

SECTOR ASSESSMENT (SUMMARY): TOURISM IN THE GREATER MEKONG SUBREGION¹

Sector Road Map

1. Sector Performance, Problems, and Opportunities

1. International tourist arrivals in Asia and the Pacific rose by 7% to reach 234 million in 2012, generating \$324 billion in tourism receipts and 79.8 million jobs. Long-term forecasts suggest that international arrivals will increase by 4.9% per annum and reach 535 million in 2030 (29.6% of world share), outpacing growth in all other regions. The People's Republic of China (PRC) became the world's top outbound source market in 2012, with over 83 million outbound travelers spending \$102 billion, up 37% compared to 2011.²
2. Among country groupings in Asia and the Pacific, the Greater Mekong Subregion (GMS) has a strong comparative advantage in tourism due to its strategic location, diverse tourism assets, good international air and land connectivity in gateway destinations, effective visa policies, and surging demand for intra-regional leisure travel. As evidence, international arrivals in the GMS are growing at 12.4% per year—over four times the world average—and reached an all-time high of 44.8 million in 2012. About one-third of international tourists visit at least two countries while traveling in the GMS, providing a strong impetus for subregional tourism cooperation. Major source markets are Asia and the Pacific (60% of arrivals), led by Malaysia, the PRC, Japan, the Republic of Korea, Thailand, and Viet Nam. Europe accounts for 20% of international visitors and the Americas 7%. Domestic tourism is also significant. Guangxi Zhuang Autonomous Region and Yunnan province in the PRC each record around 200 million domestic tourists per year, followed by Thailand (98 million), Viet Nam (32.5 million), and Cambodia (7.9 million).
3. International tourism in the GMS currently generates about \$44.3 billion in annual receipts, and spending on accommodation, food and beverages, transport, shopping, entertainment, and other discretionary items directly sustains 7.1 million jobs. Across the GMS, about \$6,200 equivalent in tourist spending creates one tourism-related job, making tourism one of the most labor-intensive of the nonagricultural sectors. Women account for over half of GMS tourism workers, however many are employed in the informal sector or in lower-skilled jobs paying lower wages.
4. While the GMS is on track to meet the strategic target of 52.02 million international arrivals, \$52.4 billion in tourism receipts, and 7.2 million tourism-related jobs in 2015, there is persistent inequity in the distribution of tourism benefits. In 2012 Thailand earned \$25.4 billion, while the combined tourism receipts for Cambodia, the Lao People's Democratic Republic (Lao PDR), and Viet Nam amounted to less than \$10.5 billion. There are wide disparities in average tourism receipts per visitor, with Thailand generating \$1,138 compared to \$616 in Cambodia and \$154 in the Lao PDR. This is significantly less than the benchmark \$1,390 per visitor in Asia and the Pacific. Meanwhile, per capita tourism receipts are equal to \$411 in Thailand, \$150 in Cambodia, \$90 in Viet Nam, and \$78 in the Lao PDR. Asymmetric distribution of arrivals and benefits within each GMS country is also a problem. For example, Siem Reap, the gateway to Cambodia's iconic Angkor Wat, receives 58% of visitors and over one-third of hospitality investment. Vientiane Capital accounts for 43% of arrivals in the Lao PDR and 47% of the country's hotel rooms. Similarly, Halong Bay receives 2.8 million visitors per year, equal to 40% of Viet Nam's international arrivals.

¹ This summary assessment highlights sector performance and issues in the GMS with a focus on Cambodia. ADB. 2011. *Greater Mekong Subregion Tourism Sector Assessment Strategy and Road Map, 2011–2013*. Manila.

<http://www.adb.org/documents/greater-mekong-subregion-tourism-sector-assessment-strategy-and-road-map>

² United Nations World Tourism Organization. 2013. *UNWTO Tourism Highlights, 2013 Edition*. Madrid.

5. **Strategic direction in the Greater Mekong Subregion.** To address this inequitable pattern of development, the GMS Tourism Sector Strategy emphasizes support for infrastructure improvements; micro, small and medium-sized enterprise promotion; marketing; and capacity building needed to remove the constraints inhibiting tourism's expansion into new areas and improve tourism management in established destinations.³ The estimated cost to implement the strategy is \$430 million, of which 83% is earmarked for infrastructure. The focus on upgrading last-mile transport infrastructure, expanding the quality and coverage of environmental services, and improving tourism management is consistent with the GMS Strategic Framework 2012–2022 priorities to strengthen transport linkages, enhance environmental performance, and support human resource development that facilitates GMS integration.⁴ Effectively addressing these interrelated priorities is critical to mitigate the risks affecting GMS tourism, particularly environmental degradation at tourism sites, human trafficking, and the effects of climate change.

