



Cambodia Development  
Resource Institute (CDRI)

# PRO-POOR TOURISM

## IN THE GREATER MEKONG SUB-REGION

**Development Analysis Network (DAN) with Support from the Rockefeller Foundation**

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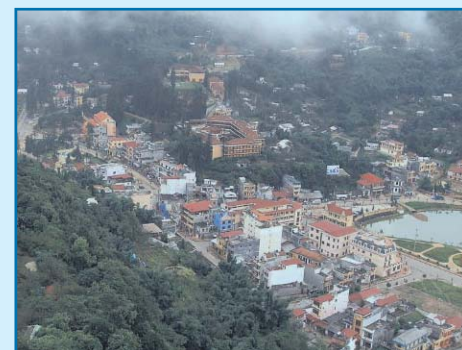
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Cambodia  
Development Resource  
Institute (CDRI)  
Phnom Penh, July 2007

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ISBN 978-99950-52-18-8

**Pro-Poor Tourism in the Greater Mekong Sub-Region**  
**July 2007**

This work was carried out with the aid of a grant from the Rockefeller Foundation.

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**Printed and Bound in Cambodia by**

JSRC Printing House, E-mail: jsrc.ph@online.com.kh

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# Foreward

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This study of pro-poor tourism in five countries of the Greater Mekong Sub-region comes at an important time. As the report emphasises, in the past 10 years tourism has become, or continues to be, a significant driver of economic growth and development in all the participating countries – Cambodia, Laos, Thailand, Vietnam and Yunnan province of China. At the same time, the governments of the less developed of these countries, in partnership with their international development partners, the private sector and other development stakeholders, are working together to achieve more effective poverty reduction outcomes.

For government policy makers and the private sector in these countries, the existing and potentially greater linkage between these two issues, tourism and poverty reduction, present both an opportunity and a challenge. This study explores two important questions – How can tourism, the policy environment that enables and promotes it, and the private sector that drives it, be more ‘pro-poor’? How can tourism contribute more effectively to poverty reduction in local communities through opportunities for employment and related vocational education, enhancement of agricultural and other local production of goods and services, and access to tourism-related markets for local products?

We see this study of pro-poor tourism as a first step in looking in more depth at some of the issues and policy options it raises, and, at both the national and sub-regional levels, working more closely with governments and the private sector to identify useful entrepreneurial models and policy initiatives for tourism that will be more ‘pro-poor’ in their impacts. Such collaborative research and ‘policy influencing’ will become even more important as the pace of sub-regional integration in the GMS quickens, with significant progress in the deepening of regional integration through infrastructure improvement, the cross-border movements of people, and related national and sub-regional aviation and tourism policy making.

The Development Analysis Network (DAN), coordinated by CDRI, is well placed to conduct such a study. Now in its sixth year of joint research, DAN has proven to be an effective and flexible collaboration between leading research and policy institutes in the GMS sub-region. Its character as a network - voluntary, genuinely collaborative, locally demand-driven and owned, means that it can make a useful and relevant contribution to sub-regional research collaboration, regional integration and community building.

In releasing this study of pro-poor tourism in the GMS, CDRI and its partner DAN institutes would like to express its gratitude to the Rockefeller Foundation, and its Southeast Asia Office, for their strong commitment to and understanding of the importance of sub-regional and regional integration, and for their financial support and intellectual partnership in conducting quality policy-relevant research in the GMS.

*Larry Strange*

*Executive Director CDRI*

*July 2007*





# List of Acronyms

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ADB	Asian Development Bank
APPI	Asia Pacific Projects Incorporated
APSARA	Autorité Pour la Protection du Site et l'Aménagement de la Région d'Angkor (Authority for the Protection of the Site and Management of the Region of Angkor)
ASEAN	Association of South-East Asian Nations
CBT	Community-Based Tourism
CDRI	Cambodia Development Resource Institute
CIEM	Central Institute for Economic Management
CNY	Yuan Renminbi (China's currency)
CPRGS	Comprehensive Poverty Reduction and Growth Strategy
DAN	Development Analysis Network
FDI	Foreign Direct Investment
FGD	Focus Group Discussion
GDP	Gross Domestic Product
GMS	Greater Mekong Subregion
GSO	General Statistics Office
GVA	Gross Value Added
HCMC	Ho Chi Minh City
JICA	Japan International Cooperation Agency
KHR	Khmer Riel (Cambodia's currency)
KII	Key Informant Interview
LAK	Lao KIP (Laos' currency)
Lao PDR	Lao People's Democratic Republic
LDC	Least Developed Country
LECS	Lao Expenditure and Consumption Survey
LNTA	Lao National Tourism Administration
MoT	Ministry of Tourism
NERI	National Economic Research Institute
NGO	Non-Government Organisation
NSC	National Statistics Centre
NSTD	National Strategy for Tourism Sector Development
PA	Participatory Assessment
PPT	Pro-Poor Tourism

PTO	Provincial Tourism Office
SARS	Severe Acute Respiratory System
SEDP	Socio-Economic Development Plan
SIDA	Swedish International Development Agency
SMEs	Small and Medium Enterprises
SNV	Netherlands Development Organisation
SOE	State-Owned Enterprise
STD	Sexually Transmitted Diseases
THB	Thai Baht (Thailand's currency)
TTSA	Travel and Tourism Satellite Accounting
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organisation
USD	United States Dollars (United States' currency)
VNAT	Vietnam National Administration of Tourism
VND	Vietnam Dong (Vietnam's currency)
WTO	World Tourism Organization
WTTC	World Travel and Tourism Council

# **Pro-Poor Tourism in the Greater Mekong Sub-Region: A Survey of Five Case Studies**

**Brett M. Ballard**



# 1.1. Introduction

The scope and scale of the travel and tourism industries within countries of the Greater Mekong Sub-region (GMS) are rapidly expanding as a result of dramatic increases in the number of international, regional and domestic tourists over the past five years.<sup>1</sup> Industry analysts and government planners predict that such trends are likely to continue into the near future, barring events such as security shocks or disease outbreaks (e.g., SARS, avian influenza). The development of the tourism industry within the GMS comes at a time when national governments and donor organisations are devoting more attention to reducing poverty in their countries. Because tourism produces an increasing share of GDP and is a source of increased employment, development planners are trying to harness its growth in support of poverty reduction. A key development priority is therefore to mainstream poverty reduction strategies into the tourism policies and plans of the GMS countries. Although, the tourism development policies of the five countries<sup>2</sup> include many references to poverty reduction, there is widespread agreement that much more remains to be done to direct a greater share of tourism benefits to the poor.

“Pro-poor tourism” refers to tourism-related activities that generate net benefits for the poor, including economic, social, environmental and cultural benefits. The extent to which people benefit from tourism depends on the nature and strength of linkages with employment and income-generating activities. Such activities involve the provision of direct and indirect services in both the formal and informal sectors of the economy. Direct services often involve employment in hotels, transportation and vending. Indirect employment, such as construction and agricultural and handicraft production, also serves as an important link between rural communities and tourism.

The policy question explored by this research project concerns how to strengthen the linkages between local communities and tourism in order to direct a greater share of the industry’s benefits toward the poor. For example, a strategy report concerning tourism in the GMS observes that the targets for poverty reduction programmes often end up being better off villages and areas rather than those where extensive poverty exists. This suggests a need for “a better understanding of the relationship between tourism and poverty alleviation in order to ensure that the approach is more comprehensive, focused, and effective” (Asia Pacific Projects Incorporated, 2005: 43).<sup>3</sup> The purpose of this research, therefore, is to inform local, national and regional policy makers about the factors and circumstances that promote pro-poor tourism.

Using case studies, collaborating policy research institutions in the Development Analysis Network (DAN)<sup>4</sup> analysed the employment linkages between tourism and local communities in the five DAN

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<sup>1</sup> *Tourism* refers to those industries that provide accommodation, transportation and other services (e.g., restaurants, handicrafts, guided tours) for visitors who come from outside the destination area for a period of more than 24 hours and less than one year.

<sup>2</sup> The GMS comprises six geographical entities: Cambodia, Lao PDR, Myanmar, Thailand, Vietnam and Yunnan province of China. This study is a collaborative effort of the Development Analysis Network, which includes Cambodia, Lao PDR, Thailand, Vietnam and Yunnan province; hence the reference to the five countries of the GMS.

<sup>3</sup> Henceforth referenced as APPI (2005). Please see bibliography for complete reference.

<sup>4</sup> Cambodia Development Resource Institute and Centre for Advanced Studies in Cambodia; National Economic Research Institute and National Statistics Centre in the Lao PDR; Thailand Development Research Institute; Central Institute for Economic Management and Institute of Economics in Vietnam; and the Centre for Community Development Studies in Yunnan, China.

countries. The five case studies are: Siem Reap, Cambodia; Luang Prabang, Lao PDR; Mae Kompong and Plai Phong Phang, Thailand; Sapa, Vietnam; and Xishuangbanna, Yunnan, China. The primary objective of the research was to identify and analyse the evolution in tourism policies and related trends in employment associated with tourism, with special interest in the potential impact of tourism on poverty reduction. A second objective was to consider policies for strengthening pro-poor tourism policies at the regional and national levels.

