent), tightly followed by Malaysia (34 percent), China (7 percent), Hongkong (1 percent) and the United Kingdom, Thailand, Indonesia and Japan (together 0,6 percent) (all MPI data for 2015).

61 The World Bank has publish data that show a high discrepancy with the numbers from the MPI. Their (WB) data for 2014 is the following:

FDI inflow of 721 million USD, ODA of 472 million USD, remittances of 93 million USD and a portfolio equity net inflows of 6.7 million USD;

For the four capital inflows, respectively: 56%, 37%, 7% and 1% (WB Data, 2016)

62 Foreign Development Assistance and worker's remittances being the other two sources of major capital inflow (Schmidt & Culpeper 2003).

protecting minority investors, getting electricity and the time it takes to prepare, file and pay taxes. The strongest recent improvement in Lao PDR in terms of those ratings, was recognized to be the “process of starting a business”. Here, the establishment of a One-Stop service for concession related investment has improved the processes to apply for concessions. Additionally, Lao PDR has improved its rating in Transparency International’s Corruption Perceptions Index (from rank 143 in 2015 to rank 123 in 2016, with 30 and 25 out of 100 points respectively). Especially since Lao PDR’s new Prime Minister Thongloun Sisoulith is in office the corruption on the national political level has improved noticeable.

Appendix 7: National sources of finance, the Environment Protection Fund (EPF 2017)

With the support of WB, in the middle of 2005 the EPF was founded as an independent, self-financed and self- managed organisation. Mainly business operators in the energy and mining sector, as the largest consumers of the country's natural resources are contributing to the fund. Over the past 12 years, the EPF has received about US\$25 million in total to finance environmental (12.9 million USD as a grant from the World Bank, 5 .7 million USD from the Asian Development Bank, 600,000 USD from Electric power projects, 2.8 million USD from mining projects) (Vientiane times 2017). Further potential sources of capital and income are indicated as (EPF 2017):

- Grants and loans from domestic and foreign entities,
- Government budget,
- Development projects and other activities,
- Contribution from business and person entities,
- Interest or benefits accrued from investing the EPF endowment.

The EPF provides financial support through non-refundable grants, preferential loans and interest rate subsidies. As beneficiaries, ministries, departments, agencies and any other public or private organizations are named.

Currently the EPF supports eight smaller project including water protection, forest cover, protected area management and finance for a cultural site (with a total budget of 7,994,699 USD). Additionally, it finances the WB's LENS2 project on institutional capacity building for protected area and protection forest management, and wildlife conservation with the objective to strengthen the policy and institutional framework and DFRM (Department of Forest Resource Management in the Ministry of Agriculture and Forestry) capacity to protect and manage the NPA (National Protected Area) and PF (Protection Forest) system (Budget life: 2,497,440 USD). Also, the first phase of the project, LENS1 (Budget life: 1,899,899 USD) was financed by the fund.

Appendix 8: Examples of existing intermediaries in Lao PDR

Example 1: Impact Foundation

The impact foundation has an impact investing vehicle called Laos Agriventures with the goal of alleviating poverty through sustainable business (Impact Foundation 2017). Laos Agriventures funds value-adding processes such as feed mills and harvest centres, and new types of livestock, such as sow and fish farms. The built companies are reportedly 70 percent Lao and 30 percent “West/US” lead in terms of management authority. The Impact Foundation analyses the impact and potential return, for investors. The donor receives a note or equity in return from the Impact Fund. Here, investor can earn a “nice profit” (Impact Foundation 2017).

However, the return, as well as dividends and distributions are kept in the impact fund for further investment or for charitable giving. In that way, for investors this impact fund is more a grant than investment. Only that the investor has the option to manage where his growing “grant” is going, on an ongoing. Even though there is no direct return for investors, this model shows that theoretically return from investments with impact in Lao PDR is possible.

Example 2: UBERIS Capital

UBERIS Capital focus on rural development in providing opportunities out of poverty by through investments in entrepreneurship with financial returns for investors.

