

A decorative graphic composed of a grid of colored squares in yellow, green, red, and light green, arranged in a pattern that tapers to the right.

Greater Mekong Subregion

Tourism Sector Assessment, Strategy,
and Road Map



Greater Mekong Subregion Tourism Sector Assessment, Strategy, and Road Map

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Asian Development Bank
6 ADB Avenue, Mandaluyong City
1550 Metro Manila, Philippines
Tel +63 2 632 4444
Fax +63 2 636 2444
www.adb.org

For orders, please contact:
Department of External Relations
Fax +63 2 636 2648
adbpub@adb.org

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Abbreviations

ACMECS	-	Ayeyawady–Chao Phraya–Mekong Economic Cooperation Strategy
ADB	-	Asian Development Bank
ADF	-	Asian Development Fund
ASEAN	-	Association of Southeast Asian Nations
BCI	-	Biodiversity Conservation Corridor Initiative
CBTA	-	Cross–Border Transport Agreement
CDTA	-	capacity development technical assistance
CEP	-	Core Environment Program
ECF	-	Economic Corridors Forum
GDP	-	gross domestic product
GMS	-	Greater Mekong Subregion
MTCO	-	Mekong Tourism Coordinating Office
MTDP	-	GMS Mekong Tourism Development Project
NTO	-	national tourism organization
PPP	-	Phnom Penh Plan for Development Management
RCSP	-	regional cooperation strategy and program
RTSS	-	regional tourism sector strategy
SAPE	-	sector assistance program evaluation
SEA	-	strategic environmental assessment
STDP	-	GMS Sustainable Tourism Development Project
TWG	-	Tourism Working Group
WTTC	-	World Travel & Tourism Council

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I Sector Assessment

1. This sector assessment, strategy, and road map (ASR) documents the current assessment and strategic assistance priorities of the governments and the Asian Development Bank (ADB) in the tourism sector of the Greater Mekong Subregion¹ (GMS). It includes environmental sustainability concerns and need for mitigation measures and adaptation to climate change. It highlights sector performance, priority development constraints, government plans and strategies, past ADB support and experience, other development partner support, and future ADB support strategy. The ASR is linked to and informs ADB's country partnership strategies (CPS) for GMS countries and will be updated as strategic developments and program changes are needed, and will help to provide sector background information for program, investment, and technical assistance operations.

A. Sector Context and Strategic Issues

2. The GMS is characterized by an abundance of natural and cultural tourism assets with the iconic Mekong River at its core. Its mountains, valleys, and coastal regions contain pristine sea beaches, lush tropical monsoon forests, globally important wildlife, and some of the earliest known human settlements in Southeast Asia. Ancient and diverse cultural heritage including Buddhist traditions, religious and vernacular architecture, music, literature, and indigenous knowledge enrich the subregion and add to the appeal of its striking rural landscapes and vibrant urban centers.

3. Over the past decade, international tourism has emerged as an increasingly important contributor to global trade and economic growth, representing perhaps the world's largest voluntary transfer of resources from rich people to poor people. In 2007, about 40% of international tourists from middle- and upper-income countries visited a developing country, generating \$295 billion in receipts or almost three times the level of official development assistance that year.² Reflecting these trends, the GMS saw international tourist arrivals increase from 17.9 million in 2002 to over 31 million in 2010, placing it among the world's fastest-growing tourist destinations. As shown in Table 1, the subregion's cumulative annual growth rate in international arrivals from 2000 to 2009 was 6% and ranges from 3% to 18% among the individual GMS countries and provinces. Although Thailand's share of total GMS arrivals has declined from 61% in 2004 to 54% in 2009, it remains the subregion's most visited international destination, with tourism contributing approximately 14% to its gross domestic product (GDP).³ As a job creator, tourism ranks among the most labor-intensive of the non-agriculture sectors⁴ and is one of the few avenues whereby unskilled and semi-skilled workers can readily enter the service economy, in both the formal and informal sector. The ability of tourism growth to create employment in the

¹ The Greater Mekong Subregion comprises the Kingdom of Cambodia, Guangxi Zhuang Autonomous Region and Yunnan Province of the People's Republic of China, the Lao People's Democratic Republic, the Union of Myanmar, the Kingdom of Thailand, and the Socialist Republic of Viet Nam.

² J. Mitchell and C. Ashley. 2010. *Tourism and Poverty Reduction: Pathways to Prosperity*. London: Overseas Development Institute and Earthscan.

³ World Travel & Tourism Council (WTTC). 2010. http://www.wttc.org/eng/Tourism_Research/Economic_Data_Search_Tool/index.php

⁴ WTTC and World Bank. 2006. *World Development Indicators, 2006*. Washington, DC.

Table 1 Greater Mekong Subregion International Tourist Arrivals, 2002–2010

	2002	2004	2006	2008	2009	2010	CAGR 2000–2009 (%)
Cambodia	786,524	987,359	1,591,350	2,001,434	2,045,735	2,508,289	17.85
Lao PDR	735,662	894,806	1,215,106	1,736,787	2,008,363	2,513,028	11.78
Myanmar	217,212	241,938	263,514	193,319	227,400	310,688	1.77
Thailand	10,872,976	11,737,413	13,838,488	14,584,220	14,087,767	15,936,400	4.38
Viet Nam	2,627,988	2,927,876	3,583,486	4,207,895	3,742,731	5,049,855	6.35
Yunnan Province	1,303,550	1,101,000	1,111,744	2,044,483	2,305,052	2,729,783	9.71
Guangxi Zhuang Autonomous Region	1,363,400	1,175,800	1,707,729	1,620,466	1,645,264	1,996,452	3.29
Total	17,907,312	19,066,192	23,311,417	26,388,604	26,062,312	31,044,495	6.05

CAGR = cumulative annual growth rate, GMS = Greater Mekong Subregion, Lao PDR = Lao People's Democratic Republic.
Sources: GMS national tourism organizations. 2010; Mekong Tourism Coordinating Office. 2010; Pacific Asia Travel Association. 2010.

informal sector has long been recognized as a key opportunity for job creation and poverty reduction in developing countries.⁵

4. The long-running annual increase in international arrivals slowed in 2009 due to the global economic downturn of 2008/09 and political unrest in Thailand. Growth rebounded strongly in 2010 and the GMS surpassed the historic milestone of 31 million international arrivals. This impressive growth and resilience is underpinned by a highly competitive cost structure, diverse mix of attractions, rapidly improving subregional connectivity, liberalization of immigration policies,⁶ and increasing affluence among the GMS population of more than 320 million people.

5. According to the World Travel & Tourism Council (WTTC), in 2010, the Mekong countries generated \$22.1 billion in economic output linked to the travel and tour operations, shopping, entertainment, transport, and various other tourism-related service occupations and productive sectors.⁷ As shown in Table 2, the WTTC is forecasting that the combined tourism economy of Cambodia, the Lao People's Democratic Republic (Lao PDR), Myanmar, Thailand, and Viet Nam will be worth \$56.95 billion in 2020 and represent a significant proportion of each country's GDP.