The five case studies together suggest that tourism can and does have a positive impact on some poor households and improves well-being in many communities. The impact varies according to circumstances, however, and actual poverty reduction has not been as great as expected. As a result, tourism in the GMS can be characterised as insufficiently pro-poor. There are four main reasons for this. First, a great deal of tourist spending tends to involve direct services, such as hotels and transport, that are often provided by those who are already better off. The poor, on the other hand, tend to occupy poorly paid jobs located off stage relative to the main tourism activities. Second, the majority of the poor throughout the GMS reside in rural areas, often in remote areas occupied by ethnic minorities, yet most tourism investment has been directed towards urban centres. Third, tourism in the GMS is characterised by a high level of economic leakages, defined as spending on imported goods and services rather than on local supplies. Fourth, the poor face a variety of constraints, including a lack of education and vocational skills as well as financial and social capital.

As a result of these and other factors, there is increasing effort throughout the region to expand and diversify tourism products, such as eco-tourism and community-based tourism, that could better direct the benefits of tourist spending into the hands of the poor. Continued growth of tourism in the GMS can be promoted regionally through joint marketing and travel agreements (e.g., visas, transport), while policies and strategies designed to distribute the benefits of growth can be most effectively managed nationally. There is also a consensus across the five case studies that stronger partnerships between the state, private sector and civil society are required to create stronger linkages between the rural poor and the tourism industry.

This chapter synthesises the main findings and observations of the five case studies. Section 2 reviews the growth of the tourism sector in the five countries. Section 3 presents some of the more important concepts that emerge from the international literature on tourism and discusses the research framework and methodology guiding the overall research. Section 4 briefly summarises the main findings from each study, and section 5 discusses four of the key themes that emerged (tourism policy and poverty reduction, destination character and activity types, equity and barriers to participation, and governance). The chapter concludes with a discussion of key policy implications concerning the development of regional and national pro-poor tourism. These include planning and participation, human resource and business, development, and fiscal policy.

# 1.2. Tourism and Economic Growth in the GMS

Tourism has played an increasingly important role in economic growth over the past five years in all five countries. In Cambodia, for example, tourism is considered one of the two engines of economic growth, along with the garment industry. While the economy grew by an average of 8.1 percent during the period 2000–04, tourism’s share of Cambodia’s GDP increased from 7.6 to 11.2 percent. In 2005, the economy grew by 13.4 percent, with tourism’s share of GDP estimated to have been about 8.9 percent. Tourism’s annual share of Cambodian GDP during the period 2000–05 has averaged about 9.2 percent.

Table 1.1 shows that the tourism sector has also made significant contributions to the national economies of the other four countries included in the study. In the Lao PDR, tourism’s share of GDP averaged 7.5 percent during the period 2000–05. In Thailand, the sector’s average share was 5.7 percent during 2000–04. In Vietnam, tourism’s share of GDP has been even more significant, increasing from 3.3 percent in 1997 to 8.6 percent in 2005, and averaging about 7.8 percent during 2001–05. Tourism contributes an even greater share to the provincial economy of Yunnan, averaging 12.3 percent between 2000 and 2005.

*Table 1.1: Tourism Share of National GDP (%)*

Country	2000	2001	2002	2003	2004	2005	Annual Average
Cambodia	7.6	9.0	10.3	8.2	11.2	8.9	9.2
Lao PDR	8.9	7.6	7.9	5.7	7.4	7.5	7.5
Thailand	5.8	5.8	5.9	5.2	5.9		5.7
Vietnam		6.1	7.4	8.2	8.7	8.6	7.8
Yunnan	10.8	12.4	13.0	12.4	12.5	12.7	12.3

*Source: Case study presentations*

It is important to bear in mind the relationship between tourism growth and overall national economic growth. The APPI (2005: 40) suggests that where backward linkages (i.e., domestically provided inputs for tourism goods and services) are stronger than forward linkages (i.e., tourism services consumed), the “expansion of the tourism sector probably has a greater impact on the economies of the GMS than the overall expansion of the economy on the tourism sector”. This underscores the importance of minimising imported tourism inputs in developing a pro-poor tourism strategy in the five countries.

It is also important that the growth of domestic tourism in the GMS countries has been no less impressive than that of international tourism. Improved infrastructure and road access to popular tourist destinations have enabled local tourists to travel more easily, while disposable incomes, particularly among urban dwellers, have risen. In some countries (e.g., Cambodia), improved political stability and security have also prompted many domestic tourists to venture further from home for longer periods. The role of domestic tourism in the industry will need to be more fully taken into account in future planning.

### 1.2.1. Employment

The employment impacts from tourism throughout the region are impressive. In Cambodia in 2004, the sector provided about 566,000 indirect and direct jobs, or 8.3 percent of total employment. In Laos, the number of direct jobs increased from 14,845 in 2000 to 24,202 in 2005, a compounded average annual increase of approximately 10.3 percent. Tourism created around 3.3 million direct and indirect jobs in Thailand, about 8.4 percent of total employment during 2000–04. In Vietnam in 2005, tourism accounted for a total of more than 744,000 jobs, 234,000 direct and 510,000 indirect. In 2004 in Yunnan, tourism provided direct and indirect employment for about 1.7 million people, about 7.2 percent of the total employment in the province.

National tourism data suggest that the direct total employment multiplier of international tourism in the GMS is around 1.97. This means that for every new direct job created by international tourists, an additional 0.97 jobs are created in other sectors of the economy (APPI 2005). Although this figure will vary depending on national context and circumstances, it is a good indicator of the rate at which tourism employment benefits ripple through the countries' economies. This figure does not reflect such effects on the economy from domestic tourists. Whether the employment multiplier is higher or lower depends on the volume and nature of domestic tourist spending.

Tourism industry analysts and government planners predict that tourism will continue to expand in the near future, suggesting that tourism arrivals to the region could nearly double by 2010 and perhaps treble by 2015, depending on the manner and degree to which countries coordinate tourism marketing and development policies (APPI 2005). Although such predictions are optimistic about direct and indirect economic impacts, they do not provide specific information concerning potential impacts on rural and urban poverty reduction. Little is known about the actual distribution of the local benefits and costs associated with tourism. As this study demonstrates, poverty rates will decline over time in communities near tourist destinations, provided domestic linkages with the agricultural sector, small and medium enterprises (SMEs) and labour-intensive services are well developed. The absence of an observable decline in poverty would suggest that such linkages are weak or that there are leakages of benefits away from the poor. The question then is: what policies and strategies are required to minimise leakages and strengthen the economic linkages between the rural poor and tourism?



# 1.3. Literature and Methodology

There is a wide range of perspectives on the relationship between tourism and local communities, as well as the impact that tourism can have on social and economic development and poverty reduction. *Sustainable tourism* (WTO 2002) refers to managing tourism resources in ways that maintain cultural, ecological and social integrity. *Eco-tourism* (Weaver 2002) is primarily concerned with local cultures and the environment, while *community-based tourism* aims to increase local people's involvement in tourism. *Pro-poor tourism* (PPT) embraces many aspects of all these approaches, but is primarily concerned with generating net economic, social, environmental and cultural benefits for the poor (Ashley 2000), while at the same time providing communities with more voice in and ownership of tourism development (Neto 2003). Examples of PPT span the globe, including Africa (Ashley 2000; Spenceley and Seif 2003) and other locations in Asia (Shah and Gupta, 2000). There is a consensus in the recent literature that tourism, regardless of the type, can and should play a significant role in pro-poor economic growth and poverty reduction.

One important question is how to measure and analyse the distribution of national and local tourism impacts. Quantitative accounting approaches are used to assess tourism's contribution to the macroeconomy in terms of total demand for services, GDP, employment and investment. A good example of such an approach is the Travel and Tourism Satellite Accounting (TTSA) system used by World Travel and Tourism Council (WTTC) to estimate the short- and long-term economic impacts of tourism. Using input/output modelling for consumption and demand, the TTSA estimates direct industry and indirect economy-wide impacts on GDP and employment.<sup>5</sup> In Cambodia, for example, the WTTC estimates that the tourism industry will generate about 1,108,000 direct and indirect jobs in 2007, representing 15.8 percent of total employment.

Other methods combine quantitative and qualitative assessments of tourism impacts in specific locales. One approach is to examine participation in the formal and informal sectors, as well as so-called secondary enterprises with linkages to tourism (e.g. food supply). For actual measurement, such approaches can employ (1) systematic structured household surveys to identify changes in employment and income, as well the distribution of benefits and costs, and/or (2) qualitative techniques using focal group discussions and key informant interviews to gauge the extent and nature of changes. Another set of linkages with potential impact on the rural and/or urban poor is the impact of tourism on land markets in and around tourist destinations.<sup>6</sup> These approaches can also be used to assess both negative and positive socio-cultural impacts of tourism at the local level.

Ashley *et al.* (2001) observe that “the tourism industry is controlled by well-established operators that often benefit from economies of scale and regulations and incentives that favour large operators”. They argue that vertical linkages between hotels, tour operators and airlines can limit local opportunities to enter the sector. Such linkages often account for the importing of goods and services to meet tourist needs. Such leakages occur when the local economy is unable to provide a reliable, continuous and competitively priced product or service of a consistent quality to meet the demand. When linkages between tourism-related activities and local economies are weak, revenue from tourism receipts will leak. PPT approaches try to promote more horizontal economic linkages between tourism and local economies in order to minimise leakages (WTO 2002).