Figure 16: Uberis Capital selection of ventures (Uberis 2017)



In Lao PDR UBERIS Capital cooperates with the German owned Sunlabob (Annex 3) who is working on renewable energy and clean water solutions for the developing world. Sunlabob's provide renewable energy and clean water solutions for communities situated in remote off-grid areas. Over the last five years 250,000 households have been impacted (Uberis 2017). Uberis Capital operates through advisory support and a debt and equity investment. Communities pay back their off-grid renewable energy and clean water solutions over a period of years.

Example 3: New Forests

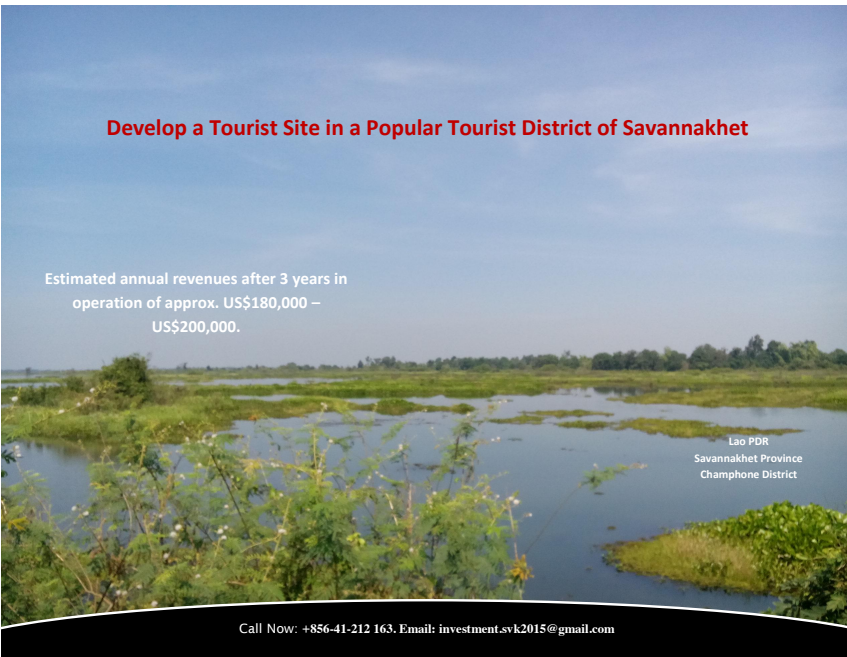
New Forests is currently not active in Lao PDR. However, the enterprise is generally interested in conservation finance in terms of forest carbon and mitigation banking markets, and is present in the Southeast Asian region.

"Regulated environmental markets in the US for carbon and mitigation banking are leading to new investment opportunities in forestry and land management. These impact investments create conservation outcomes and commercial returns, and innovative business models are now being replicated in the Asia-Pacific region." (New forests 2017)

Appendix 9: The Ministry of Planning and Investment's investment platform

Apart from financial intermediaries, also the government itself can promote investment needs itself. Lao PDR's Ministry of Planning and Investment is publishing investment profiles of each province and example investment project on its website (for Savannakhet currently two; a tourist resort and a lotus nut manufacturing project). In doing so, the Ministry aims to attract more investors for project ideas. This represents an outstanding existing platform to promote investments in the province.

Figure 17: Example Investment profile (MPI 2015a):



Develop a Tourist Site in a Popular Tourist District of Savannakhet

Estimated annual revenues after 3 years in operation of approx. US\$180,000 – US\$200,000.

Champhone District

For the majority of Champhone residents, their main source of income is derived from farming. In 2010, average annual per capita income in the district was more than 8 million kip. All 102 villages in Champhone have access to roads all year round.

Located 54 km southeast of Savannakhet City, it is an ideal day-trip destination. In recent years, Champhone District hosted approximately 10,000 domestic and foreign visitors annually. Most notable attractions are: Monkey Forest, Hotay Pidok Library, Turtle Lake, ancient temples, and ethnic villages.

Project Details

Covering over 1,984 hectares, and surrounded by 16 villages, Nam Sui Reservoir offers great potential for eco-tourism business. Its pristine conditions will draw visitors year-round. Homestays and resorts could be built on numerous beautiful islands. Canoe and paddle boat rentals as well as ferry restaurants should be among the business activities. Currently, the majority of tourists coming to Champhone District are from China, Thailand and European countries. Lao New Year is the busiest tourist season.