6. About 61% of GMS international arrivals originate in Asia, led by Thailand, Malaysia, Republic of Korea, Japan, and the People's Republic of China (PRC). Long-haul source markets from Europe account for 23% of international visitors, followed by the Americas at 7% and Oceania at 5%. Overall growth is presently being driven by the rise in intraregional travel by citizens of the GMS and the Association of Southeast Asian Nations plus the PRC, Japan, and the Republic of Korea (ASEAN+3) that account for up to 80% of arrivals in the lower Mekong countries.⁸ Average length of stay for long-haul visitors is 8 days and average spending varies widely by country ranging from \$60 to \$170 per

⁵ WTTC and E. de Kadt. 1979. *Tourism—Passport to Development*. Oxford: Oxford University Press.

⁶ The ASEAN Framework Agreement on Visa Exemption exempts citizens of ASEAN member states holding valid national passports from visa requirement (to visit other ASEAN countries party to the agreement) for a period of stay of up to 14 days.

⁷ Not including Yunnan Province and Guangxi Zhuang Autonomous Region, PRC (see http://www.wttc.org/eng/Tourism_Research/Economic_Data_Search_Tool/)

⁸ Lao PDR = 80%, Cambodia = 34%, Thailand = 29%, and Viet Nam = 18%.

Table 2 Greater Mekong Subregion Tourism Key Indicators

	Cambodia	Lao PDR	Myanmar	Thailand	Viet Nam
2009 receipts (\$ million)	1,561.0	267.7	196.0	15,358.0	4,227.00
Change in international arrivals 2009/2010 (%) ^a	16.0	25.1	27.7	13.1	34.9
Travel and tourism economy as share of GDP ^b	18.3	11.4	5.6	13.8	12.3
Share of GDP forecasted in 2020 (%)	15.3	10.4	6.1	17.7	13.0
Employment ^c	302,578	51,754	37,992	2,976,934	819,345
Women's share of tourism employment (%) ^d	54	50	N/A	65	70
Share of total GMS international arrivals (%) ^e	7.88	7.70	0.93	54.02	14.35

GDP = gross domestic product, GMS = Greater Mekong Subregion, Lao PDR = Lao People's Democratic Republic.

^a Based on 2010 preliminary arrival data.

^b World Tourism & Travel Council. 2010. http://www.wttc.org/eng/Tourism_Research/Economic_Data_Search_Tool

^c The Greater Mekong Tourism Sector Strategy Draft Final Report 2005 (p. 33) suggests one job per \$5,159 expenditure in 2009 dollars.

^d ADB. 2009. Gender-Related Impacts of the Global Economic Slowdown in the Greater Mekong Subregion: Emerging Trends and Issues. Manila.

^e Including Yunnan Province and Guangxi Autonomous Region of the People's Republic of China which accounted for 8.84% and 6.31% of 2009 arrivals, respectively.

Source: GMS national tourism organizations. 2010.

day.⁹ Intraregional tourists tend to vacation for shorter periods and spend slightly less per day than long-haul visitors.¹⁰

7. International arrival numbers, spending, and length of stay in Cambodia and the Lao PDR are strongly influenced by casino-gaming development. The presence of at least 32 casinos in the border areas of the Lao PDR and Cambodia suggests robust demand, mainly among clients from Thailand and the PRC where casino gambling is illegal. Viet Nam is also actively pursuing the development of large integrated casino-resort projects, including a \$5 billion venture in Da Nang and a 9,000-room \$4.2 billion project on a pristine strip of the southern coast in Ba Ria–Vung Tau. A \$470 million integrated gaming resort near the world heritage-listed Angkor Wat in Cambodia is also planned.¹¹ There is currently limited information about this market segment or the social impacts of casino gambling.

8. Domestic tourism is also an important contributor to the more developed GMS economies. An estimated 87 million domestic tourists spent \$12.3 billion¹² in Thailand during 2009 and Yunnan Province of the PRC counted 120 million domestic visitors the same year.¹³ Thailand and the PRC minimize tourism-related imports to less than 4% of gross receipts due to strong linkages between the tourism sector and other productive sectors, such as manufacturing and agriculture. In contrast, imports in the less-developed GMS economies such as Cambodia, the Lao PDR, and Myanmar equal 20%–40% of tourism receipts.¹⁴

⁹ Average daily spending is lowest in Lao PDR and highest in Yunnan Province, PRC.

¹⁰ F. Thomas. 2009. *Tourism Market Study – Savannakhet Province, Lao PDR*. Vientiane.

¹¹ H. Ashton and L. Korpi. 2009. *Asia Awakens: The Growth of Casino Tourism*. London: Gambling Compliance.

¹² The Tourism Authority of Thailand forecast 87 million domestic tourists in 2009 and revenue estimates of B407 billion, converted to US dollars at an exchange rate of \$1 = B33.

¹³ GMS Tourism Working Group. 2010. Summary of Proceedings of the 26th Meeting of the GMS Tourism Working Group.

¹⁴ ADB. 2005. *The Greater Mekong Subregion Tourism Sector Strategy*. Manila.

9. Women represent at least half the subregion's tourism industry workers and hold 65% or more of tourism-related jobs in Thailand and Viet Nam.¹⁵ Gender profile by job type varies considerably, with the majority of women employed in lower-skilled jobs paying lower wages. Observations in all GMS countries indicate that men tend to secure a higher proportion of managerial positions in government and private sector tourism enterprises. In Thailand, 66% of hotel and restaurant workers are women¹⁶ and the percentage of women employed as housekeepers in Lao PDR's accommodation subsector is nearly 100%.¹⁷ Notwithstanding lower wages and gender-biased pay rates that favor males, remittances from low and semi-skilled tourism workers are an important source of supplementary income for rural households. A study in Cambodia found over 75% of both men and women working in Siem Reap and Phnom Penh hotels remit wages that amount to over \$1.2 million per month.¹⁸

10. The business of GMS tourism is predominately led by private enterprise. In the PRC, Myanmar and Viet Nam, however, state-owned tour companies and hotels compete with the private sector. The International Finance Corporation's 2011 *Doing Business Report*¹⁹ found Thailand to be the subregion's easiest place to start a business and ranked it 18 of 183 countries evaluated. In comparison, Viet Nam, the PRC, Cambodia, and the Lao PDR ranked 78, 79, 147, and 171, respectively. Tourism industry associations are very active in Thailand where the sector has received long-standing government support. In Cambodia and the Lao PDR, the recent establishment of tourism marketing and promotion boards is enabling closer collaboration between the public and private sector to strengthen national marketing and promotion programs. Civil society and the private sector engage government authorities responsible for tourism through individual consultations, industry associations, chambers of commerce, and nongovernment organizations.

11. Other measures being pursued by GMS governments to promote foreign and domestic investment in the tourism sector include preferential tax rates, availability of favorable long-term land lease agreements, and recent reforms that permit foreign investors to hold ownership equity in tour companies and hotels. Despite cumbersome approval processes, these measures have stimulated considerable levels of new investment. Between 2006 and 2009, Cambodia, the Lao PDR, and Viet Nam added a total of 92,084 new hotel rooms. The number of tour operators in Cambodia and the Lao PDR rose by 63% during the same period.

