

## SECTOR ASSESSMENT (SUMMARY): TOURISM IN THE GREATER MEKONG SUBREGION<sup>1</sup>

### Sector Road Map

#### 1. Sector Performance, Problems, and Opportunities

1. International tourist arrivals in Asia and the Pacific increased by 7% in 2012, reaching 234 million, and generating \$324 billion in tourism receipts and 79.8 million jobs. Long-term forecasts predict that international arrivals will increase by 4.9% per year to 535 million (29.6% of the global total) in 2030, outpacing growth in all other regions. Remarkably, the People's Republic of China (PRC) became the world's top outbound source market in 2012, with more than 83 million outbound travelers spending \$102 billion, up 37% from 2011.<sup>2</sup>

2. Among country groupings in Asia and the Pacific, the Greater Mekong Subregion (GMS) has a strong comparative advantage in tourism as a result of its strategic location, diverse tourism assets, good air and land connectivity in gateway destinations, effective visa policies, and surging demand for leisure travel. International visitor arrivals in the GMS are growing at 12.4% per year—over four times the world average—and reached 44.8 million in 2012, an all-time high. About one-third of international tourists visit at least two countries while travelling in the GMS, providing a strong rationale for subregional tourism cooperation. Major source markets include Asia and the Pacific (60% of arrivals), led by Malaysia, the PRC, Japan, the Republic of Korea, and Thailand. Europe accounts for 20% of international visitors and the Americas 7%. Domestic tourism is also significant. Guangxi Zhuang and Yunnan, PRC, each record about 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, with spending on accommodation, food and beverages, transport, shopping, entertainment, and other discretionary items directly sustaining 7.1 million jobs. In the GMS, tourist spending of about \$6,200 equivalent sustains one tourism-related job, making tourism one of the most labor-intensive of the nonagriculture sectors. Women account for over half of GMS tourism workers, but many are employed in relatively low-skill, low-wage jobs, and are underrepresented in management positions.

4. The GMS is on track to meet its 2015 strategic targets of 52.02 million international arrivals, \$52.4 billion in tourism receipts, and 7.2 million tourism-related jobs, but inequity persists in the distribution of tourism benefits. Thailand currently earns \$25.4 billion in international tourism receipts, while the combined receipts for Cambodia, the Lao People's Democratic Republic (Lao PDR), and Viet Nam are less than \$10.5 billion. In addition, disparities in average tourism receipts per visitor are wide, with Thailand generating \$1,138 compared with \$616 in Cambodia and \$154 in the Lao PDR. This is significantly below the benchmark of \$1,390 per visitor in Asia and the Pacific. Per capita tourism receipts are \$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, draws 58% of visitors and has over one-third of the country's accommodation stock. Vientiane Capital accounts for 43% of the Lao PDR's arrivals and 47% of hospitality investment. Ha Long Bay receives 2.8 million visitors per year, accounting for 40% of Viet Nam's international arrivals.

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

<sup>2</sup> United Nations World Tourism Organization (UNWTO). 2013. *UNWTO Tourism Highlights*. Madrid.

5. **Strategic direction in the Greater Mekong Subregion.** To address the inequitable pattern of development, the GMS Tourism Sector Strategy emphasizes support for infrastructure improvements; micro-, small, and medium-sized enterprise promotion; marketing of multicountry tours; capacity building to remove the key constraints that inhibit expansion of tourism into new areas; and improved management of established tourist destinations.<sup>3</sup> The estimated cost to implement the strategy is \$430 million, of which 83% is allocated for infrastructure. The focus on upgrading last-mile transport infrastructure, expanding the quality and coverage of environmental services, and improving tourism destination 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. Effectively addressing these interrelated priorities is critical to mitigating the risks GMS tourism is facing, particularly environmental degradation at tourism sites, human trafficking, and the effects of climate change.

