

TOURISM DEMAND ANALYSIS AND FORECASTS

A. Tourism Sector Context

1. International visitor arrivals in Viet Nam exceeded 6.84 million in 2012, a 14% increase compared to 2011. The direct contribution of travel and tourism to GDP is 4.5% and 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.¹ Over 60% of arrivals originate in Southeast and East Asia, with 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 government's Strategy for Tourism Development in Viet Nam to 2020, Vision to 2030 is forecasting 10.5 million international arrivals in 2020.

B. Tourism in Dien Bien Province

2. Dien Bien's main tourist attraction is the Dien Bien Phu historic battlefield and associated war relics. The two most visited sites are the Muong Phang National Tourism Site (approximately 20 km from Dien Bien City), which was the command headquarters for Vietnamese forces during the Dien Bien Phu campaign, and De Castries Bunker site, located 1 km from the Dien Bien City center. Both are visited by nearly all tourists in Dien Bien Province. Ethnic diversity is another major tourism resource.

3. Dien Bien Province welcomed 470,000 visitors in 2012, of which 78% (365,000) were Vietnamese. Average annual growth in arrivals between 2007 and 2011 was 23.8% (double the average national growth rate), but declined to 11.1% in 2012. Revenue from tourism has doubled since 2008 as a result of the growth in arrivals combined with rising average daily expenditure, which more than doubled to \$36 between 2008 and 2012. While arrivals in Dien Bien Province are likely to continue to grow, without strategic investment in the destination there is a risk of stagnation and more rapid decline in arrivals. To mitigate this risk, and boost socioeconomic benefits from tourism, the proposed project plans to invest in the Dien Bien Phu Historical Landscape by improving access to key tourist sites, improving destination management, marketing, and hospitality service quality.

4. As shown in Table 1, without-project forecasts suggest that in 2019 Dien Bien will receive 719,411 tourists and tourism revenue will be \$46 million. The with-project growth scenario places total arrivals at 915,897 in 2019 and tourism revenue at \$68 million. The without-project scenario assumes that annual growth in both international and domestic arrivals will level off to 5% in 2016, and average revenue per tourist will level off to \$64 by 2016. Average annual growth and revenue per tourist are then expected to remain at 2016 levels through 2025. The with-project scenario assumes average annual growth in arrivals moderates to 10% in 2013. In the with-project scenario, average revenue per tourist is expected to increase to \$75 in 2016 and continue to grow at a rate of 5% per annum through 2025 due to increased market awareness and higher visitor satisfaction.

Table 1: Dien Bien Province Tourism Forecasts 2012-2025

Indicator	Baseline	Without-Project		With-Project	
	2012	2019	2025	2019	2025
Tourist arrivals (total)	470,000	719,411	964,080	915,897	1,622,567
International tourist arrivals	105,000	160,720	215,380	204,615	362,488
Domestic tourist arrivals	365,000	558,692	748,701	711,282	1,260,079
Tourism revenue (\$million)	19.0	46.4	62.1	68.3	162.2
Average revenue per tourist (\$)	40.4	64.4	64.4	74.6	100.0

Source: Ministry of Culture, Sports and Tourism; Dien Bien Department of Culture Sports and Tourism; Asian Development Bank Estimates.

¹ World Travel and Tourism Council. 2013. *Travel and Tourism Economic Impact 2013: Viet Nam*. London. Forecasts for provincial tourism revenue and average revenue per tourist presented in this appendix consider revenue from both international and domestic tourists.

C. Tourism in Ha Tinh Province

5. Ha Tinh Province, located on Viet Nam's Central Coast, is best known for its beaches, pagodas, and as the birthplace of many national leaders. Its location approximately half way between Hanoi and popular tourist destinations in Central Viet Nam makes it a popular stop-over for domestic tourists. Ha Tinh welcomed 1.15 million visitors in 2012, of which 98% were Vietnamese. Average annual growth in arrivals over the past five years was 36.7%. Revenue from tourism has nearly doubled since 2008, but average revenue per tourist has decreased from \$40.7 to \$21.8 (47%). To mitigate this risk of further decline in tourist spending and boost international tourist arrivals, the project plans to invest in three key tourist sites: (i) Huong Tich Pagoda; (ii) Nguyen Du Memorial; and (iii) Thien Cam beach.