6. **Cambodia's tourism profile.** International arrivals totaled 3.58 million in 2012, a 24% increase compared to 2011. Travel and tourism contributes 11.5% to gross domestic product and is expected to be 11.4% of gross domestic product in 2025. International tourism receipts were equivalent to \$2.2 billion in 2012, sustaining 782,500 jobs (12.4% of total employment).⁵ About 60% of arrivals originate from Southeast and East Asia, with Viet Nam, the Republic of Korea, and the PRC as significant source markets. Average length of stay is 6.3 days, and average daily spending is \$117. From 2003 to 2012 the number of hotels and guesthouses more than doubled to 1,618, with 43,236 bedrooms. These establishments range from small family-owned enterprises to five-star internationally branded properties. There are 589 travel agencies and tour operators employing 3,230 licensed guides (13% women), 89% of which are based in Siem Reap. International airports in Phnom Penh and Siem Reap are served by 23 airlines and receive about 25,000 flights per year, with 4.3 million scheduled inbound seats. Cambodia offers tourist visa on arrival for citizens of 179 countries and visa exemptions for citizens of all member states of the Association of Southeast Asian Nations (ASEAN).

7. **Main challenges.** Although Cambodia has pristine beaches, a protected area network covering 24% of the country, and a wide range of cultural attractions, tourism is highly concentrated in Siem Reap and the temples of Angkor Wat. Underinvestment in transport infrastructure and environmental services needed to catalyze tourism investment in new destinations is a major constraint. Although improving, low service standards prevent Cambodia from increasing the value of its tourism industry, as illustrated by the nearly 50% difference between the average daily room rate (\$137) and average revenue per available room (\$68). This is exacerbated by weak institutional support for micro, small, and medium-sized enterprise development, resulting in only about 10% of destination spending reaching the poor and up to 40% of tourism receipts "leaking" out of the country in the form of tourism-related imports.⁶

8. Marketing efforts such as the "Cambodia, Kingdom of Wonder" campaign have had limited success in promoting new destinations and generating return visits. Despite the recent establishment of the industry-led Cambodian Tourism Marketing and Promotion Board, public-private collaboration in marketing remains weak. Similarly, there are few public-private partnerships that support tourism-related infrastructure development owing to an incomplete legal and regulatory framework, scarcity of affordable finance, and lack of proactive government project preparation. The tourism industry's competitiveness is further undermined by policy and regulatory

³ Asian Development Bank (ADB). 2005. *Greater Mekong Subregion Tourism Sector Strategy, 2005–2015*. Manila.

⁴ ADB. 2011. *Greater Mekong Subregion Economic Cooperation Program Strategic Framework, 2012–2022*. Manila.

⁵ World Travel and Tourism Council. 2013. *Travel and Tourism Economic Impact 2013: Cambodia*. London.

⁶ J. Mitchell and C. Ashley. 2010. *Tourism and Poverty Reduction: Pathways to Prosperity*. London: Earthscan.

impediments that make it difficult to start a business, with Cambodia ranking 133 out of 185 countries assessed in the World Bank's Doing Business Report.⁷ Cambodia ranks 109 of 139 economies evaluated in the World Economic Forum's Travel and Tourism Competitiveness Index, scoring low on indicators for tourism infrastructure, health and hygiene, information and communication technology infrastructure, and enforcement of rules and regulations.⁸

2. Government's Sector Strategy

9. The Rectangular Strategy for Growth, Employment, Equity, and Efficiency, Phase III (the Rectangular Strategy) underscores the need to (i) promote the agricultural sector, (ii) rehabilitate and construct physical infrastructure in areas with high economic and tourism potential, (iii) promote private sector development and employment, and (iv) enhance capacity building and human resource development.⁹ Overarching priorities of good governance and the creation of an environment conducive for achieving national development objectives include an emphasis on public administration reform and regional integration. Expanding infrastructure and improving access to quality vocational training is expected to facilitate diversification of tourism products and services, with a view toward strengthening tourism-related value chains, boosting tourism receipts, and creating additional jobs. Systematic tourism development is a strategic priority.