<sup>5</sup> Such models make certain assumptions based on estimates of expected arrivals over time, taking into account recent trends. These models cannot take into account unexpected shocks or other disruptions.

<sup>6</sup> For example, the recent growth of tourism in Siem Reap has had a dramatic impact on land markets, causing some people to sell agricultural land and enter the secondary and tertiary labour markets (Ballard 2005).

Many studies have also emphasised that collaboration between government, the private sector and non-government organisations is required in order to direct tourism benefits toward the poor. For example, in their review of six country case studies, Ashley *et al.* (2001) observed a variety of actors in PPT strategies, including national and provincial government agencies, large and small commercial companies and domestic and international organisations. Other researchers have identified the crucial role of local government in directing a greater share of tourism benefits to the poor (Vourc'h and Denman, 2003).

### 1.3.1. Conceptual Framework

The conceptual framework that guided this research and analysis was designed on the basis of a review of the literature, which generated two hypotheses. First, the structure and distribution of the benefits and costs associated with tourism depend on tourist spending patterns (i.e., type of tourist) and the service structure, as well as the scope, scale and nature of the employment/income linkages between people and the tourism industry. The type of tourist can be categorised in a number of ways. One is classification according to spending patterns (e.g., economy or budget, comfort, luxury) for accommodation, food, transport and other services, as shown in Table 1.2. Another way is to consider the type of activity in which tourists engage (e.g., adventure, sightseeing, resort-spa). Yet another way is to categorise according to tourists' country or region of origin. For example, the Luang Prabang case study refers to an agreement between the governments of China and the Lao PDR to promote Chinese tourism to Luang Prabang. In Cambodia, South Korea has emerged as the single largest source of international tourists to Siem Reap. Another approach is to categorise tourists according to age and income. For example, the Thailand case study observes that younger tourists with higher incomes tend to prefer eco-tourism and community-based cultural tourism, and often use the internet to identify destinations.

*Table 1.2: Matrix Sample, Tour Type and Service Structure*

Tourist Type	Activity	Itinerary	Transport	Lodging	Food/Bev	Misc
Budget/ Economy	Adventure, culture, nature	Multiple country	bicycle, bus	Guest-house, lodge	mostly local, some imported	Lonely Planet
Comfort	Adventure, culture, nature	Multiple country	bus, plane	3-4 star hotel	mixed local & imported	package tour w. guide
Luxury	Spa/resort, health care services	Single country	car, plane	4-5 star hotel	some local, more imported	package tour w. guide

Such classifications have implications for employment impacts. For example, although budget tourists tend to spend less per day, a greater share of their spending is for locally provided goods and services (e.g., guest-houses, agricultural produce, handicrafts), thereby minimising leakages. This is especially the case with adventure and eco-tourism travellers, who are more likely to engage directly with rural residents. Luxury tourists tend to spend much more per day, but the services and goods they consume are often imported, entailing a high level of leakage. Although all types of tourism create employment, each type affects the distribution of employment and income benefits differently.

The second hypothesis guiding the research is that the type of tourist and service structure (i.e., employment and income impacts) depends on the character of the destination and tourism technology (e.g., infrastructure, type of activities). One example is Siem Reap, where tourists tend to cluster in the town, where most services are located, while the tourism product (i.e., the Angkor Park) is located

several kilometres away. As a result, ground transportation represents an important component of the service structure. When tourists were predominately oriented toward budget and comfort types, such services were provided by motorcycle taxis and taxis. However, as the number of tourists expanded, along with the advent of package tours and an increasing number of luxury tourists, the transportation sector has expanded to include three-wheeled vehicles and large tour buses. This shift in technology has had an important impact on the structure of local employment.

A second example concerns situations in which the cluster site itself is the tourism product. As services are generally concentrated in a central location, and with most tourist spending taking place there, services tend to be more diversified than in areas away from the main cluster site. The employment and income impacts tend to be more direct as service providers interact more directly with tourists. Such urban-based sites tend to favour those who are already better off and can afford to invest in service provision, while any benefits for the poor will be more indirect (e.g. hotel construction). In some locations, tourist activities have over time expanded away from or outside the cluster destination to what may be referred to as satellite sites, as in the case of community-based tourism, including eco-tourism, cultural tourism (e.g., home stays in Mae Kompong and Sapa), or “countryside” tourism, as in the case of Yunnan. In the satellite sites, there is often less diversification in available goods and services, although providers may use more local inputs. As a result, the chances of direct benefits reaching the poor may be greater in satellite sites.

Both hypotheses assume that the patterns associated with tourist spending and service supply are sensitive to and ultimately influenced by government policies and activities. For example, governments play a pivotal role in national transportation policies. The development of an airport or the construction of a road will be significant in determining the volume and direction of tourist flows in a particular area. One of the best examples of this in the GMS is the Cambodian government’s “open skies” policy, introduced in 2001, which permits direct flights between Siem Reap and a number of locations throughout Asia. International arrivals to Siem Reap have climbed steadily since the policy was first introduced.

Table 1.3 summarises some of the employment and income linkages that are derived from direct or indirect services. Direct employment involves face-to-face interaction between the service provider and the tourist (e.g., hotel reception and management, restaurant waiting, tour guides), while indirect employment is generally in support of such services (e.g., hotel construction, agriculture). Given the nature of their interaction with tourists, many forms of direct employment require higher education and/or a specialised skill, such as a second language. In some cases, such as tuk-tuk drivers in Siem Reap or home-stay operators in Mae Kompong in Thailand, some forms of direct employment require capital investment. As a result, many of the direct employment opportunities may not be available to the poor, who tend to have lower education and to lack access to capital. Local ethnic minority people may also not speak the national language well. As a result, many of the poor in tourism-related activities tend to be employed in indirect services. These cases therefore focus attention on the type of education and training required for each form of employment, as well as the nature of the constraints that impede pro-poor linkages, as such factors to a large extent determine the distribution of employment benefits.

**Table 1.3: Matrix Sample, Tourism Sector Employment Structure**

Employment type	Primary (Agriculture)	Secondary (Manufacturing/ Construction)	Tertiary (Services)	Other
Direct service employment	street-side vending, market stall	handicraft production and vending	hotel reception, restaurant, transport, guide	home stay
Indirect service employment	farm produce for hotels & restaurants	hotel/restaurant construction	temple guard, air and transport support personnel	entertainment, retail-shops, gov't. officials

A key policy question concerns how best to structure tourist activities to direct an increased amount of spending toward services and activities that positively impact the poor. A second key policy question concerns how to provide better education and skill training to enable the poor to obtain better paying direct service employment. Finally, it is important to bear in mind that these hypotheses assume that, generally speaking, changes in employment that result in increased income will also result in improved well-being, as reflected in household consumption. People's perceptions of well-being may also be influenced by other factors that may or may not be associated with tourism. For example, improved transport infrastructure in and around tourism sites benefits local people even though they may not be involved in tourism, while better health and education facilities are not necessarily associated with tourism.

### 1.3.2. Methodology

The research comprises five case studies that assess the pro-poor impact of tourism in and around a particular destination according to the conceptual framework discussed above. Each study involved a desk review of the national tourism development strategy and policy context, as well as field research. In each, communities were selected according to criteria relevant to the country involved. The benefits associated with tourism, with particular focus on the poor, are analysed in terms of the scope, scale and nature of the linkages between tourism and community households. Although there are variations in the specific approaches employed to reflect local realities and interests, the cases are all grounded in the common framework outlined above and, as a result, are broadly comparable. The specific methodology employed in the fieldwork is outlined in more detail in each of the studies.

# 1.4. Key Findings and Observations

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This section briefly summarises the key findings of each of the case studies. A more detailed discussion of four of the key themes that emerge from the studies follows in section 5.

## 1.4.1. Siem Reap, Cambodia

The rapid growth in tourism in Siem Reap has created many new direct and indirect jobs and shifted the structure of employment away from agriculture toward services. More than one-third of individual earners in the survey sample of 506 households had tourism-related employment as their primary work. Although the poor are employed more frequently in tourism-related work, they receive much less income from tourism than do the non-poor, the majority of their jobs being unskilled and low paid. Also, people living in areas further from Siem Reap town and the temple sites tend to benefit less than those living nearby. The poor face constraints common to other case study sites (e.g., a lack of education and vocational skills) as well as competition for tourism-related employment from migrants from elsewhere in the country. Half of the households surveyed, however, said their well-being had improved between 2002 and 2006, while 28 percent said they remained the same and 22 percent were worse off. About half of those reporting improved well-being attributed it to tourism, while most of the reasons given for a decline were non-tourism factors, such as social problems or illness. This suggests that people may link well-being to improved infrastructure and social services that may accompany tourism development. Although there is a need to diversify the range of tourist products to involve more of the rural poor, activities such as community-based tourism are only at nascent stages of development.