6. **Viet Nam's tourism profile.** International visitor arrivals exceeded 6.84 million in 2012, a 14% increase from 2011. Travel and tourism directly contribute 4.5% to GDP; this is expected to be 4.7% in 2025. International tourism receipts reached an all-time high of \$7.7 billion in 2012, sustaining 2.3 million jobs or 9.4% of total employment.<sup>4</sup> Over 60% of arrivals originate in Southeast and East Asia, with the PRC, the Republic of Korea, Japan, and Cambodia as significant source markets. Average length of stay is about 7 days and average daily spending \$105. The country has more than 12,000 accommodation establishments with 235,000 bedrooms, of which 10,756 are rated 5-star. During 2001–2010 the accommodation subsector expanded by 15.8% per year and cumulative investment totaled \$11 billion for 247 projects. The country has approximately 800 international travel operators, and 10,000 agencies that cater to domestic tourists. International airports in Hanoi, Ho Chi Minh City, Hue, and Can Tho are served by 40 airlines and receive about 56,000 flights per year with 11.2 million scheduled inbound seats. Viet Nam offers pre-arranged visa-on-arrival for 182 countries and visa exemption for member states of the Association of Southeast Asian Nations (ASEAN).

7. **Main challenges.** Despite long stretches of pristine beaches, diverse historic and cultural assets including seven World Heritage sites, and a protected area network covering 6.2% of the country, Viet Nam's tourism industry relies heavily on five destinations: Ha Long Bay, Hanoi, Hue—Hoi An, Da Nang, and Ho Chi Minh City, which account for 33% of the country's cumulative hospitality investment. The lack of transport infrastructure and environmental services needed to catalyze private investment in secondary destinations is a major constraint. Low service standards and poor destination management prevent Viet Nam from increasing the value of its tourism industry, as illustrated by the 61% difference between the average daily room rate (\$122) and average revenue per available room (\$75). This is exacerbated by weak institutional support for micro-, small, and medium-sized enterprise development, resulting in about 30% of tourism receipts leaving the country in the form of tourism-related imports.

8. Marketing efforts, such as the “Viet Nam, Timeless Charm” campaign, have had limited success in promoting new destinations and generating return visits. Despite recent establishment of the Tourism Advisory Board, public–private collaboration in marketing is weak. The number of public–private partnerships supporting tourism-related infrastructure development is low due to an incomplete legal and regulatory framework, scarcity of affordable finance, and the private sector's lack of confidence in government capacity to prepare prefeasibility studies. The tourism industry's competitiveness is undermined by policy and regulatory impediments that make starting a

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<sup>3</sup> ADB. 2005. *Greater Mekong Subregion Tourism Sector Strategy, 2005–2015*. Manila.

<sup>4</sup> World Travel and Tourism Council. 2013. *Travel and Tourism Economic Impact 2013: Viet Nam*. London.

business difficult; Viet Nam ranks 99th of 185 countries assessed in the World Bank's *Doing Business Report*;<sup>5</sup> and 80th of 139 economies evaluated in the World Economic Forum travel and tourism competitiveness index, scoring low on indicators for tourism infrastructure, environmental sustainability, health and hygiene, and tourism promotion.<sup>6</sup>

## 2. Government's Sector Strategy

9. The Socio-Economic Development Strategy (SEDS) 2011–2020 sets out the government's policies to transform Viet Nam into a modern industrialized nation by 2020, underscoring the need to shift the focus from low-cost manufacturing to higher efficiency, productivity, and competitiveness as the basis for growth. The SEDS stresses the need to strengthen social safety nets and improve the people's material and spiritual life. Strategic priorities include (i) improving socialist-oriented market economy institutions, (ii) developing human resources; and (iii) improving infrastructure, in particular the transportation network and urban infrastructure. The promotion of cultural heritage and tourism features prominently as they are expected to make significant contributions to sustainable development.