10. Closely aligned with the Rectangular Strategy is Cambodia's Tourism Development Strategic Plan (TDSP) 2012–2022. The 2009 Tourism Law provides the legal basis for the TDSP, instructing the Ministry of Tourism to lead the development of a quality and sustainable tourism industry that contributes to poverty reduction and the protection of natural resources, culture, and customs. The strategic thrusts of the TDSP are to enhance (i) tourism product development, (ii) marketing and promotion, (iii) connectivity and travel facilitation, (iv) tourist safety and negative impact management, (v) legal and regulatory mechanisms, and (vi) human resource development. The Ministry of Tourism recognizes that a well-functioning tourism industry requires effective coordination between public agencies and the provision of quality services by the private sector. In this context, the TDSP provides the blueprint for prioritizing sector investments in transport, urban development, education and training, and policy enhancements needed to facilitate private investment in tourism superstructure and services.¹⁰ There are 41 priority projects that focus on boosting development outside the main tourism centers of Siem Reap and Phnom Penh. Linking Cambodia with southern and central Viet Nam by road, air, and sea is a priority, to promote growth in the coastal zone and northeast. The TDSP is targeting 7 million international arrivals, creation of 800,000 tourism related jobs, and \$5 billion in tourism receipts in 2020.

3. Asian Development Bank Sector Experience and Assistance Program

11. The Asian Development Bank (ADB) has supported GMS tourism cooperation since 1992, first by assisting the GMS countries form the GMS Tourism Working Group, and subsequently with technical assistance to identify priority infrastructure projects and build tourism planning capacity within national tourism organizations.¹¹ From 2003 to 2013 ADB provided about \$60 million in loan and grant assistance for GMS tourism projects, focusing on improving transport infrastructure and

⁷ World Bank. 2013. *Doing Business 2013*. Washington, DC.

⁸ World Economic Forum. 2011. *The ASEAN Travel and Tourism Competitiveness Report 2012*. Geneva.

⁹ Government of Cambodia. 2013. *Rectangular Strategy for Growth, Employment, Equity, and Efficiency, Phase III*. Phnom Penh.

¹⁰ Tourism superstructure includes facilities that have been developed especially to respond to the demands of visitors.

¹¹ ADB. 1997. *Mekong/Lancang River Tourism Planning Study*. Manila; ADB. 1998. *Tourism Skills Development in the Greater Mekong Subregion*. Manila.

the quality and coverage of environmental services in key tourist destinations.¹² ADB's ongoing tourism sector assistance (i) promotes the development of pro-poor tourism products and services to increase employment and income-generating opportunities for local residents, and (ii) supports capacity building for national tourism organization staff and private enterprises to strengthen tourism management. Cross-cutting project design features intersect with ADB's core areas of infrastructure, environment, and regional cooperation and integration.¹³ Capacity building efforts are enhanced by the "Tourism Management in the GMS Learning Program" under the GMS Phnom Penh Plan for Development Management.¹⁴

12. ADB assistance complements other development partner support, including Lux-Development and the European Union's focus on strengthening tourism education and vocational training in the Lao PDR and Viet Nam. Agence Française de Développement is assisting Cambodia to establish a national tourism and hospitality training institute. Deutsche Gesellschaft für Internationale Zusammenarbeit, International Trade Centre, the Japan International Cooperation Agency, the Government of New Zealand, Swisscontact, the United Nations World Tourism Organization, WWF, and the Wildlife Conservation Society work with public agencies to improve tourism planning and assist private entities develop and market tourism products. The Pacific Asia Travel Association is the leading industry group, with over 1,100 members.

13. ADB's GMS tourism sector assistance program and completed GMS tourism projects are rated *successful*.¹⁵ Key lessons include the need to (i) conduct detailed analysis of tourism demand during project preparation, (ii) improve cross-sector coordination to build synergies within ADB and among development partners active in the sector, (iii) support policy dialogue to facilitate simplified border crossing arrangements, and (iv) promote enterprise development alongside infrastructure to increase the proportion of destination spending that reaches the poor. Lessons to improve project design embrace the need to select relevant subprojects, ensure that sustainable operation and maintenance systems are put in place prior to project closure, and tap the expertise of the private sector to market and promote tourist destinations.

14. ADB should continue its involvement in the tourism sector given its successful experience in financing multisector projects with regional public goods characteristics and substantial positive development impacts, e.g., the creation of employment for the poor and improved environmental performance in tourism destinations. Consistent with the GMS Tourism Sector Strategy, GMS Strategic Framework 2012–2022, and the tourism development plans and policies of GMS countries, ADB's tourism sector assistance will continue to focus on (i) improving last-mile access infrastructure, sanitation, water supply, and other public infrastructure in secondary tourist destinations; (ii) promoting micro, small, and medium-sized enterprises linked to the tourism sector; (iii) capacity building for public officials; (iv) tourism vocational training; and (v) policy dialogue that reduces non-physical barriers to travel across borders. The proposed pipeline of projects and technical assistance aims to maximize synergies with other ADB investments in the transport, urban, and social sectors.