## 1.4.2. Luang Prabang, Lao PDR

The poverty incidence in Luang Prabang is falling at a faster rate than anywhere else in the country, and the case study argues that this is largely due to the impact of tourism. One of the main reasons is that import leakages have been relatively small, and a large part of tourism expenditure is for locally provided goods and services. Tourism has also had a major impact on other industries in the area, including agriculture and handicraft production. Moreover, many tourists in Laos are budget tourists who prefer to lodge in guest-houses, eat local food and use local transport, activities that tend to benefit small and medium enterprises. There is some evidence, however, that prices for some goods and services are increasing, which suggests that local suppliers may not be able to keep up with growing demand generated by the increasing number of arrivals. If this is the case, leakages may increase. A survey of 200 households across 20 villages showed that location matters a great deal in determining who benefits and how from tourism-related activities. For example, households in Luang Prabang town have benefited from increased income more than households located in villages of various distances outside of town. Wealthy households in town also benefit from the increasing value of land. Although the evidence shows that tourism also benefits the poor, those who do not live in Luang Prabang or close to tourism sites have fewer opportunities to benefit.

### **1.4.3. Mae Kompong and Plai Phong Phang, Thailand**

The eco-community-based tourism businesses in both villages have generated income and employment without apparently worsening income inequality. Although this model may appear to be pro-poor, it is not clear to what degree the government should promote it as PPT. Eco-community-based tourism is difficult to plan and implement, and the expected costs of developing such a model on a larger scale could far exceed the expected benefits. There needs to be strong complementarity between natural, market and management factors in order to sustain eco-community-based tourism. It is also important for the community to have an effective and fair system for sharing benefits among those directly providing tourism services and the community as a whole. There is a need for collaboration between the community and local government to plan the most appropriate products and services. Surprisingly, despite employment and income benefits, there are large income leakages, mainly because the communities have had to rely a great deal on outside suppliers. The study observes that mass tourism can also play an important role in poverty reduction, because many jobs do not require skilled labour and are easily accessible to low-income labourers.

### **1.4.4. Sapa, Vietnam**

The study suggests that a direct linkage between tourism and poverty reduction has been established, and that participation in tourism-related activities can be an effective way to move out of poverty. Food supply and home-stay services appear to be the largest generators of employment for the poor in Sapa district. Due to a shortage of investment capital, poor infrastructure and a lack of social networks, however, participation by poor households remains modest. The Sapa case suggests that many pro-poor tourism activities focus on single local developments, while ignoring other factors that could contribute to broader poverty reduction. Although tourism has been designated an “economic spearhead” for development in national strategy documents, the bulk of both public and private investment is concentrated in economically advanced urban areas, rather than in rural areas, where most of the poor reside. As a result, tourism often bypasses the poor, especially those in mountainous areas and the remote countryside. Practical solutions to investment and employment obstacles are required to create a more favourable business climate, including better access to financial resources and marketing and business services.

### **1.4.5. Xishuangbanna, Yunnan**

The Dai Garden case shows that the development of cultural rural tourism has provided a variety of employment and income benefits to five communities. Other benefits include improved transport and communications infrastructure, support for elders and poor households and subsidised education for promising students. The case also raises a number of important governance issues concerning community-based tourism that involves outside private developers. These issues include a fair distribution of benefits, village rights and representation, managerial responsibilities, environmental impacts and participation of poor and otherwise marginalised households. Many of these issues may be resolved by a complex system of allotting 20 percent of enterprise shares to the villages. The Baka village case demonstrates that government support and outside assistance, although important, cannot replace community participation in developing community-based tourism. It also shows that community support for such initiatives is unsustainable when individuals begin choosing alternative forms of employment if they are not able to participate in tourism activities. The Zhanglang village case suggests that despite favourable attractions, community-based tourism is not sustainable in the face of a traditional dependency on agriculture, limited education and a lack of funds and management skills.

# 1.5. Themes and Issues Emerging from the Case Studies

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This section presents a more detailed discussion of four key themes that emerge from the case studies. These are the evolution of national tourism policies in each of the countries, destination characteristics and types of activities, equity and participation, and governance issues.

## 1.5.1. Tourism Policy and Poverty Reduction

In four of the countries—Cambodia, China, Laos and Vietnam—today’s tourism industries grew out of state-planned and managed sectors. Most tourist services were provided through state-owned-enterprises or government agencies to customers or visitors from other centrally planned countries and to a limited number of official guests from other countries. Tourism policy was primarily oriented toward maintaining administrative control over such operations. The original motivation for each country to undertake market-oriented reforms was to stimulate economic growth and social development in the wake of poor performance by centrally planned economies. Moreover, Cambodia, Laos and Vietnam were embarking on reform after years of war and international isolation, and, also in Yunnan, most public investments to modernise and industrialise tended to be centred in urban areas. To the extent that actual and potential tourist destinations were located in such areas, the tourism sector benefited, albeit almost as a second thought.

Policy makers—including those of Thailand—were focused primarily on the degree to which tourism could contribute to the overall growth of the economy. Early tourism policies therefore sought to increase the number of international tourists as a means to stimulate job creation, generate income, earn foreign exchange and improve the image of the country, largely in order to attract increased levels of foreign direct investment. In Thailand, the government pioneered event-based marketing that encouraged both nature- and urban-based mass tourism. As in the other four countries, Thailand’s early tourism development was primarily urban-centred.

The relationship between government plans and private investors is often characterised by policy tensions concerning the number of tourists and the potential negative impacts of unregulated tourism development. There appears to have been a somewhat uneasy and ambiguous relationship between state planners and the private sector as the various socialist governments adopted free-market reforms in the mid-1980s and early 1990s. What eventually emerged was a commercially oriented policy in which private investment was the principal means of planning, with government providing regulatory guidelines and protocols. In the case of the Lao PDR, Vietnam and to a certain extent Yunnan, it can be argued that tourism investment was closely regulated and as a result early tourism growth was somewhat gradual. In the case of Siem Reap, there was a gradual expansion of tourism during the 1990s, but then the open skies policy led to rapid unplanned and uncontrolled growth. In Thailand, the early emphasis on commercially developed mass tourism led to widespread social and environmental problems before the state became more actively involved in planning and regulation.

The initial focus on a “numbers-oriented” tourism policy eventually prompted planners to expand the range and quality of tourism products, based on the assumption that more spending by a larger number of tourists during longer stays would benefit all of society, including the poor. The increasing contribution of tourism to overall economic growth has coincided with growing interest of government planners and international donors in the distribution of the benefits of economic growth and in

reducing poverty. It was only a matter of time before the GMS countries began to consider ways in which growth in tourism could contribute to poverty reduction. Thus, the birth of pro-poor tourism in the region has been a function of linking economic growth policies to a strong poverty reduction focus.

### **1.5.2. Character of Destination and Types of Activities**

In all five countries, most of the poor and very poor reside in rural areas, often in difficult-to-reach remote areas populated by ethnic minorities. This raises the fundamental question of how to most efficiently and effectively link the rural poor to the tourism industry, which until now has been largely urban. The case studies provide a useful discussion of different strategies that have been used to encourage rural linkages with tourism. They include direct and indirect employment in construction and services, and the production of agricultural and handicraft products consumed by tourists.

Luang Prabang and Sapa are both town-based destinations where the tourists reside in the tourist site to observe and participate in local cultural activities. In-town service providers were initially local inhabitants, but over time external investors began providing services as well. During their stay, tourists may also travel to surrounding communities to experience village culture and enjoy the natural environment. In both cases, the tourists largely go to areas where many of the poor live. For the most part, the tourists are predominantly international and, in the case of Luang Prabang, increasingly regional. Tourism was initially slow to develop due to political and logistical restrictions in both the Lao PDR and Vietnam. More international tourists began to arrive in the early to mid-1990s as each country opened up after several years of relative isolation following the US war in Indochina. Since then, the development of improved transport has facilitated travel to both Luang Prabang and Sapa, as well as between the two towns and satellite villages.

The Thailand and Yunnan cases involve community-based tourism closely associated with primary destination sites. In the case of Thailand, the primary main attractions are Chiang Mai and Bangkok, while in Xishuangbanna, Yunnan, it is the Dai Garden. In both cases, service providers can be divided into external and internal. For example, external providers may provide transport, while locals provide food and lodging. Benefits to local people take two forms: direct benefits to the service providers and contributions to a general community fund. In these cases, local governance issues, including the establishment and regulation of tourism activities as well as the distribution of benefits, require community participation. In Dai Garden, there is another governance dimension involving the external investors. In Thailand, some service providers operate directly with private external agents. In both cases, community-private investor relationships must be managed carefully in order to ensure that tourism benefits are distributed fairly.

Siem Reap is somewhat different from the other four cases. The town itself is not the main attraction, but rather a conduit to the main attraction, Angkor Park and other temple sites. Only to the extent that tourists pass through villages on their way to temples do they actually visit local communities. Therefore, the tourists do not go to the villages; rather, the villagers must come to the tourism site in order to benefit from the industry. Tourism investment was initially locally based, but rapidly accelerated with the tourist boom facilitated by the open skies policy. External capital then became the predominant source of tourism investment, while the principal linkages between the poor and tourism evolved towards unskilled labour and, to a somewhat lesser extent, agricultural products and handicrafts.

The general questions that emerge from these studies concern how most effectively to aim tourism development so that employment and income opportunities are closer to the poor. For example, what type of tourist spends on locally produced goods and services, and how much do they spend? Of such



goods and services, which can the poor provide? What kind of training or support do they require in order to provide such goods and services?