6. As shown in Table 2, without-project forecasts suggest that in 2019 Ha Tinh will receive 2,531,899 tourists and tourism revenue will be \$52 million. The with-project growth scenario places total arrivals at 3,018,175 in 2019 with tourism revenue of \$75.1 million. The without-project scenario assumes that annual growth in both international and domestic arrivals will level off to 5% by 2016, and that average revenue per tourist will moderate at \$21 by 2013. The with-project scenario assumes growth in international tourist arrivals moderates to 10% by 2015 and domestic arrival growth slows to 10% by 2018. In the with-project scenario average revenue per tourist is expected to increase to \$25 by 2019 and continue to grow at 5% per annum through 2025 due to increased market awareness and higher visitor satisfaction.

Table 2: Ha Tinh Province Tourism Forecasts 2012-2025

Indicator	Baseline	Without-Project		With-Project	
	2012	2019	2025	2019	2025
Tourist arrivals (total)	1,156,070	2,531,899	3,392,987	3,018,175	5,346,881
International tourist arrivals	21,388	39,464	52,885	47,535	84,211
Domestic tourist arrivals	1,134,682	2,492,435	3,340,101	2,970,640	5,262,670
Tourism revenue (\$million)	25.2	52.3	70.1	75.1	178.4
Average revenue per tourist (\$)	21.8	20.7	20.7	24.9	33.4

Source: Ministry of Culture, Sports and Tourism; Ha Tinh Department of Culture Sports and Tourism; Asian Development Bank Estimates.

D. Tourism in Kien Giang Province

7. Kien Giang is located on the Southern Coastal Corridor and is the gateway to the popular resort island of Phu Quoc and Cambodia's Kampot Province. It welcomed 1 million visitors in 2012, of which 84% (845,000) were Vietnamese. Average annual growth in arrivals over the past five years was 11.6% (double the average national growth rate), but declined to 5.7% in 2012. Revenue from tourism has grown at a rate of 24% since 2008 as a result of the growth in arrivals combined with increasing average daily expenditure, both among international and domestic tourists.

8. The majority of the tourism investment in recent years has focused on Phu Quoc Island, which is rapidly becoming a regional tourism hub. However, many of Kien Giang's mainland tourism sites lack the infrastructure and environmental services needed to attract private investment and draw higher spending visitors. The proposed project plans to address these constraints mainly by investing in access infrastructure such as roads and piers, and supporting environmental improvements at Phu Tu seaside recreation area Da Dung cave complex.

9. As shown in Table 3, without-project forecasts suggest that in 2019 Kien Giang Province will receive 1,414,136 tourists and tourism revenue will be \$75 million. The with-project growth scenario places total arrivals at 1,769,161 in 2019 with tourism revenue of \$115.5 million. The without-project scenario assumes that annual growth in international and domestic arrivals will level off to 5% by 2013, and average revenue per tourist will moderate

to \$53 by 2016. The with-project scenario assumes growth in international and domestic tourist arrivals will moderate to 10% by 2017. In the with-project scenario average revenue per tourist is expected to increase to \$65 by 2017 and continue to grow at a rate of 5% per annum through 2025 due to higher visitor satisfaction and increased market awareness.

Table 3: Kien Giang Province Tourism Forecasts 2012-2025

Indicator	Baseline	Without-Project		With-Project	
	2012	2019	2025	2019	2025
Tourist arrivals (total)	1,005,000	1,414,136	1,895,077	1,769,161	3,134,177
International tourist arrivals	160,000	225,136	301,704	281,658	498,973
Domestic tourist arrivals	845,000	1,189,000	1,593,374	1,487,504	2,635,204
Tourism revenue (\$million)	44.1	75.3	100.9	115.5	274.2
Average revenue per tourist (\$)	43.8	53.2	53.2	65.3	87.5

Source: Ministry of Culture, Sports and Tourism; Kien Giang Department of Culture Sports and Tourism; Asian Development Bank Estimates.

E. Tourism in Lao Cai Province

10. Lao Cai, located in Viet Nam's mountainous Northwest, is well known for its diverse ethnic groups and terraced rice cultivation. Lao Cai town, nearby Bac Ha, and the hill station of Sapa are the focus of most tourism activity. The province welcomed nearly 950,000 visitors in 2012, of which 60% (375,000) were Vietnamese. Average annual growth in arrivals over the past five years was 9.2% (below the national growth rate), and declined to 7.1% in 2012. Average growth over the past five years is 19.7%; however in 2012 domestic arrivals declined by 8.3% and international arrivals declined by 14%. Despite the decline in arrivals, tourism revenue has grown at a rate of 36% since 2008 as a result increasing average daily expenditure among all markets. The proposed project plans to address stagnating growth by enhancing facilities and services at the main point of arrival in the province, upgrading access to ethnic villages around Sapa, and improving destination management, marketing, and hospitality service quality.