12. Recent studies note that while the overall performance of GMS tourism has been impressive, its contribution to inclusive economic growth and heritage protection is undermined by several constraints.²⁰ These are broadly consistent with the main issues and problems that were identified during formulation of the GMS regional tourism sector strategy (RTSS)²¹ and include

- (i) limited institutional capacity and human resources to plan, develop, and manage socially responsible tourism and safeguard heritage assets;
- (ii) limited capacity to prevent and mitigate the negative social impacts of tourism;

¹⁵ ADB. 2009. *Gender-Related Impacts of the Global Economic Slowdown in the Greater Mekong Subregion: Emerging Trends and Issues*. Manila.

¹⁶ S. Paitoonpong, N. Akkarakul, and S. Rodsomboon. 2009. *Triple Burden: Impact of the Financial Crisis on Women in Thailand*. Oxfam Research Report. Bangkok: Oxfam GB, p. 31.

¹⁷ Lao National Tourism Administration. 2009. *Tourism, Employment and Education in Lao PDR*. Vientiane.

¹⁸ Overseas Development Institute and United Nations Development Programme. 2009. *Cambodia Country Competitiveness: Driving Economic Growth and Poverty Reduction*. Phnom Penh. The study found that on average, males earn 30% more than females employed in comparable professions.

¹⁹ Available at <http://www.doingbusiness.org/rankings>

²⁰ ADB. 2010. *Midterm Review of the Greater Mekong Subregion Tourism Sector Strategy, 2005–2010*. Manila; ADB. 2009. *Sector Assistance Program Evaluation. Tourism Sector in the Greater Mekong Subregion*. Manila.

²¹ ADB. 2004. TA-6179 REG: Greater Mekong Subregion Tourism Sector Strategy. Manila.

- (iii) a lack of subregional marketing and promotion programs;
- (iv) low standards of service among the smaller hospitality and tourism service providers;
- (v) inadequate “last mile” access infrastructure, interpretation facilities and services, roadside amenities, water supply, sanitation, and other public infrastructure at tourist attractions and rural sites that are of interest to tourists and investors; and
- (vi) limited private sector adoption of responsible tourism practices and partnerships with local communities.

Despite the opening of numerous new immigration checkpoints over the past few years, tour operators report that inconsistent tourist entry visa requirements and inefficient immigration procedures are still barriers to developing multi-country tour programs. A recent review of the subregional tourism strategy confirmed that intensified efforts are needed to support the development of subregional tour circuits. Doing so would help transform the GMS transport corridors into full-fledged economic corridors as envisioned by GMS leaders and outlined in various strategic plans.²² A summary of the problems confronting GMS tourism is in Appendix 1.

13. In the context of highly favorable strengths and opportunities that include supportive tourism investment policies, abundant private investment capital, outstanding natural and cultural tourism assets, improved subregional connectivity, and increasing affluence among ASEAN+3 citizens, GMS tourism is highly likely to continue to expand in the coming decade if threats to the industry can be managed and mitigated. These threats include environmental degradation at key tourist sites and weak management of cultural resources, communicable disease epidemics, unsafe migration and human trafficking, political unrest, and the effects of climate change. Addressing these threats will require investments in infrastructure and human resources, and enhanced policy dialogue within and between the GMS countries.

²² ADB. 2010. *Strategy and Action Plan for the Development of the East West Economic Corridor*. Manila; ADB. 2010. *Toward Sustainable and Balanced Development: Strategy and Action Plan for the Greater Mekong Subregion North–South Economic Corridor*. Manila; ADB. 2010. *Sharing Growth and Prosperity: Strategy and Action Plan for the Greater Mekong Subregion Southern Economic Corridor*. Manila.

Greater Mekong Subregion Priority Tourism Zones and Tour Circuits, 2011–2015



Source: ADB.

Greater Mekong Subregion Tourism Strategy and Program

A. Greater Mekong Subregion Tourism Sector Strategy and Planning Framework

14. To harmonize the overall subregional tourism planning framework and complement national tourism development plans, the Asian Development Bank (ADB) assisted the Greater Mekong Subregion (GMS) countries prepare the regional tourism sector strategy (RTSS) in 2005. The main objectives of the RTSS are to (i) develop quality subregional tourism products that spread the benefits of tourism widely; (ii) promote the GMS as a single destination; (iii) add to the tourism development efforts of each GMS country; (iv) contribute to poverty reduction, gender equality and empowerment of women, and sustainable development; and (v) minimize the negative impacts of tourism. The RTSS includes 29 priority projects and seven strategic programs focusing on (i) marketing and product development, (ii) human resource development, (iii) heritage conservation and social impact management, (iv) pro-poor tourism development, (v) private sector participation, (vi) facilitation of the movement of tourists within the subregion, and (vii) tourism-related infrastructure development.

15. At the outcome level, RTSS performance targets are to (i) increase the share of arrivals to less-developed GMS countries (other than Thailand) to 33% by 2010 and 43% by 2015; (ii) reduce the number of those living in extreme poverty by 0.16 million by 2010 and 1.6 million by 2015; (iii) enhance the capacity of public officials to implement measures to protect and raise the value of natural and cultural resources in key GMS tourism zones by 2010, with related measures in place by 2015; (iii) establish a culture of human resource development in all GMS national tourism organizations (NTOs) by 2010, with the capacity to meet the training needs of staff in place by 2015; (iv) eliminate gender gaps in tourism employment by 2015; (v) facilitate stronger private sector participation in the tourism sector, as evidenced by growth in the number, size, and ownership of enterprises, and number of industry associations; (vi) creation of private sector-led tourism marketing and promotion boards by 2010, and (vii) full participation of all GMS countries in multisector subregional programs to address the negative impacts of tourism by 2010. The RTSS targets 52 million international tourist arrivals and approximately \$53 billion in subregional tourism receipts by 2015.

16. Following endorsement of the RTSS, the GMS tourism ministers have provided continuous leadership and policy guidance to support its implementation. High-level policy guidance is put into action by the GMS Tourism Working Group (TWG) comprising senior officials from GMS NTOs that are responsible for directing subregional tourism activities and reporting progress to the GMS tourism ministers. As of May 2011, the TWG has met 27 times since 1993 and is the longest running and most active GMS working group. RTSS priority projects are implemented at the country level except for joint marketing and promotion, which is led by the Bangkok-based Mekong Tourism Coordinating Office (MTCO) utilizing seed funding provided by each GMS NTO.²³ In addition to leading the

²³ MTCO overheads and the subregional marketing program are financed by an annual contribution of \$15,000 from each GMS NTO.

joint marketing and promotion program, the MTCO serves as the TWG secretariat and monitors implementation of the RTSS. MTCO maintains consumer and institutional websites²⁴ that promote the subregion as a single destination and serve as a web-based knowledge center for GMS tourism.

17. Although the GMS countries demonstrate strong ownership of the subregional tourism agenda as shown by their joint endorsement of the RTSS and ongoing commitments to finance MTCO, progress toward the establishment of a subregional tourism marketing board has been slow. There has also been limited private sector participation in TWG meetings, which is likely exacerbating MTCO's difficulties in mobilizing resources to support subregional marketing and promotion.