### *1.5.2.1. Access and Associated Issues*

Siem Reap, Sapa and Luang Prabang also highlight the important role of transport infrastructure in governing access to tourism sites, which in turn determines the distribution of benefits. This aspect entails many dimensions, including the ability of local producers to keep pace with increased demand for goods and services. In the case of Siem Reap, for example, local producers were better able to keep up with the demand for certain goods and services prior to the open skies policy and the sudden onslaught of international tourists. With the open skies policy, the volume and type of international tourists changed quite suddenly along with a rapid shift in the demand for tourism services and products. Local producers could no longer meet the demand in volume or quality, nor could local entrepreneurs invest at the rate required. As a result, investors turned to outside providers for food products, building materials, supplies, handicrafts, transportation and, in many cases, skilled construction labour. The sudden boom overwhelmed the capacity of local providers, thereby generating significant leakages as investors increasingly resorted to external suppliers. While some local people continue to benefit from tourism, a disproportionate share of benefits has shifted from local producers, including the poor, in favour of external investors and suppliers.

The rate at which Luang Prabang and Sapa have opened up appears to be somewhat slower, thus providing local providers more time to adapt to and keep pace with the demand. In Luang Prabang, it appears that a high percentage of services and supplies are still of local origin. In Sapa, although many of the home-stay providers prepare food that is provided by tour guides, many other inputs are local, thus minimising leakages. In both cases, the rate at which the tourism industry has grown has been partly due to issues associated with transport infrastructure and state planning and regulation. Road access to Luang Prabang primarily caters to adventure and budget travellers, while there is limited access by air, including direct flights from within the region. In Sapa, one must reach the town by rail or road, which caters more to budget and comfort travellers. In both cases, adventure and comfort travellers tend to spend more on local goods and services, thereby providing more benefits for at least some of the local poor.

In Luang Prabang, however, this pattern may be changing as the pace of international arrivals picks up. The study argues that the capacity of local agricultural producers to keep up with demand may be slowing, thus resulting in a need to import food products. The prospect of increased tourism from China per recent agreements between the two governments and increased international flights suggests that the pace of tourism growth may increase quite rapidly in the near future. If Siem Reap is any example, there will be a shift in tastes and preferences as more comfort and luxury-minded tourists arrive, including visitors from China, and the distribution of tourism benefits will begin to shift away from local providers, including the poor. Meanwhile, in the absence of such changes in Sapa, one may expect tourism to increase, albeit at rates that may enable local providers to continue to adapt to changes. If changes are currently being considered, then there may still be sufficient time to strengthen the capacity of local providers to continue meeting a significant share of demand. This places a premium on planning and coordination between national and local governments and the private sector.

### 1.5.3. Equity and Barriers to Participation

The Thailand study refers explicitly to tourism and income equity. The study observes that it is “conceptually convincing that tourism could lead to income inequality under some specific conditions” and suggests that communities with many tourism activities may face more problems of income inequality than those with fewer such activities. The study also observes that income inequality is more likely to occur in a community in which “power, knowledge and decision making are concentrated in the hands of very few players”. These observations may help explain why income from tourism has not contributed significantly to inequality in either Mae Kompong or Plai Phong Phang communities, where community-based tourism activities have been limited while involving considerable public participation and more or less transparent decision-making.

The Siem Reap, Luang Prabang and Sapa case studies, however, suggest that although some of the poor benefit from tourism, those with better education and financial assets and control over resources benefit even more. Therefore, the gap between the poor and the non-poor may be widening as a result of tourism. One reason may concern the fact that the range of tourism activities is much more diverse in these three areas than in the Thailand study sites. For example, the Sapa household survey showed that “the groups that benefit most from tourism are the wealthier ones”. The Sapa study argues that most employment goes to richer households, while the poor and the very poor take a minor share. Of particular concern is the fact that only 15.4 percent of the surveyed tourism households are poor, while the very poor cannot find any employment at all in tourism.

Among the households earning income from tourism in Siem Reap, the non-poor earn nearly twice as much as the poor. However, even though the poor earn so much less, 49 percent of their total income comes from tourism activities, slightly higher than the 45 percent for the non-poor. Therefore, poor households in the tourism sector may be especially vulnerable to shocks to the sector. The Siem Reap study also refers to issues pertaining to land, and observes that the number of land transactions in and around Siem Reap has steadily increased with the growth of tourism. Those who benefit most from sales are the non-poor, who are able to buy additional land or invest in businesses that bring a better return on money obtained from a land sale. The poor do not benefit from land transactions as much as the non-poor because they tend to sell their land at relatively low prices for non-economic reasons, such as health care or children’s marriages. Non-poor households also tend to own more land than the poor, and so have also benefited more from the rapid increase in land values.

The Luang Prabang study also observes that it is often perceived that the rich are better able than the poor to benefit from tourism. As mentioned, one reason for the uneven distribution of benefits may be the wide range of activities available to tourists, as in Sapa and Siem Reap. As in Siem Reap, the Luang Prabang study observes that the wealthy who reside in or near the town benefit more from tourism because of increasing land values. The study observes that five years earlier land prices were higher than in other areas, but the difference is much greater today. For example, the price of land over five years increased 4.6 times in town and 2.6 times in villages outside of town but close to tourist sites.

The Dai Garden in Yunnan also raises several important issues concerning the distribution of benefits. The study observes that the most difficult distribution problem is compensation in the form of land-transfer subsidies for land expropriated from the villagers and the villagers’ committee, who are the owners of the land resources. At the beginning of the project, the local government made land transfer arrangements to investors at the expense of local villagers. Like the other studies, the Dai Garden study considers the distribution of benefits according to village location. For example, the village located near the entrance to the garden has the highest rate of household participation in tourism activities (nearly 100 percent) and is, as a result, the richest among the five villages, while the other four have varying degrees of lesser benefits. The uneven distribution has sparked some discontent, including

vandalism and non-cooperative attitudes and behaviours by some villagers. These observations have considerable impact on governance, as discussed below.

The issues and challenges of the distribution of tourism benefits are rooted in the many constraints and barriers that impede more equitable participation in employment by the poor. Each of the studies refers to such constraints and barriers. The Siem Reap and Sapa studies focus on human resource challenges, citing a shortage of or lack of access to capital assets, a lack of education and vocational and business skills and weak social networks. Activities such as handicrafts, transport and home-stay services all require some initial investment. The Sapa study also observes that ethnic minority service providers sometimes do not speak Vietnamese, while in Siem Reap migrants from outside the area increasingly compete with local people for employment. Both the Sapa and Luang Prabang cases also refer to constraints associated with infrastructure, including transport, sewerage and electricity, that provides better access to town for migrant workers as well as better possibilities for receiving tourists in the village. The Yunnan study did not focus so much on human resource constraints, but rather on institutional constraints and barriers, including governance and management issues associated with property rights and relationships between outside investors, local institutions and people in the communities.

#### **1.5.4. Local Governance**

Local governance plays an increasingly important role in tourism. This is especially important for community-based tourism involving eco-tourism or home stays, as in the Thailand, Vietnam and Yunnan studies. The main issues concern the role of governance in sustaining local tourism initiatives (e.g., community participation, information and planning, marketing, quality control), ensuring an equitable distribution of benefits in the community and, to a certain extent, managing leakages.

An over-arching governance issue is the relationship between and the respective roles and responsibilities of the public and private sectors. For example, in the case of community-based eco-tourism and home stays, service providers are private citizens who benefit the most from the services they provide. Although they too must bear certain costs, there are real costs to the community (economic, environmental, social). In many respects, the service providers depend on the community being well managed and attractive to tourists. Since an attractive community is a public good, the costs associated with maintaining it should be equitably covered by the community at large. Is it fair that private service providers benefit from such a public good without proper payment? What incentives are there for non-providers to maintain an attractive community that serves only to benefit home-stay or other service providers?

Mae Kompong and Plai Phong Phang in Thailand are good examples of how the communities themselves can manage community-based eco-tourism. A nine-member committee in Mae Kompong is responsible for establishing the rules and regulations governing tourism in the village and setting prices for activities in order to avoid price competition among service providers and prevent tourists from being cheated. Other rules are designed to ensure an equitable distribution of benefits for all villagers in the form of dividends paid out through the village cooperative. In Mae Kompong, about 80 percent of the revenue goes to the service providers and 20 percent to village development and dividend distribution for all community members.

Dai Garden is an interesting case involving private commercial investors who developed a large area for tourism that takes advantage of natural surroundings and the colourful culture of ethnic groups in the area. One major issue between the company that manages relations between Dai Garden and the five local villages is the division of the benefits. Originally, the company compensated villagers for land that was expropriated for development. Villagers were then supposed to receive benefits such

as having their electricity bills paid and guaranteed employment for at least one member of every family. Villagers could also charge fees for visits to their houses, and could sell fruits and traditional barbecue. Many of these promises, however, were not fulfilled, and some villagers vented their anger by cutting trees and vandalising infrastructure. Eventually, the company established an Ethnic Affairs Department to coordinate relations with the villagers through their village committees. Despite other benefits, such as an improved and expanded road network built by the company and a scholarship scheme for village students, some villagers expected also to receive part of the admission fee from the company. The company plans eventually to give shares to the villagers and to swap certain assets (e.g., bamboo houses) for shares.