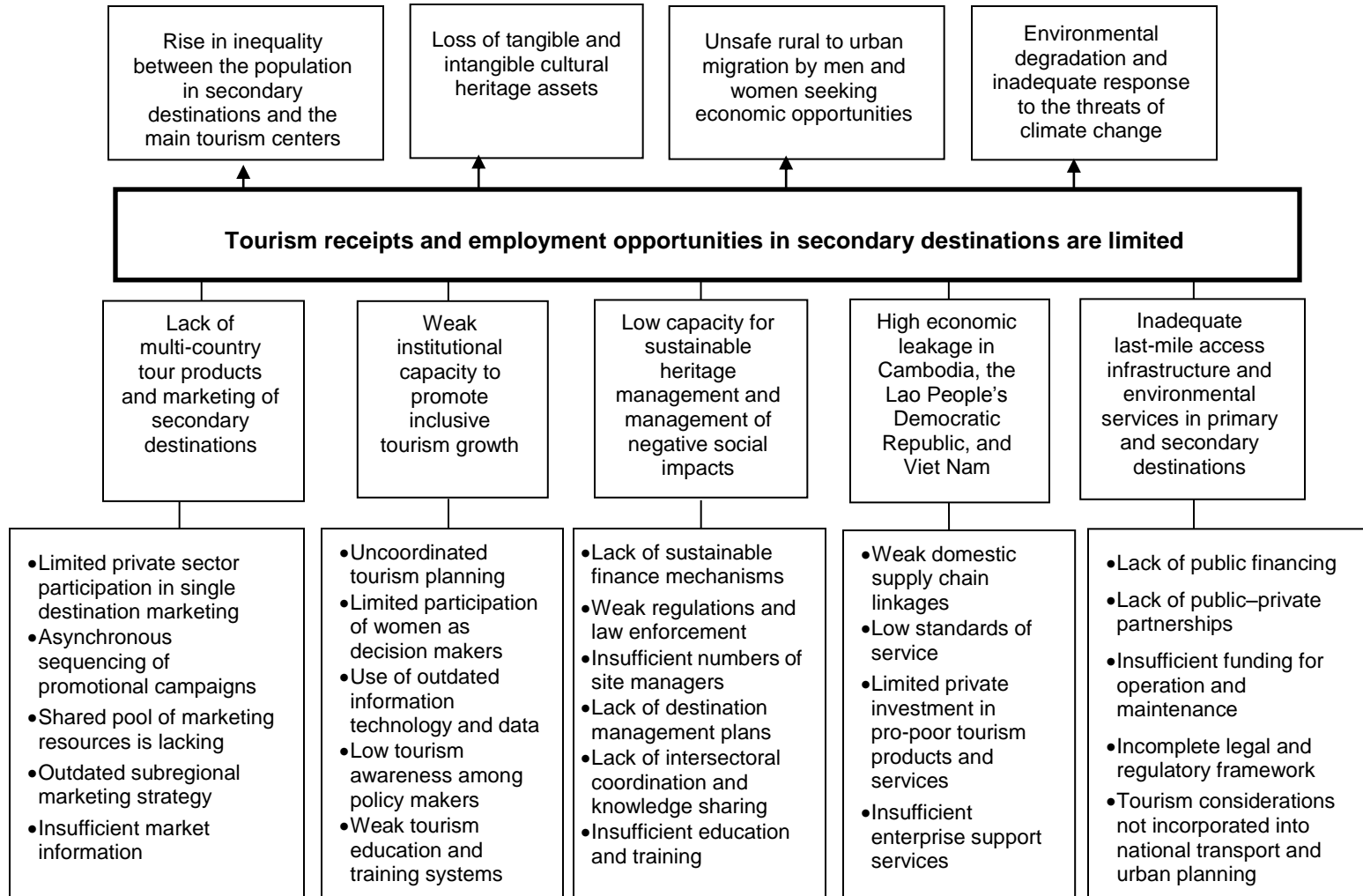
¹² ADB. 2002. *Report and Recommendation of the President to the Board of Directors: Proposed Loans to the Kingdom of Cambodia, Lao People's Democratic Republic, and Socialist Republic of Viet Nam for the Greater Mekong Subregion: Mekong Tourism Development Project*. Manila; ADB. 2008. *Report and Recommendation of the President to the Board of Directors: Proposed Grant to the Lao People's Democratic Republic and Loan to the Socialist Republic of Viet Nam for the Greater Mekong Subregion Sustainable Tourism Development Project*. Manila.