11. As shown in Table 4, without-project forecasts suggest that in 2019 Lao Cai will receive 1,181,911 tourists and tourism revenue will be \$108 million. The with-project growth scenario places total arrivals at 1,622,338 in 2019 and tourism revenue at \$192 million. The without-project scenario assumes international arrivals will not increase overall and the average revenue per tourist will grow by 5% per annum through 2025. The with-project scenario assumes growth in international arrivals gradually increases to 10% by 2018 and in domestic arrivals to 10% by 2016. In the with-project scenario average revenue per tourist is expected to increase to \$119 by 2019 and continue to grow at a rate of 5% per annum through 2025 due to increased market awareness and higher visitor satisfaction.

Table 4: Lao Cai Province Tourism Forecasts 2012-2025

Indicator	Baseline	Without-Project		With-Project	
	2012	2019	2025	2019	2025
Tourist arrivals (total)	948,610	1,181,911	1,456,158	1,622,338	2,874,071
International tourist arrivals	375,530	375,530	375,530	594,829	1,053,776
Domestic tourist arrivals	573,080	806,381	1,080,628	1,027,509	1,820,295
Tourism revenue (\$million)	87.2	108.6	133.9	192.3	456.5
Average revenue per tourist (\$)	91.9	91.9	91.9	118.5	158.8

Source: Ministry of Culture, Sports and Tourism; Lao Cai Department of Culture Sports and Tourism; Asian Development Bank Estimates.

F. Tourism in Tay Ninh Province

12. Tay Ninh, located in southwest Viet Nam, is best known as home of the Holy See of the Caodai religion and Ba Den Mountain, with its sacred Buddhist pagoda and historic sites.

The province received nearly 1.1 million overnight visitors in 2012, of which 99% were Vietnamese. Average annual growth in arrivals over the past five years was 8% (below the national growth rate), and declined to 0.3% in 2012, but tourism revenue has been growing at an average rate of 15.8% per year since 2008 due to increasing daily expenditure. In order to address stagnating growth in both domestic and international tourist arrivals, the project plans to increase the carrying capacity of the Ba Den Mountain tourist site by improving access and environmental services, and strengthening destination management, marketing, and hospitality service quality. Ba Den Mountain and Logo-Xa Mat National Park have been selected for project support.

13. As shown in Table 5, without-project forecasts suggest that in 2019 Tay Ninh will receive 1,278,487 overnight tourists and tourism revenue will be \$29 million. The with-project growth scenario places total arrivals at 1,481,377 in 2019 and tourism revenue at \$37.8 million. The without-project scenario assumes 2% annual growth in international and domestic arrivals and revenue per tourist through 2025. The with-project scenario assumes international arrivals growth moderates to 10% in 2017, and domestic arrival growth to 5% by 2016. In the with-project scenario average revenue per tourist is expected to increase to \$26 by 2019 and continue to grow at a rate of 5% per annum through 2025, due to increased market awareness and higher visitor satisfaction.

Table 5: Tay Ninh Province Tourism Forecasts 2012-2025

Indicator	Baseline	Without-Project		With-Project	
	2012	2019	2025	2019	2025
Tourist arrivals (total)	1,113,000	1,278,487	1,439,784	1,481,377	1,992,073
International tourist arrivals	9,600	11,027	12,419	15,961	28,275
Domestic tourist arrivals	1,103,400	1,267,460	1,427,366	1,465,416	1,963,798
Tourism revenue (\$million)	22.0	29.0	36.8	37.8	68.0
Average revenue per tourist (\$)	19.8	22.7	25.6	25.5	34.2

Source: Ministry of Culture, Sports and Tourism; Tay Ninh Department of Culture Sports and Tourism; Asian Development Bank Estimates.

G. Forecasts for Output 1 and 2 Subprojects

14. An overview of baseline conditions and projections for each site where infrastructure will be improved is presented in Table 6. A detailed description of each subproject is presented in the Project Administration Manual.