In contrast to the above success stories, the failure of a community-based tourism initiative in Baku village in Xishuangbanna highlights the important role that local participation plays in sustaining community-based tourism. The lesson from this case is that, despite strong support from local government and external financial support, community-based tourism schemes are not likely to succeed without also having support from and participation by the community. Poor management and a lack of cooperation from villagers have made the village unattractive to visitors. Most villagers can earn substantial income from household rubber plantations, so there is no real incentive to support tourism.

In Sapa, home-stay services generate the largest share of employment for local people in nearby villages, at least in the surveyed areas. These services are normally provided on a contract basis with travel agents who bring guests to the house according to a quota established by local officials and in partnership between the tour company and service providers. The prices are fixed according to regulation or agreement between service providers and tour agents. In this case, there is no mention of relations between the service providers and the community; rather, it seems the primary contractual relationship is between the service provider and the private tour operators. There does appear to be, however, some degree of regulation by local officials, and in this sense there is a degree of interest on the part of the public sector.

In summary, community-based tourism initiatives require active participation and cooperation among villages, as well as a clear understanding of the costs and benefits. There must be an effective and fair benefit-sharing system for participants and the community as a whole. Such efforts require careful planning and market assessment, preferably in collaboration with local government. In cases involving outside investors or other outside actors such as tour agents, there is also an important role for local government in mediating between external and local interests. These observations represent important lessons for government planners and private investors in both Cambodia and the Lao PDR, where interest in community-based tourism is growing.

# 1.6. Policy Implications

The traditional policy approach to tourism development has been to promote growth by increasing the number of international arrivals. To the extent that this approach has considered distribution, it assumed that some benefits would eventually trickle down to the poor. In order to provide more benefits to the poor, such approaches initially focussed on expanding and diversifying tourist products and improving their quality. However, there has been a growing realisation that such approaches have had limited impact on the poor and the very poor. As a result, there has been increased attention to policy that redirects a greater share of tourism benefits toward the poor and the vulnerable. While sector growth remains a key objective, redistributive approaches focus more on targeting tourism development in areas where the poor are more likely to be involved, as well as providing services such as vocational training.

A “growth with distribution” approach raises questions about pro-poor policy. Based on the five case studies, it appears that within the GMS region-wide approaches may be used effectively to promote growth in tourism, while the formulation and implementation of pro-poor strategies are best left to national governments. For example, there appears to be considerable scope for marketing the region as a single tourist destination to increase international tourist arrivals and promote more regional tourism. The idea of a single GMS visa that would allow tourists to cross borders freely is gaining currency. The lost revenue from national visa fees could be at least partially offset with a larger GMS visa fee that could be shared among the countries, perhaps on a formula specifically targeted in support of pro-poor tourism. There is also considerable scope for regional cooperation in the development of transport and eventually allowing different modes of transport to cross borders more freely. In the meantime, the improvement of secondary and tertiary roads at various border gates would expand the use of short-term border passes, as in the case of Laos and Thailand.

The case studies also clearly suggest that the design and implementation of pro-poor tourism policy and strategies are better managed at the national level. Because such policies are essentially distributive and involve real trade-offs between various interest groups, national governments must serve as the arena in which tourism policy is debated and implemented. Given the important role that the private sector and local institutions must play in PPT policy, local governments must also be suitably empowered to act in support of such policies and strategies. Empowering local institutions would vary according to national context and would therefore have to be implemented nationally.

## 1.6.1. Planning and Participation

An overall development strategy for PPT should include measures that minimise leakages and strengthen the linkages between the poor and the tourism industry in a particular locale. The case studies demonstrate that eco-tourism and cultural tourism, including community visits and home stays, can have some pro-poor impact. These types of activities are also often costly to implement and maintain, and the overall pro-poor impacts may be less than expected. Over the long term, a broader range of interventions is therefore required in order to achieve sustainable poverty reduction and increased well-being. For example, better educational and vocational training as well as affordable health care services are also necessary.

This study suggests that more concerted efforts are also required to target tourism development in specific areas with a high incidence of poverty through public-private partnerships. In this sense, tourism becomes a vehicle with which state and private actors can provide complementary inputs

according to their respective capacities. This requires more advanced and sophisticated planning, particularly between the different levels of public administration. Dai Garden is a good example of how private commercial investments can benefit local people, provided such efforts are well governed and managed to ensure a fair and reasonable distribution of benefits.

In addition, an essential component of effective pro-poor policy is government regulation of the pace of tourism development in a particular locale. The regulation of both the direction and pace of development will assist local producers to keep pace with tourism demand, while at the same time reducing the economic, social and environmental costs associated with unregulated private development. One good indicator of regulatory impacts on the pace of tourism development is the behaviour of land markets in the main tourist areas, as referred to in the Siem Reap, Luang Prabang and Sapa studies. For example, land use has been carefully regulated by the state in Luang Prabang, while in Sapa difficulties in converting agricultural land to commercial use may constrain tourism development. In Siem Reap, on the other hand, the booming real estate market is not subject to any regulation, and agricultural and residential land is freely converted to commercial uses. Even state land is easily converted to private commercial use!

Community participation also proves to be extremely important, and the case studies highlight the need for good information and careful study of the costs and benefits associated with community-based tourism before proceeding. The Thailand study also suggests that leadership is an especially important aspect of maintaining community participation, while the Yunnan study shows that community leadership can be important in maintaining relationships with both private sector investors and local government.

### **1.6.2. Human Resource and Business Development**

All five studies refer to the constraints and barriers that hinder the poor from participating more in tourism. Two of the most significant barriers are the lacks of employment skills and financial capital. The case studies demonstrate there is a vital role for government in human resource development and skill acquisition. Vocational training and skill development are crucial to reducing leakages in the labour sector and promoting jobs for local young men and women. Special effort, however, must be made to target such opportunities to young people from poor households, who are routinely excluded because they cannot meet all the selection criteria.

More affordable credit should also be made readily available to SMEs in the tourism sector. Lower interest rates, more flexible repayment schedules and fewer collateral requirements could be targeted at SMEs that train and hire the poor, or at individuals or households wishing to start their own small businesses. Group lending associations for the poor could also be introduced in collaboration with non-government organisations in areas where community-based tourism is being initiated. As with other aspects of PPT development, investment strategies that target the poor must be mainstreamed into the overall approach to tourism.

### **1.6.3. Tax policy**

Although none of the cases explicitly involve instances in which PPT development has been mainstreamed into national tax policy, the Siem Reap study makes a provocative reference to employing tax measures to support PPT. The authors suggest taxing tourism and earmarking the revenue—or at least some portion of it—for programmes and projects that benefit the poor. For example, in Cambodia a percentage of tax revenue from tourism activities could go toward establishing health care facilities and special secondary scholarships for boys and girls in areas with higher poverty rates.

One initial approach to consider would be empowering provincial or local governments to collect a tax from hotels and restaurants that primarily cater to international tourists. Tax incentives could also be used to encourage investments that promote diversification of tourism activities into areas with higher rates of poverty and that target the poor for skill training and employment. Such policies, however, would require some time to implement, given the weak institutional infrastructure in the region, particularly at the local level.

All five studies underscore the important role of governance in promoting tourism that minimises economic leakages and directs a greater share of benefits to the poor. While regional collaboration between the governments of the GMS can and should play a significant role in marketing the GMS as a vibrant tourist destination, the national governments must play a lead role in ensuring that the poor have better opportunities to participate fully in and benefit from tourism growth. A significant component of pro-poor approaches to tourism is to strengthen the capacity of local governments to play supportive roles and promote community participation in tourism development and stronger, more effective, public-private partnerships.

Finally, a regional mechanism is needed to act as a clearing-house for disseminating to national governments lessons about best practices to promote PPT. More research is required to analyse the factors and circumstances that promote or inhibit different tourism models. For example, what are the factors and circumstances that enable community-based tourism to have a sustained impact on poverty reduction, and can such models be scaled up and replicated over a larger area? What are the major sources of economic leakages in the region, and how might they be reduced? What has been the experience in the GMS with taxation policy in the tourism sector, and how can such policies be more pro-poor? How can governments and the private sector better collaborate to make tourism more pro-poor?

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# **Pro-Poor Tourism: Siem Reap Case Study**

**Hing Vutha *and* Tuot Sokphally**



# Abstract

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As tourism has developed and contributed significantly to the Cambodian economy, there has been a growing concern about how this development affects different people differently at the community level. A serious concern is whether the poor, who are still a significant proportion of society, have shared in the benefits from this growth. A number of authors have contributed to partially answering this question by arguing that at the community level, benefits of tourism are shared unevenly and go mostly to the non-poor. There has been, however, insufficient quantitative evidence to support this argument. In addition, the mechanisms by which different groups share in benefits are missing or incompletely explained.