10. The Strategy for Tourism Development in Viet Nam to 2020, Vision to 2030 (STDV) forecasts 10.5 million international arrivals and tourism receipts of \$19 billion in 2020. The 2005 Tourism Law provides the legal basis for the STDV, mandating the Ministry of Culture, Sports, and Tourism (MCST) and its specialized technical agency, the Viet Nam National Administration of Tourism, to guide development of environmentally and socially sustainable tourism by focusing on protection, promotion, and development of cultural and historical tourism, with broad participation of all economic sectors. The STDV's strategic thrusts are to (i) develop tourism into a leading economic sector; (ii) improve tourism quality, efficiency, brand recognition, and competitiveness; (iii) promote international and domestic tourism, focusing on attracting more high-spending international visitors; (iv) protect cultural, historic, and natural resources; and (v) increase domestic and international tourism investment. MCST recognizes that a well-functioning tourism industry requires effective coordination of many agencies and the provision of quality services by the private sector. The STDV intends to provide public agencies with a blueprint for prioritizing sector investments in transport, urban development, education, and training; and policy enhancements to facilitate private investment in tourism superstructure and related services.<sup>7</sup> Seven priority programs cover all subnational areas.<sup>8</sup>

## 3. ADB Sector Experience and Assistance Program

11. The Asian Development Bank (ADB) has supported GMS tourism cooperation since 1992, first by assisting 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.<sup>9</sup> During 2003–2013, ADB provided approximately \$60 million in loan and grant assistance for GMS tourism projects, focusing on improving transport infrastructure, and the quality and coverage of environmental services in key tourist destinations.<sup>10</sup>

<sup>5</sup> World Bank. 2013. *Doing Business 2013*. Washington, DC.

<sup>6</sup> World Economic Forum. 2011. *The ASEAN Travel and Tourism Competitiveness Report 2012*. Geneva.

<sup>7</sup> Tourism superstructure includes facilities developed especially to respond to the demands of visitors.

<sup>8</sup> The programs aim to enhance (i) tourism product development; (ii) infrastructure and facilities; (iii) tourism-related human resources; (iv) marketing, promotion, and branding; (v) investment promotion and policy enhancement; (vi) international cooperation; and (vii) public management of tourism.

<sup>9</sup> ADB. 1997. *Mekong/Lancang River Tourism Planning Study*. Manila; ADB. 1998. *Tourism Skills Development in the GMS*. Manila.

<sup>10</sup> 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: GMS Mekong Tourism*

ADB's ongoing tourism assistance promotes the development of pro-poor tourism products and services to increase employment and income-generating opportunities for local residents, and 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. ADB's Phnom Penh Plan for Development Management: Tourism Management in the GMS Learning Program enhances the project's capacity-building efforts.<sup>11</sup>

12. Other development partner support complements ADB assistance, including Lux-Development's focus on strengthening tourism education and vocational training. German development cooperation through Deutsche Gesellschaft für Internationale Zusammenarbeit, the International Trade Center, Japan International Cooperation Agency, the Government of New Zealand, SNV Netherlands Development Organization, Swisscontact, the World Wildlife Fund, and Wildlife Conservation Society work with public agencies to improve tourism planning, develop human resources, and assist private entities develop and market tourism products. The Pacific Asia Travel Association, with over 1,100 members comprising international airlines, national tourism organizations, media, hospitality providers, and educational institutions, is the leading industry group in the GMS.

13. ADB's GMS tourism assistance program and completed GMS tourism projects are rated successful.<sup>12</sup> 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 in place prior to project closure, and utilize the expertise of the private sector to market and promote tourist destinations.

14. ADB should continue its involvement in tourism given its successful experience in financing multisector projects with regional public goods characteristics and substantial positive development impacts, such as creating employment for the poor and improving 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 assistance will continue to focus on (i) improved last-mile access infrastructure, sanitation, water supply, and other public infrastructure in secondary tourist destinations; (ii) micro-, small, and medium-sized enterprise promotion linked to tourism; (iii) capacity building for public officials; (iv) tourism vocational training; and (v) policy dialogue to reduce nonphysical 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.