Local services: The site has access to electricity, well water, tap water, sewers, garbage collection, internet, and landline services. It also enjoys signals from every mobile phone company in Laos.

Local Produce: Beef, buffalo, goat, pork, chicken, duck, and fish as well as fresh fruits and vegetable are easily accessible.

Labor: Champhone District has a total population of approximately 112,000 people with the workforce accounting for 30% of the population.

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The platform is a good start, however, in order to attract impact investments, the presented information would require to elaborate more on the social and environmental impact that such an investment could possibly achieve.

This example clearly indicate that there exists a suitable platform for the promotion and direct marketing of investment opportunities. Furthermore, that there already exist some intermediaries, even though, they are generally focusing on ASEAN countries or Southeast Asia. However, the internet research has not provided any results on conservation or ecotourism related topics. It is presumable, though, that if the country's government shows some interest in the impact investing industry, while continuously improving its investment climate, the existing foundation of providers can be nurtured and their services can contribute to the country conservation.

Appendix 10: Expert interview responses (1)

	Investment Planning Department	Tourism and Information Department	Local Vice Governor
Existing impact investments	Sustainable Forestry (clearing land from UXO), Resort Ecotourism (engaging local in conservation), Hydropower projects (forest conservation for water shed management)	currently few mostly ecotourism; some watershed managements investments together with PONRE	None in Xonnabouly District
investment demand for conservation related topics (contribution to national goals)	tourism, as it generates revenue and promotes handicraft	touristic infrastructure and attracting tourists	Land and natural resource management sector; Knowledge on how to conserve resources and equipment; secure river banks

Mechanisms for inclusiveness and responsibility	Transparency; Self-reporting by investor and monitoring by public institutions; close contact to investors; CSR initiatives	Consultations with community; investment agreements with local communities; ensure benefits for community; feasibility studies	Regulations for the conservation of agricultural land; knowledge on how to achieve sustainability and expertise on how to disseminate this knowledge; give natural resources more value; regulations on agrochemicals
Social and environmental key- topical areas	create employment; social health benefits; plantation based reforestation	employment; training villagers; protect watersheds; more forest cover and wildlife	Degraded forests and decreasing availability of NTFPs; need for technology and knowledge; greater occurrence of (new) diseases

Role of ecotourism to conserve nature			
	Engage locals in forest protection (prevent illegal logging)	raising awareness to protect forests; generate income and protect culture and traditions	Tourists can change local attitude towards the environment; exchange of ideas and knowledge between tourists and locals;
Local skills and knowledge	farming and harvesting NTFP; manufacturing skills, on the job-training	knowledge about government rules and regulations; need to know their culture, area, plants (medicinal) and animals; learn to make marketable handicraft; currently no formal training	learn how to make money from visitors (techniques and ideas)

	Project Manager conservation and ecotourism project	International technical advisor on national protected area management	Environment project portfolio manager for development partner organization
Existing impact investments	Savannakhet: Vietnamese & Thai investment in Plantation, need to do EIA; district has some problems with investors which impacts communities in reducing agricultural land, less NTFPs, less space for livestock; currently no ecotourism from private actors, only gov. supported	Gibbon experience in Bokeo (French investor, hire large number of local staff, effective model as it runs for 10 year); WCS's Nam Et ecotourism project (focus on a river, locally managed, strong local support, good impact on water conservation, planned hydropower project a risk); Sipline in Dong Huasao NPA, Champasak province by Greendiscovery (contributes to village development); protected area Law paragraph 34. private investments in NPAs are required to pay money for conservation	Gold mines in Savannakhet (rehabilitation of land after closure and capacity building); Environment Protection Fund since 2005; EIA and public involvement guidelines; CSR by leading hydropower investors including NPA finance and management