Siem Reap has frequently been mentioned in debates about the distribution of tourism benefits as a case in which growth has been ineffective in combating poverty. This province, one of the world's most popular tourist destinations, receives more than half of foreign visitors to Cambodia and yet is the second poorest province with about 52 percent of its population living below the poverty line. By examining this case, this study aimed to fill in knowledge gaps mentioned above by (i) conducting focus group discussions, key informant interviews and household surveys in eight communities located in four different districts of Siem Reap, (ii) reviewing policy documents and analysing secondary data to understand the context of tourism development and poverty reduction in Cambodia, particularly in Siem Reap, and (iii) interviewing key informants at the Ministry of Tourism and its departments and others involved.

The study found that tourism growth in Siem Reap has had some positive impacts by raising the well-being of local people through creating jobs and income-earning opportunities in construction, hotels and restaurants, transport, handicrafts and services. This has shifted somewhat the local employment structure from traditional agriculture, and through increasing land values. The benefits from tourism accrue to people in communities closer to Siem Reap town or temple sites. Benefit sharing is uneven, as expected. Many poor work in tourism-related jobs but earn very little, usually just enough to cover their subsistence, without any savings or ability to improve their lives. Hence, the poor remain vulnerable to shocks, including health problems and natural disasters, even though they are filling many of the expanding jobs produced by recent tourism development. The major hindrances to the poor receiving greater benefits from tourism are a lack of education, skills, capital and social networks.



# Acknowledgements

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The authors are grateful to everyone who provided input and support for this study, first of all local governments in Siem Reap and the many villagers who were interviewed or asked for collaboration during data collection. Their willingness to be involved was an invaluable contribution.

In addition, many thanks are due to Dr Brett M. Ballard and Mr Chan Sophal, who provided critical overall and technical comments that aided in fine-tuning this report. The Centre for Advanced Study, Ms Pon Dorina and other field enumerators also deserve special thanks for their assistance in carrying out challenging field work.

Last but not least, the authors would like to extend special thanks and appreciation to the Rockefeller Foundation for its generous funding support to CDRI and the Development Analysis Network. This study would not have been possible without such assistance.

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*Cambodia Development Resource Institute*

*Phnom Penh, July 2007*





# 2.1. Introduction

## 2.1.1. Background and Rationale

The tourism industry in Cambodia has been growing rapidly for the last decade and has become the second largest source of economic growth after the garment sector. The development of this sector is attributed to: (1) the attainment of peace and stability since the late 1990s, (2) tourism attractions, especially Angkor Wat, which was listed as a World Heritage site in 1992, (3) an increase in international and domestic travel and (4) the government's policies on tourism development, such as the open sky policy, visas on arrival and visa exemption for Cambodians living abroad. In 2004, the number of domestic tourists was 4.25 million, compared to 1.82 million in 2003 and 0.26 million in 1993. International tourists reached 1.42 million in 2005, up from 0.15 million in 1993. In 2007, the tourism sector is expected to generate USD718.3 million of direct economic activity or about 9.3 percent of GDP, and it is expected to create USD1,561.9 million of both direct and indirect economic activity (WTTC, 2007). The sector generated about 566,444 of both direct and indirect jobs, representing 8.3 percent of total employment in 2004, and is expected to employ 1,108,000 people, or 15.8 percent in 2007, in both direct and indirect activities (WTTC, 2007).

Although tourism has been a significant engine of economic growth, its impacts on the local community and poverty reduction have been limited. Some argue that the distribution of the benefits of this rapid growth is uneven among social groups, different economic activities and across different locations. For example, the poor benefit the least from tourism development due to weak links to the agriculture sector where most poor households are involved. As a result, the contribution of tourism to poverty alleviation has not been very significant (Ballard, 2005; Economic Institute of Cambodia, 2005 quoted in World Bank, 2006). Siem Reap, for instance, which is the most dynamic tourism area, is one of the poorest provinces in the country. Furthermore, a recent case study (Cambodia Poverty Assessment: Halving Poverty by 2015) of the effects of tourism development on the local economy in Puok district (west of Siem Reap town) indicated that although tourism contributed more than a quarter of local income, much of this was due to casual labour in tourism-related construction. The more permanent direct local effects on non-construction sectors, such as supplying fresh foods to hotels and restaurants, have not been very significant. (Economic Institute of Cambodia 2005 quoted in World Bank 2006). From these findings, tourism development in Cambodia does not appear to have a sufficiently pro-poor nature; therefore pro-poor tourism development should be promoted.

No study to date, however, has illustrated clearly the nature, composition, distribution and mechanism of the impacts of tourism on the local economy, particularly on the poor. This study is designed to fill this gap by answering several key questions: (1) What are the structure and nature of linkages between the tourism industry and local economy? (2) What are the socio-economic impacts of tourism on households and factors that inhibit the poor from receiving benefits? (3) What roles could national and local governments, civil society, donors and the private sector play in directing tourism benefits to local communities and the poor?

This study suggests that growth in tourism has some impacts on local communities by creating jobs, generating income and raising local people's well-being. By creating jobs in related sectors, tourism has altered employment patterns away from agriculture towards manufacturing and services, including construction, hotels and restaurants, transport, handicrafts, cleaning and guarding temples. Tourism generates as much as half of total local household income. This makes local people greatly dependent on tourism. Tourism impacts on land transactions have also been significant, particularly in the past several years.

A community's distance from Siem Reap town plays a major role in determining the scope and scale of the impacts. Communities near the town receive greater benefits in terms of more highly rewarding activities, while communities far from town benefit mainly through low-paid and labour-intensive activities, such as unskilled construction work.

As expected, the distribution of benefits from recent tourism development is uneven and skewed toward the non-poor. The poor are more involved in tourism-related jobs than the non-poor, but they earn much less. Their incomes are usually just adequate to cover daily subsistence, without any savings for family security or to improve their lives. This is demonstrated in their pessimistic perception of income and well-being dynamics. The major obstacles to the poor receiving greater benefits from tourism are lack of education, skills, capital and social networks.

### **2.1.2. Research Objectives and Approach**

Aiming to fill in the knowledge gap, as earlier explained, and to conform to the overall research framework of the fifth Development Analysis Network (DAN5),<sup>1</sup> this study had five specific objectives: (a) to review tourism development and tourism policies and strategies in Cambodia; (b) to identify the role of tourism in economic growth and poverty reduction; (c) to examine the scope, scale and nature of the linkages between the tourism industry and local people, with a particular emphasis on the Siem Reap; (d) to identify factors that contribute to improvement of the distribution of benefits from tourism development; (e) to consolidate the findings into a set of national and regional pro-poor policy recommendations.

Desk review, secondary data analysis and interviews with policy makers were carried out to meet objectives (a) and (b), while objectives (c), (d) and (e) were addressed by an in-depth case study in Siem Reap, the details of which are elaborated in Section 2.4.

The Siem Reap tourism case study attempted to test the following hypothesis.

Hypothesis: The economic impacts of tourism development on local communities vary according to: i). the distance of the communities from the tourism areas and ii). level of well-being (poor Vs non-poor).

The impacts of tourism are transmitted through two main channels: employment and income. Employment/income linkages may be derived from direct (face to face) or indirect (secondary) services, including hotel and restaurant services, construction, agriculture, handicrafts, small scale vending and other activities. Changes in employment patterns<sup>2</sup> and increased income levels will result in improved well-being.

### **2.1.3. Organisation of Report**

This report is structured as follows: Section 2.2 discusses the history of tourism development and its role in the economy and poverty reduction in Cambodia. Section 2.3 provides an overview of national policies and strategies and assesses how tourism is situated in these plans. Section 2.4 presents the background, research hypothesis and methodology used in the Siem Reap tourism case study. Section 2.5, 2.6 and 2.7 analyse tourism impacts on local people based on evidence from survey through employment, income and land market channels respectively. Tourism impacts on well-being are elaborated in section 2.8. The report concludes with a summary of the key points and some policy recommendations in Section 2.9.

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<sup>1</sup> This study is part of the fifth cooperation study (titled: Pro-Poor Tourism in the GMS) of Development Analysis Network, a network of several research institutes in Cambodia, Laos, Thailand, Vietnam and China's Yuanan province.

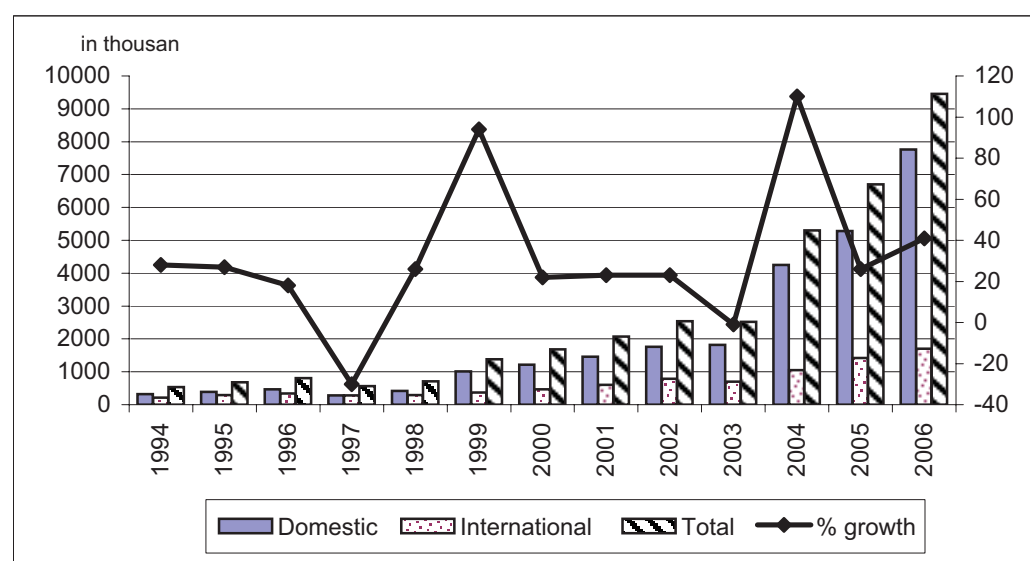
<sup>2</sup> A shift of employment from one sector or sub-sector to another.