18. Tourism sector policies and plans of the GMS countries align with the RTSS and broadly identify growth in international and domestic tourism arrivals, poverty reduction, heritage protection, job creation, and generation of foreign exchange receipts as their main priorities. Government-endorsed tourism master plans typically set out a 10–15-year policy and a planning framework with shorter-term action plans of 5 years or less. Action plans are harmonized with national socioeconomic development plans and financed by government, the development partners, and in some instances, through innovative public–private partnerships²⁵ or independently by the private sector. Tourism policies and plans of the GMS countries are summarized below.

19. **Cambodia.** In 2009, Cambodia passed its first Law on Tourism with the objective of developing a quality and sustainable tourism sector that can contribute to poverty reduction and protection of natural resources, culture, and customs. The Ministry of Tourism is currently formulating the Cambodia National Tourism Strategy (2011–2020) that is prioritizing human resource development, equitable distribution of the benefits of tourism, public and private sector cooperation, quality assurance, and prevention of the negative impacts of tourism. The country is focusing on developing culture, nature, beach resort, and ecotourism products based on its iconic tourism resources including Angkor Wat and other ancient Khmer sites, the Mekong River and Tonle Sap Lake, protected areas in the northeast, Cardamom Mountains, and Sihanoukville in the southern coastal area. Tourism infrastructure development, environmental sustainability, restoration and conservation of tourism assets, and investment promotion will be prioritized in the forthcoming National Tourism Strategy. Promotional efforts are being strengthened through the nascent public–private tourism marketing and promotion board and recently launched “Kingdom of Wonder” campaign. Cambodia cooperates with its neighbors in regional and subregional tourism cooperation initiatives including the Association of Southeast Asian Nations (ASEAN), the GMS program, and the Ayeyawady–Chao Phraya–Mekong Economic Cooperation Strategy (ACMECS). Cambodia is targeting 5.5 million international arrivals by 2015.

20. **People's Republic of China.** At the national level, tourism planning, development, and marketing is conducted by the [People's Republic of] China National Tourism Administration (CNTA) that reports directly to the State Council. The CNTA sets out the national planning framework for all regions and provinces. Key activities at the national level include development of policy and planning guidelines, ensuring security for tourists, marketing the PRC in international markets, promoting domestic tourism, guiding cooperation with other countries and regions, registering tourist establishments, and directing tourism education and training. In Yunnan province, the Yunnan Provincial Tourism Administration focuses on facilitating the development of tourism infrastructure; developing a broad range of pro-poor nature, culture, and urban tourism products; increasing community participation and market awareness; improving human resources in the tourism sector; encouraging sustainable development; and promoting high-value and low-impact tourism. Key destinations in Yunnan Province

²⁴ See www.exploremekong.org and www.mekongtourism.org

²⁵ These range from large projects such as the Société Concessionnaire de l'Aéroports' 25-year concession to manage and operate Cambodia's three international airports (Phnom Penh, Siem Reap, and Sihanoukville) to small concessions allowing communities to manage and operate local tourist attractions.

are the Mekong River Valley prefectures and districts. Nature, culture, and adventure-based tourism are promoted in the Tengchong–Shangrila area northwest of Kunming bordering Myanmar. Kunming is a popular destination for leisure and meetings, conventions, incentives, and exhibitions (MICE), with its surrounding lakes, ethnic groups, and karst landscape. In Guangxi Zhuang Autonomous Region, the focus is MICE tourism in Nanning and sightseeing in Guilin, beach resort tourism in the Beihai area, and sightseeing in the culturally rich karst landscape near the border with Viet Nam.

21. **Lao People’s Democratic Republic (Lao PDR).** The Lao National Tourism Administration, a ministerial-level organization under the Prime Minister’s Office, develops and implements tourism policies and plans based on the 2006 Tourism Law and National Tourism Strategy and Action Plan (NTSAP), 2006–2020. The NTSAP promotes the development of the country’s natural, cultural, and urban tourism resources to generate jobs, protect cultural and natural heritage, and reduce poverty. Tourism infrastructure development, cultural site restoration and management, tourism human resource development, and community-based ecotourism are some major initiatives being undertaken. The main tourism centers include Luang Prabang, Champasak, Vientiane Capital, Vang Vieng, and Savannakhet. Community-based tourism is heavily promoted in the Lao PDR with the support of ADB and other development partners. Based on the sector’s strong performance, the original NTSAP forecast of 3 million international arrivals in 2020 has been revised to 3.4 million by 2015. The Lao PDR cooperates with neighboring countries under the ASEAN, GMS, and ACMECS tourism cooperation frameworks.

22. **Myanmar.** Its tourism development policy aims to underpin the orderly development of tourism to generate foreign exchange, create jobs, and contribute to poverty reduction. The main function of the Ministry of Hotels and Tourism is to promote domestic and international investment in the tourism sector, human resource development, and marketing and promotion. Tourism development efforts are geographically focused on Bagan, Inlay Lake, Mandalay, Mt. Popa, Taunggyi, Yangon, and the island and coastal marine environment of the Myeik Archipelago. Myanmar cooperates in subregional tourism working groups and related initiatives under the ASEAN, GMS, ACMECS, and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) economic cooperation frameworks. Myanmar’s closed economy, political instability, and visa restrictions have been major barriers to tourism development. At the 25th GMS TWG, Myanmar reported that following the introduction of tourist visa-on-arrival privileges to all nationalities at the country’s two international airports in late 2009, year-on-year arrivals for the first quarter of 2010 increased by 30%. Although the visa-on-arrival policy was reversed in mid-2010, annual arrivals went on to increase by 36.6% that year.

23. **Thailand.** Thailand’s Ministry of Tourism and Sports is promoting the development of tourism products based on tangible and intangible culture, nature, and resort tourism with yield and expenditure given priority over tourism headcounts.²⁶ Top destinations include Bangkok, Chiang Mai, and seaside resorts in Pattaya and Phuket. The Tourism Authority of Thailand’s State Enterprise Plan (2007–2011) encourages sustainable tourism development that highlights Thai cultural identity, promotes the conservation of nature and the environment, strengthens the country’s position as a quality destination, and ensures competitiveness on the world stage. This approach is different from previous plans that were more focused on promoting mass tourism. Tourism is now viewed as a major contributor to sustainable development of the country and the cultural, social, and economic development of rural communities.²⁷ Key elements of the tourism development agenda include (i) creating, supporting, conserving, restoring, and developing sustainable tourism sites; (ii) supporting the development of a highly competitive and efficient tourism sector; (iii) increasing income for Thai

²⁶ See <http://www.tourism.go.th/en/about/strategy.html#> and http://www.tatnews.org/tat_corporate/3490.asp

²⁷ Office of the National Economic and Social Development Board. 2007. *Thailand’s Economic and Social Development Agenda*. Bangkok.

citizens; (iv) raising the standards of tourism industry products and services; (v) travel facilitation and security; and (vi) participation in international tourism cooperation programs including ASEAN, GMS, BIMSTEC, and the Indonesia–Malaysia–Thailand Growth Triangle initiatives. The World Travel & Tourism Council (WTTC) is conservatively forecasting 20 million international arrivals in 2020.