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investment demand for conservation related topics (contribution to national goals)	investment is ecotourism as tool for conservation; private actors need to consider environment and not only financial return; investment can build capacity & knowledge in conservation and sustainable forestry on provincial and district level	private sector contribution make the main source of income for conservation in the 24 NPAs; Gov funding mainly from forest development trust fund (royalties from logging), which is no to a large extend banned; public finance for NPAs has a maximum of 40Mio kip (4,500 Euro) per NPA per year, in SvK all four together receive 40 Mio, which makes contributions from investment vital for conservation, other funding currently mostly from development partners: WB, IDCF, WCS, GIZ, WWF; little interest from local people with money to contribute to conservation, need for foreign contributions	Lao PDR as an exporter for green products (possible comparative advantage & external driver for greenness); 8th NSEDP aims for 70percent for the national growth from FDI while being environmentally friendly; demand for investments in ecotourism due to its spillovers in home-stays, cultural tourism (dances, learning an instrument, handicraft and silk products, rangers that guide tours and engage in biodiversity monitoring) which creates income and national/local pride
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Mechanisms for inclusiveness and responsibility	<p>establish strategic plan & regulations to achieve benefits from ecotourism; Environmental assessments; integrated plan that strengthens community engagement in decision-making, and not just province and district ones</p>	<p>Decentralization (in Lao called SamSang, or three level strategy: national, provincial, district), province helps district helps villages, but money needs to reach the village level; multi- stakeholder forums (e.g. hotel association) that engage district, INGOs, CSOs, private sector; provincial PA arrangement for schemes like PES and REDD+; Problem of inclusiveness (e.g. community based tourism) is that it generates little income; important to utilize existing functioning conservation structures when integrating new approach or investors</p>	<p>Responsibility: Government enforcement (big stick) with possible fines and stop-orders for investors; CSR of investors strengthen through e.g. a national award system (carrot); Inclusiveness: awareness of investors, there exist regulations (e.g. EIA & public involvement) but investor need to be aware of their existence; Investor need to agree to regulations (Lao PDR is in need for investments, which often leads to an ease of regulations for specific large-scale cases); investors need to work with local people in building capacity, knowledge and employment</p>
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<p>Social and environmental key-topical areas</p>	<p>job creating for people in the communities; private sector can help promotion of Lao PDR's ecotourism, wildlife and forest landscape; existing examples of positive private sector engagement in ecotourism (Oudomxay and Bokeo province); ecotourism enterprises raise taxes and pay for patrolling teams which helps to protect endangered species; ecotourism as an argument against rubber and sugarcane plantations, if area is already used for tourism</p>	<p>Environment: funding for the 24 conservation areas and 49 national protected forests (these are currently not intact); higher biodiversity value and higher ecotourism investments; Social: 8th NSEDP clearly focuses on poverty alleviation; create buffer-zones with alternative income for the 1200 communities within NPAs; funding for staff that provides oversight (village rules and regulations) over NTFPs</p>	<p>PAs need private investors (donations of land and financial means); co-agreements: privately owned areas given as PAs could work as buffer-zones around NPAs; investments in ecotourism strengthen other public services (infrastructure, restaurants, spin-offs such as a market for souvenirs) as many area are very remote; Ecotourism investments creates market for organic corps due to eco-tourists' general interest in nature</p>
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Role of ecotourism to conserve nature		<p>Village should be involved in ecotourism; Current problem: high investment from donors, only 20-40 villages (out of 1200 in NPAs) benefit and only few people in each, complicated to manage wildlife which results in less tourism, only a few villages have a development plan; Tourism is contributing a great extend of Lao PDR's GDP, there is high policy support; Other than community based tourism, NPA staff could manage tourism, here the money would go to the central level, which results in high interest in conservation and funding for infrastructure; currently 15.2% of Lao PDR's area NPAs and 44% National forests</p>	
	<p>Ecotourism supports communities (exp. SvK: Ramsa site, Eld's deer sanctuary, PA on silver-leaved monkey); Support marketing and promotion; income from ecotourism for research, patrolling and community</p>		<p>Important to consider ecotourism's sustainable carrying capacity (how many visitors are healthy for a location); ecotourism's role in educating about wildlife and the environment; rangers engage in biodiversity monitoring; conservation and reforestation in order to attract more tourists; law enforcement in cases of poaching and hunting</p>