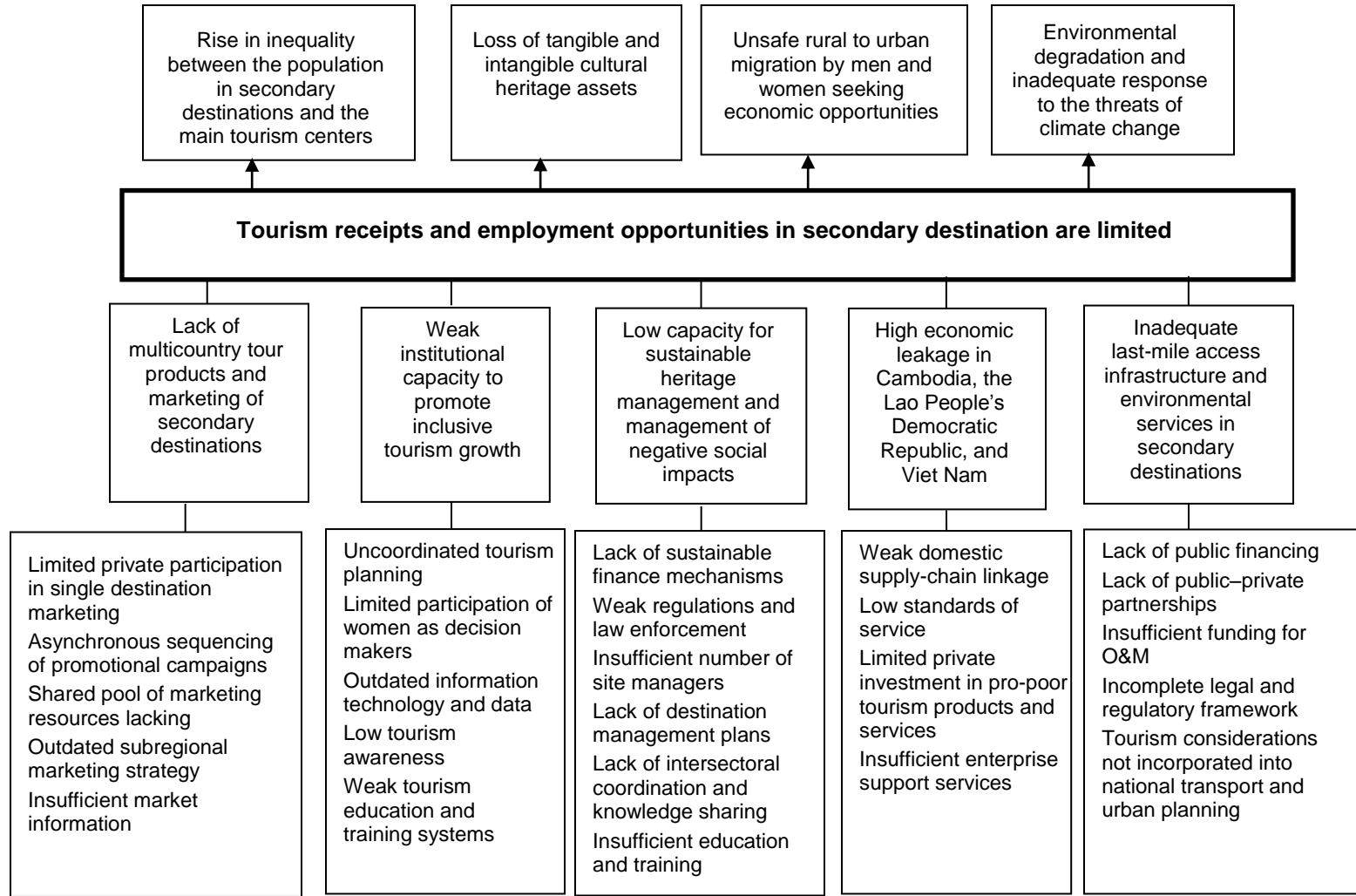
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*Development Project*. Manila; ADB. 2008. *Report and Recommendation of the President to the Board of Directors: Proposed Grant to the Lao People's Democratic Republic and Loan to the Socialist Republic of Viet Nam: GMS Sustainable Tourism Development Project*. Manila.