24. **Viet Nam.** The Ministry of Culture, Sports and Tourism (MCST) oversees national tourism policy. The broad goals of the 2001–2010 Tourism Master Plan (TMP) were to develop the tourism industry to spearhead the economic development of the country and transform Viet Nam into a leading center of tourism, trade, and services in the region. Strategic programs in the master plan aim to (i) strengthen human resources in the tourism sector; (ii) diversify and enhance tourism products; (iii) improve service quality and standards; (iv) maintain, restore, and develop cultural and natural tourism resources; and (v) stimulate domestic and foreign investment, including state investment in the sector. In the north, the focus is on urban, nature, and ethnic tourism in and around Ha Noi, Ha Long Bay, and Sapa. Culture and nature-based tourism are promoted in world heritage-listed Hue, My Son, and Phong Nha Khe Bang National Park. In the fast-growing south-central and southern zone, Nha Trang and Ho Chi Minh City are the main tourism centers. Although the ambitious target of 6.5 million international arrivals was not achieved in 2010, the recent MCST forecast of 12 million by 2015 may be reached considering the 34% growth in 2010 and the 2011 devaluation of the dong, which will increase the appeal of Viet Nam to price-sensitive markets. Viet Nam participates in the GMS, ASEAN, and ACMECS tourism cooperation frameworks.

B. Role of Other Development Partners in the Sector

25. There has been increased development partner support for tourism initiatives in the GMS since adoption of the RTSS. The Japan International Cooperation Agency (JICA) supports marketing and product development along the east–west economic corridor in the Lao PDR and is considering developing a full sector support program in Viet Nam to enhance tourism’s contribution to local livelihood improvement. Financial and logistic support from the Pacific Asia Travel Association, United States Agency for International Development, Government of France, and many other stakeholders assisted MTCO in reviving the annual Mekong Tourism Forum in 2010 after a 5-year hiatus. Previous support from the United Nations Economic and Social Commission for Asia and the Pacific to conduct TWG meetings along with partial support for the Mekong Tourism Forum is now shouldered by the GMS countries themselves.

26. The European Union, Government of Luxembourg, Government of Germany, United Nations Educational, Scientific and Cultural Organization, ADB, Save the Children, and Government of Australia have been most active in assisting GMS countries with tourism-related human resource development, vocational training, heritage conservation, and social impact management programs. The New Zealand Aid Programme and Stichting Nederlandse Vrijwilligers (SNV) Netherlands Development Organisation have provided substantial grant financing and technical assistance for pro-poor tourism development through their bilateral assistance programs, however, SNV will be exiting the sector in 2012. Tourism access infrastructure has mainly been financed by ADB, JICA, and the World Bank. The United Nations World Tourism Organization’s Sustainable Tourism–Eliminating Poverty Foundation provided assistance to Cambodia, the Lao PDR, and Viet Nam to prepare and promulgate tourism laws, develop tourism master plans for flagship tourism destinations, and prepare sustainable tourism marketing programs. The United Nations World Tourism Organization, in cooperation with SNV and the Spanish Agency for International Development Cooperation, is also assisting Cambodia to implement the Mekong Discovery Trail (MDT) project,²⁸ the first coordinated initiative involving government, development partners,

²⁸ See www.mekongdiscoverytrail.com

and the private sector to develop and promote a thematic tour route in the GMS. The Lao PDR has expressed interest in extending the MDT into Champasak Province, and during the May 2011 meeting of the GMS TWG, participating countries agreed the concept could be extended along the entire length of the Mekong River.

27. The main mechanism for coordinating tourism activities among the development partners are semiannual TWG meetings, meetings of the GMS tourism ministers, and bilateral consultations at the country level. Development partner involvement in the sector is still needed to achieve the expected outcome of the RTSS, considering the different level of development between and within the GMS countries. The cost estimate for the seven priority programs is around \$430 million, of which \$361 million is earmarked for infrastructure. The estimated cost of the heritage management and social impact management program is \$25 million; human resource development, \$14.6 million; pro-poor tourism development, \$13.5 million; travel facilitation, \$7.3 million; marketing and product development, \$5.0 million; and promotion of private sector participation, \$3.0 million. As one might expect, ADB's comparative advantage is that it is one of the few development partners with experience in financing complex cross-cutting projects that include complementary and sequenced investments in infrastructure, human resource development, pro-poor tourism development, and subregional cooperation.

C. ADB Sector Support and Experience

28. Subregional tourism cooperation is highlighted in ADB's 2004–2008 GMS Cooperation Strategy and Program²⁹ for its potential to drive pro-poor and sustainable growth and contribute to the overall GMS vision of a prosperous, integrated, and harmonious subregion. It is one of 11 flagship programs in the GMS Strategic Framework 2002–2012 and is expected to feature prominently in the forthcoming GMS Strategic Framework 2012–2022. Since the early days of the GMS program, ADB's tourism sector assistance has been consistent with the sustainable economic growth and inclusive social development core strategic areas of intervention³⁰ and the pro-poor tourism development plans and policies of the participating countries. Between 2003 and 2011, ADB provided \$58.7 million in loan and grant assistance to the GMS tourism industry.³¹ Cross-cutting project design features overlap with *Strategy 2020*³² core areas of infrastructure, environment, and regional integration. ADB lending comprised Asian Development Fund (ADF) loans to Cambodia, the Lao PDR, and Viet Nam for the GMS Mekong Tourism Development Project (MTDP)³³ and an ADF loan to Viet Nam to finance the ongoing GMS Sustainable Tourism Development Project (STDP).³⁴ The Lao PDR participates in the GMS STDP with ADF grant financing. The RTSS was formulated with a \$0.8 million regional advisory technical assistance grant.

29. Both the MTDP and STDP were designed to promote the development of sustainable and culturally and environmentally sound pro-poor tourism in the GMS. MTDP components included

²⁹ ADB. 2004. *Greater Mekong Subregion Cooperation Strategy and Program, 2004–2008*. Manila.

³⁰ ADB. 2001. *Moving the Poverty Reduction Agenda Forward in Asia and the Pacific: The Long-Term Strategic Framework of the Asian Development Bank (2001–2015)*. Manila.

³¹ GMS Mekong Tourism Development Project (\$35.0 million) 2003–2010 (CAM-1969, LAO-1970, VIE-1970), GMS Sustainable Tourism Development Project (\$22.0 million) 2009–2014 (LAO-0117, VIE-2457), TA 6279: Preparing the Sustainable Tourism Development Project (\$0.9 million), and TA 6179: GMS Tourism Sector Strategy (\$0.8 million).

³² ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank, 2008–2020*. Manila.

³³ ADB. 1992. *Report and Recommendation of the President to the Board of Directors on 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.

³⁴ ADB. 2008. *Report and Recommendation to the President Proposed Grant to the Lao People's Democratic Republic and Loan to the Socialist Republic of Viet Nam: Greater Mekong Subregion Sustainable Tourism Development Project*. Manila.