Local skills and knowledge	no existing skills, this needs support from project e.g. how to generate income from ecotourism; community needs to support conservation; it could help to bring community members to other ecotourism sites such as the Kong Lor cave	very limited skills; More key-staff needed on central government level, such as a specialist dedicated to ecotourism; missing capacity leads to less visitors (hen-egg problem)	Not strong, capacity development needed; people have strong local knowledge e.g. on local forest and fishery, capacity programmes need to support communities in linking this knowledge to ecotourism; handicraft well understood, programmes need to raise awareness about resource for these products and their impact on forests (e.g. produce less teak furniture and more NTFP based products)
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Appendix 11: Logic behind the selection of key-expert for the interviews:

1. Ecotourism projects in Lao PDR that currently achieve the conservation-community-tourism link and fall within the definition of (deep) ecotourism are currently often started by development partners. Interviewee: Development partner UNDP, Head of Environment Unit, Margaret Jones Williams;
2. These projects are generally started within (national) protected areas (NPA), and need to fall within NPA regulations. Interviewee: World Bank Project on NPAs, Technical Advisor on NPAs, John Parr;
3. For a certain amount of time, the projects are managed by projects under the implementing partner. Often a combination of international and Lao staff. Especially the Lao staff is interesting for our analysis, as they have local knowledge and cultural understanding. Interviewee: Department of Forest Resources Management, Conservation Project manager, Phayvieng Vongkhamheng;
4. For ecotourism's sustainability, after an initial phase, the private sector / private investors need to be engaged. For ecotourism to be sustainable, it must also fit into Lao PDR's economic strategy. Interviewee: Director General of the Investment Planning Department in the Ministry of Planning and Investment, Manothong Vongsay;
5. The national and local tourism and information department needs to establish a promoting environment for ecotourism. Interviewee: Provincial Official from the Information and Tourism Department, Kongphanh Thephavong;
6. The local authority of districts that aim to achieve conservation goals from ecotourism need to have a positive view on ecotourism and engage with the idea for ecotourism to be sustainable. Vice-Governor of Lao PDR's new target district for ecotourism, Mr. Saveng Nanthavong;
7. The private sector aspect and view on Lao PDR's investment climate was identified through two private sector actor interview (unstructured) and the participation in a plantation workshop.

Appendix 12: Practitioner criteria for sustainable ecotourism enterprises (entrepreneurial viability)

		Criteria for sustainable Enterprises		
	Topic	Categories	Sub-Categories	Source
1	Local Impact	Clear link between enterprise and conservation goals		(Elliott, J., & Sumba, D. 2011) (Goessling 1999)
2	Local Impact	Economic benefit for community		(Krueger 2005) (Elliott, J., & Sumba, D. 2011) (Goessinger 1999) (Svoronou et al. 2005)
3	Enterprise	Thorough planning and managing	Enterprise	(Salafasky 1999) (Weppen 2012) (Van Wijk et al. 2014) (Goessling 1999) (Krueger 2005)
4	Local Impact		Visitor Planning	(Svoronou et al. 2005) (Krueger 2005) (Goessling 1999)
5	Local Impact		Spatial planning	(Harrill 2004)
6	Planning	Community involvement in planning		(Krueger 2005) (Salafasky 1999) (Elliott, J., & Sumba, D. 2011) (Appiah-Opoku 2011) (Svoronou et al. 2005) (Harrill 2004)
7	Enterprise	Locally started		(Appiah-Opoku 2011) (Van Wijk et al. 2014) (Salafasky 1999)
8	Context	Policy environment		(Van Wijk et al. 2014)
9	Context	Market	Existing market	(Salafasky 1999)
10	Enterprise		Market knowledge	(Salafasky 1999) (Weppen 2012)

11	Context	Flagship Species		<i>(Krueger; 2003)</i> <i>(Elliott, J., & Sumba, D. 2011)</i>
12	Enterprise	Time		<i>(Van Wijk et al. 2014)</i>
13	Context	Community structures / government		<i>(Elliott, J., & Sumba, D. 2011)</i>
14	Local Impact	Collaborating private partner		<i>(Elliott, J., & Sumba, D. 2011)</i>