¹³ ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank*. Manila.

¹⁴ The Phnom Penh Plan has trained over 120 mid-level GMS officials in sustainable tourism management since 2006.

¹⁵ ADB. 2009. *Sector Assistance Program Evaluation: Tourism Sector in the Greater Mekong Subregion*. Manila; ADB. 2011. *Completion Report: Greater Mekong Subregion Mekong Tourism Development Project*. Manila.

Problem Tree for Tourism in the Greater Mekong Subregion



Source: Adapted from Asian Development Bank. 2011. *Greater Mekong Subregion Tourism Sector Assessment, Strategy and Roadmap*. Manila.

Sector Results Framework (Tourism): Contributions to Municipal Infrastructure and Services and Transport

Country Sector Outcomes		Country Sector Outputs		ADB Sector Operations	
Outcomes with ADB Contribution	Indicators with Targets and Baselines	Outputs with ADB Contribution	Indicators with Incremental Targets	Planned and Ongoing ADB Interventions	Main Outputs Expected from ADB Interventions
<p>Increased use of priority infrastructure (including water supply and sanitation) and economic development by Cambodian women and men</p> <p>Improved interprovincial road, rail, and sea connectivity</p>	<p>In the GMS Southern Economic Corridor:</p> <p>Percentage of households and businesses with sewerage connection increases to 50% in 2015 (2008 baseline: 23%)</p> <p>Percentage of households with access to solid waste collection increases to 80% in 2015 (2008 baseline: 59%)</p> <p>30% of the peri-urban and rural population has access to improved sanitation in 2015</p> <p>100% of provinces connected by paved roads by 2013 (2008 baseline: 70%)</p>	<p>In the GMS Southern Coastal Corridor:</p> <p>Development of climate-resilient wastewater treatment facilities with household and commercial connections</p> <p>Development of sanitary landfills and expansion of waste collection services</p> <p>Improved drainage, flood control, and sanitation</p> <p>Development of an international and interprovincial marine ferry terminal, and introduction of scheduled ferry services</p> <p>Strengthened national capacity for tourism destination management, public-private partnership facilitation, and operation and maintenance of priority infrastructure</p> <p>Residents have equal access to priority infrastructure and services</p>	<p>In the GMS Southern Coastal Corridor:</p> <p>Wastewater treatment coverage reaches 80% in 2020</p> <p>Coverage of solid waste collection is 100% in 2020 (2008 baseline: 59%)</p> <p>Percentage of households and businesses with access to sanitation is 100% in 2020 (2008 baseline: 23.3%)</p> <p>Scheduled ferry services operating with 89,000 passenger kilometers per day in 2020 (2013 baseline: 0)</p> <p>Sustainable urban and tourism strategies that incorporate gender concerns (2009 baseline: 0)</p> <p>Percentage of residents with equal access to priority infrastructure and services is 100% in 2020.</p>	<p>Planned key activity areas Urban development Provincial and rural road rehabilitation</p> <p>Pipeline projects with estimated amounts Rural Roads Improvement Project II (\$50 million) Second GMS Corridor Towns Development (\$54 million) GMS Deepening Connectivity of the Southern Economic Corridor (\$45 million) Road Asset Management Project II (\$50 million)</p> <p>Ongoing projects with approved amounts Strengthening the Mekong Tourism Coordinating Office (\$0.225 million) GMS Southern Economic Corridor Towns Development Project (\$37 million) GMS Southern Coastal Corridor Project (\$82 million) Improving Market Access for the Poor in Central Cambodia (\$1.9 million)</p>	<p>Planned key activity areas Increased competitiveness of at least three GMS Southern Coastal Corridor towns in Cambodia</p> <p>Town urban development strategies developed in at least three Southern Coastal Corridor towns</p> <p>Urban infrastructure improved and climate resilience enhanced in all key GMS economic corridor towns</p> <p>About 20,000 cubic meters per day of wastewater treatment capacity installed</p> <p>About 1,100 kilometers of urban, district, and rural roads rehabilitated</p> <p>Increased gender equity in urban development and tourism</p> <p>Institutional capacity of National Tourism Organization to promote multi-country tour circuits strengthened</p> <p>Model for improving local producers' access to tourism-related value chains in place</p>

ADB = Asian Development Bank, GMS = Greater Mekong Subregion.
Source: Asian Development Bank.