(i) tourism-related infrastructure improvements,³⁵ (ii) pro-poor community-based tourism, (iii) subregional cooperation for sustainable tourism, and (iv) implementation assistance and institutional strengthening. Despite substantial delays in Cambodia and Viet Nam that led to the project being extended by 2 years, an initial assessment of the project's infrastructure and pro-poor community-based tourism outputs indicates that significant increases in tourist arrivals, local employment, and income generation occurred at all project sites.³⁶ Environmental conditions at key tourist destinations have been greatly improved due to installation of wastewater treatment facilities, expansion of sanitary landfills, and regulatory reforms facilitated by the project. The different pace at which participating countries could deploy resources and coordinate with various ministries and departments resulted in the subregional tourism cooperation component being less successful than others. The MTDP closed in June 2010, and a project completion report will be prepared in 2011.

30. MTDP outputs and outcomes are likely to be sustainable due to the successful introduction of measures to mitigate risks, including investments in training and introduction of finance mechanisms to cover infrastructure operations and maintenance. For example, following completion of road improvements to Kuang Si Waterfall in Luang Prabang, Lao PDR, annual visitation increased more than fourfold to 150,000, and the site generated approximately \$306,000 in public revenue during 2009. In Siem Reap, tariffs have been imposed to recover operating costs to run the town's new wastewater treatment facility.³⁷ Revenue from community-based tourism ventures developed with project assistance is also substantial. One province in the Lao PDR reports that expenditure on this type of tourism rose from \$14,775 at project inception to over \$300,000 at project close. About half of this revenue directly benefits the poor or low- and semi-skilled workers.³⁸

31. The ongoing STDP was launched in April 2009. As of September 2011, implementation progress is rated *satisfactory* with approximately 50% physical completion in the Lao PDR and 14% in Viet Nam.³⁹ The project has five components: (i) model sustainable tourism development to protect the environment and cultural heritage, (ii) pro-poor and community-based tourism development, (iii) tourism development along GMS economic corridors, (iv) human resource development in the tourism sector, and (v) implementation assistance. Soft components of the project are supporting development of community-based tourism and supply chains that link the poor to the tourism economy, training public officials in tourism planning and management, and training master trainers in tourism and hospitality management.

32. In addition to ADB's tourism loans and grant products, the GMS Phnom Penh Plan for Development Management (PPP) has held an annual learning program on tourism management in the GMS since 2006. This 2-week course introduces public sector tourism managers and practitioners to perspectives, tools, frameworks, and key concepts on tourism, and strengthens their competencies to

³⁵ Cambodia: Siem Reap wastewater treatment facility and access road to the Genocide Memorial in Phnom Penh; Lao PDR: Luang Namtha airport improvements, Kuang Si waterfall access road improvements, and Konglor cave access road improvements; Viet Nam: My Tho and An Giang river pier improvements, and Sam Mountain and My Tho environmental improvements (landfills and waste water treatment).

³⁶ Back-to-Office-Report (BTOR, 29 June 2010) Loan 1969-CAM, 1971-VIE: GMS Mekong Tourism Development Project Special Review Mission, and BTOR (3 August 2010) Loan 1970-LAO: GMS Mekong Tourism Development Project Special Review Mission.

³⁷ An Inter-Ministerial Decision on wastewater collection and treatment tariffs in Siem Reap was issued by the Ministry of Public Works and Transportation and Ministry of Economy and Finance on 2 March 2009. Notification of the decree's effectiveness was issued by the Siem Reap Provincial Governor on 7 May 2010.

³⁸ S. Schipani. 2008. *IMPACT: The Effects of Tourism on Culture and the Environment in Asia and the Pacific: Alleviating Poverty and Protecting Cultural and Natural Heritage through Community-Based Ecotourism in Luang Namtha, Lao PDR*. Bangkok: UNESCO.

³⁹ BTOR (9 December 2010). Loan 2457-VIE/Grant 0117-LAO. GMS Sustainable Tourism Development Project review mission.

develop and implement functional and strategic tourism interventions.⁴⁰ The PPP learning programs for junior and mid-level officials, such as the Advanced Executive Development Program, also include a component on subregional tourism cooperation. The GMS Core Environment Program has provided modest support for community-based ecotourism activities and produced a strategic environmental assessment (SEA) of Cambodia's tourism sector.⁴¹ A SEA for the Golden Quadrangle in Yunnan Province of the PRC, Myanmar, the Lao PDR, and Thailand is being prepared in 2011. The SEAs will be used to strengthen environmental mainstreaming in tourism planning decisions and facilitate cooperation between line ministries, the private sector, and development partners to ensure that environmental quality is maintained in tourism destinations.

33. The 2009 GMS Tourism Sector Assistance Program Evaluation (SAPE)⁴² found that ADB's support for the tourism sector has been an important GMS initiative that substantially contributed to the strategic directions, planning, and collective actions of the GMS countries. Overall, ADB's tourism sector assistance has been rated *successful*. On the one hand, the SAPE highlights ADB's role as an effective, honest broker for its ability to bring together diverse stakeholders and develop consensus on various issues as evidenced by joint endorsement of the RTSS by GMS leaders. On the other, it notes that more work needs to be done to clarify the extent to which ADB support for subregional tourism activities is producing synergies with national and subregional projects involving infrastructure, trade facilitation, environmental protection, and cross-border agreements. ADB might do more to facilitate dialogue on simplifying border-crossing arrangements but the relevance of pursuing the GMS single-visa scheme under the GMS program should be revisited considering that all GMS countries are now party to the ASEAN Framework Agreement on Visa Exemption.

34. Key lessons highlighted in the SAPE include the need to support policy dialogue that could further reduce barriers to subregional travel by higher-spending international markets. This could entail the introduction of multiple-entry tourist visas, expanded visa exemption for priority markets, and long-stay visas. With the rising middle class and growing popularity of self-driving excursions by GMS citizens, simplified arrangements for moving private vehicles across borders should be pursued in conjunction with the GMS Transport Working Group and concerned ministries. At the same time, there is a need to better package sustainable tourism products and destinations into multi-country tour circuits to encourage tourists to stay longer and spend more, especially on local goods and services that can be provided by local supply chains. Doing so would increase the contribution of the tourism sector to the local economy and boost rural employment. ADB should continue to create the conditions for the private sector to expand into emerging tourist destinations through complementary investments in rural and "last mile" access infrastructure, and promote micro, small, and medium-sized tourism-related enterprises. More action needs to be taken to assist GMS countries train hospitality industry trainers and provide training for public officials, especially in areas that have an impact on poverty reduction and promotion of socially and environmentally sustainable tourism. These sentiments are echoed by the United Nations Conference on Trade and Development in its call for more programs to develop physical and human capital, and strengthen backward and forward linkages between tourism and the productive and service sectors to ensure pro-poor results.⁴³

⁴⁰ See <http://www.adb.org/GMS/phnom-penh-plan/learning-prog08.asp>

⁴¹ ADB. 2009. *Strategic Environmental Assessment of the Tourism Sector in Cambodia*. Manila.

⁴² ADB. 2009. *Sector Assistance Program Evaluation. Tourism Sector in the Greater Mekong Subregion*. Manila. Available at <http://www.adb.org/Documents/Reports/SAPE/REG/SAP-REG-2008-58/SAP-REG-2008-58.pdf>

⁴³ United Nations Conference on Trade and Development. 2007. *Trade and Development Implications of International Tourism for Developing Countries*. Geneva.