<sup>11</sup> The plan has trained over 120 mid-level GMS officials in sustainable tourism management since 2006.

<sup>12</sup> ADB. 2009. *Sector Assistance Program Evaluation. Tourism Sector in the Greater Mekong Subregion*. Manila; ADB. 2011. *Completion Report: GMS Mekong Tourism Development Project*. Manila.

**Problem Tree for Tourism in the Greater Mekong Subregion**



O&M = operation and maintenance.

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>The transport of people and goods is more efficient and safe.</p> <p>Urban environmental infrastructure and services improve.</p>	<p>95% of the rural population has access to an all-season road by 2015 (2004 baseline: 83.5%)</p> <p>Road traffic accident fatalities reduced to below 9,000 by 2015 (2007 baseline: 12,800)</p> <p>The collection and treatment of domestic wastewater increased from 10% in 2010 to 20% in 2015 in class III towns and larger</p> <p>By 2015, 90% of domestic solid waste is collected and disposed of in improved landfills (2010 baseline: 80%)</p>	<p>Construction and improvement of expressways and national and provincial roads</p> <p>Sector-wide management and reforms</p> <p>Expansion of water supply and municipal infrastructure and services.</p> <p>Urban development and urban environmental improvements in the GMS economic corridors</p> <p>Provision and improvement of basic urban services</p> <p>Strengthened national capacity for tourism destination management, public-private partnership facilitation, and O&amp;M of priority infrastructure</p> <p>Men and women have equal access to infrastructure and services</p>	<p>Length of expressway 2,381 km by 2020 (2010 baseline: 0 km)</p> <p>Road maintenance fund established by 2011 and a PPP project commenced by 2015 (2010 baseline: 0)</p> <p>Traffic accident fatalities reduced by 23%–30% by 2015 (2007 baseline: 12,800)</p> <p>Domestic wastewater collection and treatment systems improved to cover 20% of the population in 2015, in class III towns and larger (2010 baseline: 10%)</p> <p>90% of solid waste is collected and disposed of in improved landfills (2010 baseline: 80%)</p> <p>Mechanisms in place for planning, prioritizing, budgeting, and O&amp;M of water and sanitation improvement programs in urban tourist destinations (2010 baseline: 0)</p>	<p><b>Planned key activity areas</b></p> <p>Provincial and rural road rehabilitation Urban environmental improvements</p> <p><b>Pipeline projects with estimated amounts</b></p> <p>Improvement of Road Safety and Climate Resilience on National Highways (\$50 million, 2014) Second GMS Southern Coastal Corridor (\$181 million, 2016) Second GMS Corridor Towns Development (\$100 million, 2015) Urban Environment and Climate Change Adaptation (\$70 million, 2015)</p> <p><b>Ongoing projects with approved amounts</b></p> <p>TA 8516-REG: Strengthening the Mekong Tourism Coordinating Office (\$0.225 million, 2013) Transport Connections in Northern Mountainous Provinces (\$79 million, 2012) GMS Southern Coastal Corridor (\$227.4 million, 2007) GMS Kunming–Haiphong Transport Corridor: Noi Bai–Lao Cai (\$1.1 billion, 2007) Secondary Cities Development Project (\$96.4 million, 2013) GMS Southern Economic Corridor Towns Development Project (\$129.4 million, 2013) GMS Sustainable Tourism Development Project (\$10 million, 2009)</p>	<p><b>Planned key activity areas</b></p> <p>About 540 km of expressway constructed About 3,500 km of national and provincial roads constructed or rehabilitated Climate-resilient wastewater treatment and solid waste management systems expanded Improved asset management systems in place Gender equity in urban development and tourism increased Institutional capacity of National Tourism Organization to promote multicountry tour circuits in economic corridors strengthened</p>

GMS = Greater Mekong Subregion, km = kilometer, O&M = operation and maintenance, PPP = public private partnership

Source: Asian Development Bank.