Table 6: Subproject Sites Tourism Forecasts 2012-2025

Subproject site / Indicator	Baseline	Without-Project		With-Project		Incremental With-Project Benefit	
	2012	2019	2025	2019	2025	2019	
Dien Bien Province							
<u>Muong Phang Access Road Improvement (Dien Bien Phu Campaign Headquarters)</u>							
Total visitors	415,840	636,511	852,985	831,147	1,472,428	194,637	30.6%
International visitors	880	1,347	1,805	22,508	39,874	21,161	1571.0%
Domestic visitors	414,960	635,164	851,180	808,640	1,432,554	173,476	27.3%
Tourism revenue (\$) ^a	240,000	367,359	492,296	481,869	853,660	114,510	31.2%
<u>Dien Bien Phu Cultural Exchange and Tourist Information Center (De Castries Bunker Site)</u>							
Total visitors	470,000	719,411	964,080	915,897	1,622,567	196,486	27.3%
International visitors	105,000	160,720	215,380	204,615	362,488	43,896	27.3%
Domestic visitors	365,000	558,692	748,701	711,282	1,260,079	152,590	27.3%
Tourism revenue (\$) ^a	176,250	269,779	361,530	343,461	608,463	73,682	27.3%
Ha Tinh Province							
<u>Nguyen Du memorial Environmental Improvements</u>							
Total visitors	177,850	327,397	438,744	394,610	699,076	67,213	20.5%
International visitors	2,418	3,701	4,960	4,712	8,348	1,011	27.3%
Domestic visitors	175,432	323,696	433,784	389,898	690,729	66,202	20.5%
Tourism revenue (\$) ^a	2,270,000	4,178,759	5,599,937	5,036,634	8,922,704	857,875	20.5%

Huong Tich Pagoda Environmental Improvement

Total visitors	178,285	370,100	495,970	507,663	1,174,255	137,562	37.2%
International visitors	2,853	5,923	7,937	8,124	18,791	2,201	37.2%
Domestic visitors	175,432	364,178	488,033	499,539	1,155,464	135,361	37.2%
Tourism revenue (\$) ^a	89,143	185,050	247,985	253,831	587,127	68,781	37.2%

Kien Giang ProvinceDa Dung Caves Access Improvements

Total visitors	93,233	131,188	175,805	164,124	290,755	32,935	25.1%
Tourism revenue (\$) ^a	26,882	37,826	50,690	47,322	83,834	9,496	25.1%

Phu Tu Environmental Improvement

Total visitors	319,786	449,971	603,004	651,370	1,288,050	201,399	44.8%
International visitors	412	580	777	1,283	4,893	703	121.2%
Domestic visitors	319,374	449,391	602,227	650,087	1,283,157	200,696	44.7%
Tourism revenue (\$) ^a	156,039	219,563	294,235	317,835	628,502	98,272	44.8%

Lao Cai ProvinceLao Cai Cultural Exchange and Tourism Information Center

Total visitors	n/a	n/a	n/a	605,667	1,072,976	605,667	n/a
International visitors	n/a	n/a	n/a	297,415	526,888	297,415	n/a
Domestic visitors	n/a	n/a	n/a	308,253	546,088	308,253	n/a
Tourism revenue (\$) ^a	n/a	n/a	n/a	3,028,336	5,364,882	3,028,336	n/a

Ta Phin Access Road Improvement

Total visitors	12,859	8,980	6,601	24,411	59,656	15,431	171.8%
International visitors	10,249	7,157	5,261	19,669	45,495	12,512	174.8%
Domestic visitors	2,610	1,823	1,340	4,742	14,161	2,920	160.2%
Tourism revenue (\$) ^a	77,347	83,863	95,526	201,698	782,782	117,835	140.5%

Tay Ninh ProvinceBa Den Mountain Environmental Improvements

Total visitors	2,196,512	2,523,102	2,841,422	2,875,293	3,853,168	352,191	14.0%
Tourism revenue (\$) ^a	2,000,000	2,297,371	2,587,213	2,618,054	3,508,443	320,682	14.0%

^a Revenue forecasts are derived tourist entry and user fees only.

Note: Ba Den Mountain arrivals are higher than reported provincial arrivals due to the high number of day-tripping local residents.

Source: Ministry of Culture, Sports and Tourism; Dien Bien, Ha Tinh, Kien Giang, Lao Cai and Tay Ninh Departments of Culture Sports and Tourism; Tourism Site Management Boards; Asian Development Bank estimates.