ADB's Forward Strategy and Program

35. While tourism is not specified as a core operational area in ADB's long-term strategic framework, as noted, many activities included in tourism projects to date overlap with *Strategy 2020* core areas of infrastructure, environment, and regional integration. The four strategic pillars of ADB's regional cooperation strategy and program (RCSP) for the GMS are (i) improving connectivity to facilitate cross-border movement and tourism; (ii) integrating national markets to promote economic efficiency and private sector development; (iii) addressing health and other social, economic, and capacity-building issues associated with subregional connectivity; and (iv) managing the environment and natural resources to ensure their conservation and the promotion of sustainable development. A sustainable and equitable subregional tourism industry both depends on and contributes to these strategic objectives. Consistent with the RCSP and GMS countries' regional cooperation agenda is ADB's Regional Cooperation Operations Business Plan (RCOBP), 2011–2013.⁴⁴ The RCOBP takes on lessons from the recent 2009 Regional Cooperation Assistance Program Evaluation for the GMS⁴⁵ and GMS Tourism Sector Assistance Program Evaluation. Strategic linkages between ADB's current GMS tourism sector projects and forward assistance, GMS RCSP, RTSS, and Strategy 2020 are illustrated in Appendix 2.

36. In line with the directives of the Third Meeting of the GMS Tourism Ministers in January 2011, priority programs for implementation during 2011–2015 include development of thematic multi-country tour circuits along the GMS economic corridors linked to the Mekong River, tourism-related human resource development, subregional marketing and product development, and pro-poor sustainable tourism.⁴⁶ ADB will support these programs by investing in (i) last-mile access infrastructure, sanitation, water supply, and other public services in and around primary and secondary tourist destinations; (ii) micro-, small, and medium-sized enterprise promotion; (iii) capacity building for public tourism officials and communities to develop sustainable tourism; (iv) tourism and hospitality vocational training; and (v) subregional marketing and promotion to steer visitors to secondary destinations with high rates of poverty. More will be done to strengthen linkages and synergies between the tourism program and other programs in the transport, biodiversity, and social sectors. Further, ADB will increase its assistance to the TWG by focusing more on nonlending products and services to strengthen policy analysis and knowledge dissemination.

A. Indicative Assistance Pipeline

37. As shown in Table 3, the GMS RCOBP indicative assistance pipeline for 2012–2014 contains three nonlending products and one ADF-financed investment project for implementation in 2014.

⁴⁴ ADB. 2010. *Regional Cooperation Operations Business Plan, 2011–2013*. Manila

⁴⁵ ADB. 2009. *Regional Cooperation Assistance Program Evaluation for the Greater Mekong Subregion: Maturing and Moving Forward*. Manila.

⁴⁶ GMS Tourism Ministers. 2011. Joint Ministerial Statement. Third Meeting of the GMS Tourism Ministers. Phnom Penh.

Table 3 Greater Mekong Subregion Tourism Indicative Assistance Pipeline, 2012–2014

Year	Project Name	Countries	Assistance Type	Amount (\$ million)
Nonlending products				
2012	GMS Sustainable Tourism Development Project II	CAM/LAO/VIE	R-PPTA	2.0
2013	Explore Mekong—Marketing the GMS as a Single Destination	GMS	R-CDTA	1.0
2013	Pro-poor Tourism Development along the Southern Economic Corridor	CAM/LAO/VIE	R-PPTA	1.4
Lending products				
2013	GMS Sustainable Tourism Development Project II	CAM/LAO/VIE	Loan/Grant	60.0 ^a

CAM = Cambodia, GMS = Greater Mekong Subregion, LAO = Lao People's Democratic Republic, R-CDTA = regional capacity development technical assistance, R-PPTA = regional project preparatory technical assistance, VIE = Viet Nam.

^a ADF loans.

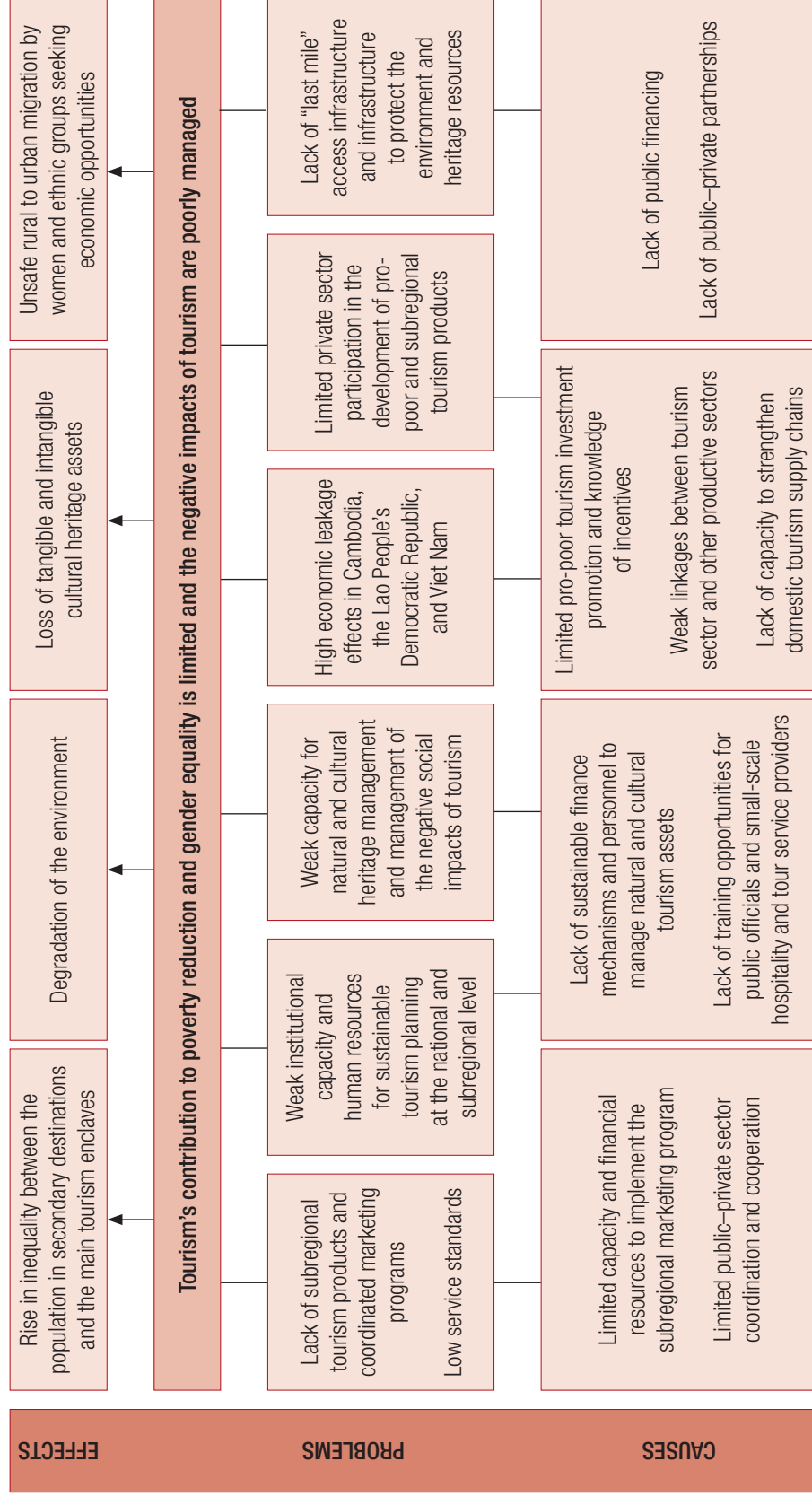
Source: ADB. 2010. *Regional Cooperation Operations Business Plan, 2011–2013*. Manila.

38. The GMS STDP II will build on the experience and lessons of the previous MTDP and STDP to expand sustainable, culturally and environmentally sound pro-poor tourism in Cambodia, the Lao PDR, and Viet Nam. To narrow the gap in tourist arrivals and better distribute the benefits of tourism between and among the GMS countries, the project will include outputs to improve access to key tourism sites, assist local communities to develop pro-poor tourism products and services in partnership with the private sector, contribute to transforming GMS transport corridors into economic corridors, and build the capacity of public tourism officials to better manage and mitigate the negative effects of tourism.

39. Capacity development technical assistance (CDTA) will aim to strengthen subregional destination marketing and establish a sustainable finance mechanism to support activities of MTCO as directed by the TWG. It will assist MTCO to collaborate with the private sector to promote thematic, multi-country tour circuits to accelerate demand-driven sustainable tourism development along the economic corridors and in secondary GMS destinations with high levels of poverty. The CDTA will complement the PPP Tourism Management in the GMS learning program. It will also strengthen the capacity of MTCO to coordinate RTSS priority programs, and catalyze the support of development partners, GMS governments, and the private sector to mobilize the resources needed to accelerate implementation of priority subregional tourism projects and to consolidate and disseminate sustainable tourism knowledge products.

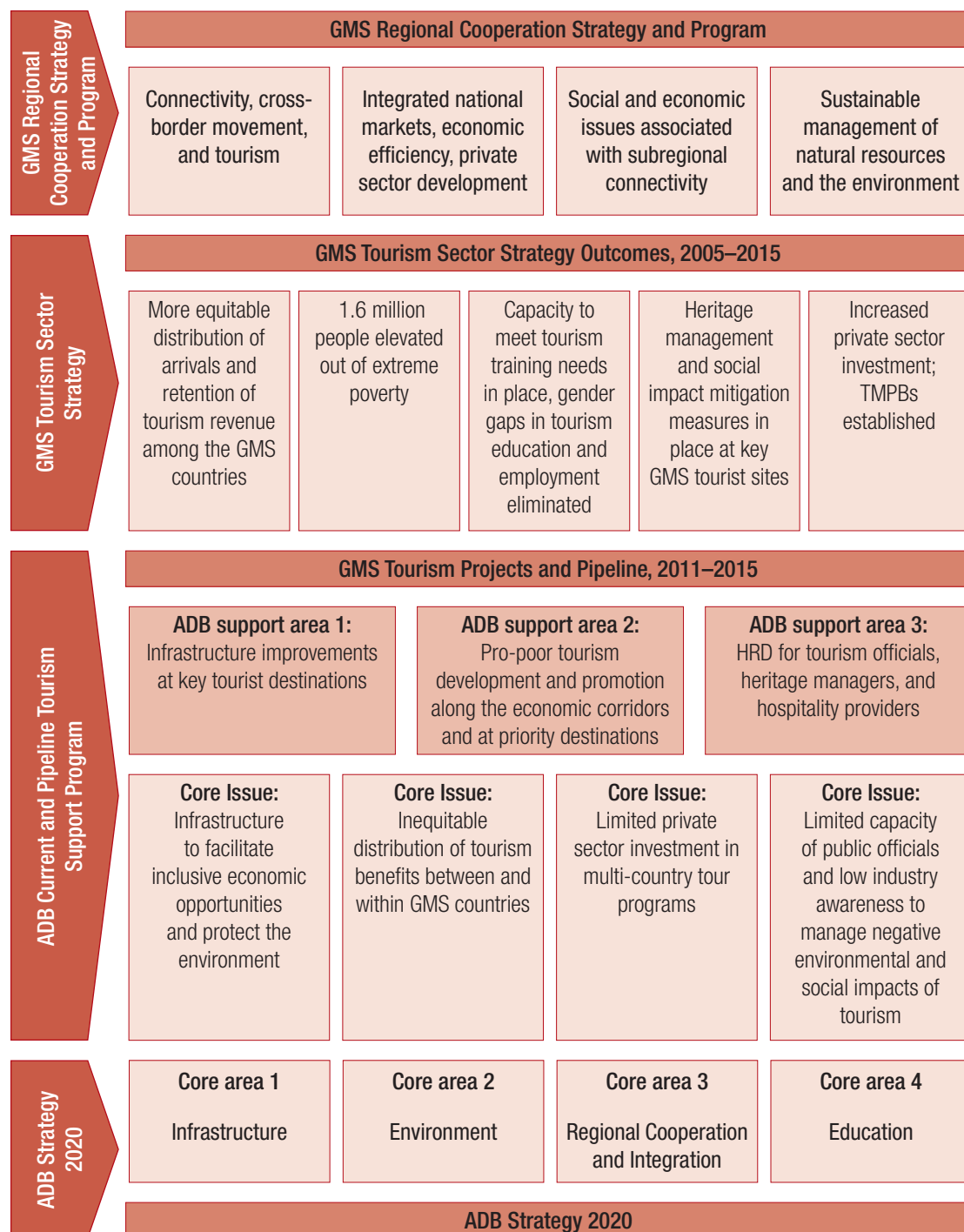
40. Pro-Poor Tourism Development along the Southern Economic Corridor will help complete the transformation of the southern economic corridor into a thematic, multi-country tour circuit. With demand for cruise tourism increasing, along with a growing number of planned mega-investments that threaten pristine sea beaches and the last remaining large stands of mangroves in Southeast Asia, the project will also address the need to develop a model GMS approach for sustainable tourism development in coastal marine areas.

Appendix 1 Problem Tree—Tourism in the Greater Mekong Subregion



Source: Adapted from the Greater Mekong Subregion Tourism Sector Strategy, 2005–2015.

Appendix 2 Strategic Linkages



ADB = Asian Development Bank, GMS = Greater Mekong Subregion, HRD = human resource development, TMPB = tourism marketing and promotion board.

Source: Asian Development Bank.

Greater Mekong Subregion: Tourism Sector Assessment, Strategy, and Road Map

This sector assessment, strategy, and road map (ASR) documents the current strategic assistance priorities in the tourism sector of the governments of the Greater Mekong Subregion (GMS) and the Asian Development Bank (ADB). It highlights sector performance, priority development constraints, government plans and strategies, past ADB support and experience, other development partner support, and future ADB support strategy. The ASR is linked to and informs ADB's country partnership strategies for the GMS countries—Cambodia, the People's Republic of China, the Lao People's Democratic Republic, Myanmar, Thailand, and Viet Nam—providing background information for program, investment, and technical assistance operations.

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