## 2.2. Overview of Tourism Development

### 2.2.1. History of Tourism Development

Due to the nature of study (DAN 5a) that focus on practical experience of tourism development and empirical evidence of country as case study, the study does not provide a general literature review but rather move directly to the Cambodian case. The tourism industry in Cambodia has experienced rapid development over the last decade. According to key informant interviews at the Ministry of Tourism, tourism has shifted from a very passive, quiet sector with little role in the development of the country in the late 1980s-early 1990s to a dynamic engine of Cambodia's economy today. The total number of tourists increased dramatically during 1994–2006 with an annual growth rate of 27 percent, up from 0.54 million persons in 1994 to 9.46 million in 2006. The decline in tourist in 1997 and 2003 was due to political instability for 1997, and the combination of events including an election, SARS and the anti-Thai riot for 2003. Domestic tourists grew modestly during the 1990s, and then rapidly since 2000 with an annual growth rate of 36 percent. In 2006, the number of domestic tourists reached 7.76 million, or about 82 percent of total tourism, compared to 0.32 million in 1994 and 1.82 million in 2003. The number of international tourists has also grown rapidly over the past decade with an annual growth rate of 19 percent during 1994–2006. The Ministry of Tourism has estimated that the number of international tourists will increase to 2.43 million in 2008 and 3.51 million in 2010 (MoT, 2005).

*Figure 2.1: Number of Tourists and its Growth Rate: 1994-2006*

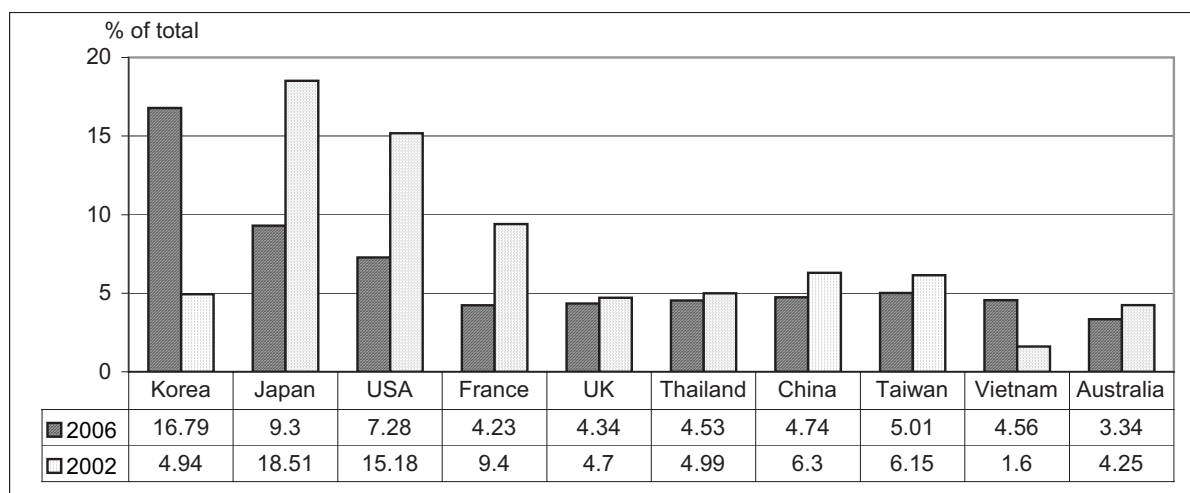


*Source: NIS, Statistical Yearbook 2005 and MoT (2006)*

In 2006, tourist arrivals from Asia and Oceania accounted for 41 percent of the total. ASEAN was the second largest source of tourists with 19 percent, followed by Europe (18 percent), Americas (9 percent) and Middle East and Africa (5 percent). By country, South Korea was the top source of arrivals in Cambodia in 2006 with 285,353 visitors, or 15 percent of total international tourists, up from 25,861 persons, or 5 percent of total international tourists, in 2002. The major factors that have led to the rapid growth of tourists from South Korea include a recent agreement on direct flights from

Korea to Cambodia<sup>3</sup> and the strengthening of economic and cultural cooperation between the two countries.<sup>4</sup> The other countries in the top ten sources of arrivals in Cambodia in 2005 were Japan, the USA, France, the UK, Thailand, China, Taiwan, Vietnam and Australia.

**Figure 2.2: Top Ten Sources of Arrival in Cambodia**



Source: Ministry of Tourism, *Annual Report on Tourism Statistics 2005*

The increase in the number of tourists has been driven by several factors including improving political and social stability, strengthened integration into the regional and global economy and business networks, and improved tourism-related infrastructure. Other factors that have contributed to more tourist arrivals include increased frequency of flights and number of airlines providing services to Cambodia, higher promotion by travel agents of Cambodia as a tourist destination and package tours to neighbouring countries, the open sky policy and other tourism promotion policies, and continuing strong technical assistance and support by bilateral and international donors.

Another important development in tourism is the considerable amount of FDI inflow. During 1995–2005, the tourism sector was the country’s largest recipient of FDI, with a cumulative flow of USD2382 million, or 31 percent of total FDI during that period.

**Table 2.1: Foreign Direct Investment in Tourism and Hotels, 1995–2005 (In USD m.)**

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
FDI in tourism and hotels	1510	119	42	112	25	79	80	47	148	113	107
Percentage of Total	67	16	6	13	5	29	34	18	47	33	9

Source: International Monetary Fund

As a result, tourism services expanded rapidly. In 2006, there were 351 hotels with 17,914 rooms and 742 guest-houses with 9,166 rooms, compared to 216 hotels (8,247 rooms) and 147 guest-houses (1,510 rooms) in 1998. Phnom Penh, Siem Reap province and Sihanoukville are the top three locations that have experienced a steady increase in the number of hotels and guest-houses. The number of

<sup>3</sup> Korean Air opened routes to Phnom Penh and Siem Reap in November 2006. The carrier operates four weekly flights between Phnom Penh and Incheon.

<sup>4</sup> The first cultural exchange event between Cambodia and South Korea was the Angkor-Gyeongju World Culture Expo 2006, which was held from 21 November 2006 to 9 January 2007.

travel agencies and tour operators has also grown rapidly during the same period, from 137 offices in 1998 to 382 offices in 2006. Phnom Penh has 199 offices and Siem Reap has 163 offices (only 18 offices in 2001). Twenty-two airline companies, of which six are domestic,<sup>5</sup> and 16 bus companies were in official records in 2006.

**Table 2.2: Growth in Tourism Services, 1998–2006**

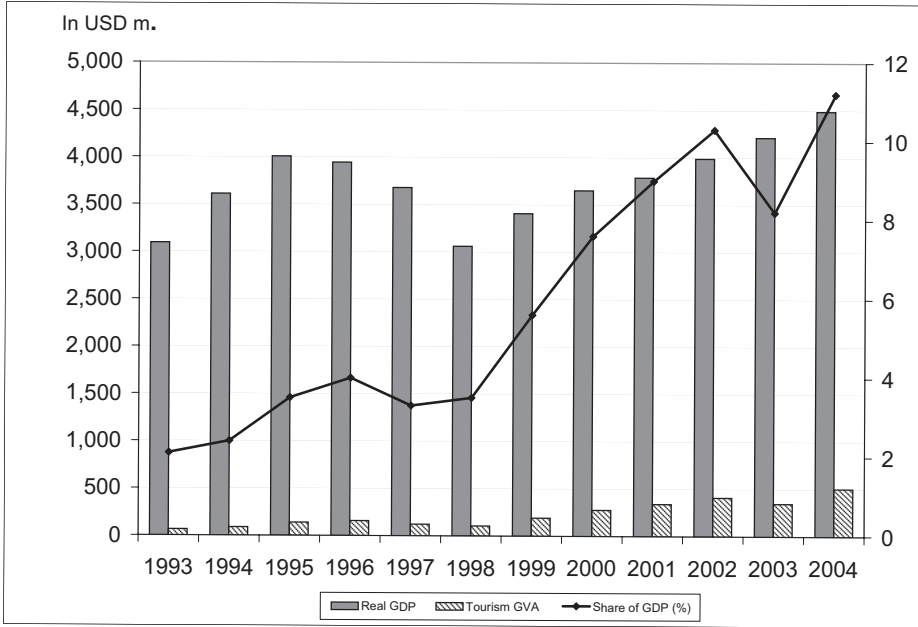
	1998	2001	2004	2006	% Growth between 1998-2006
Hotels	216	247	299	351	63
Guest-Houses	147	370	615	742	405
Tour Agencies	137	236	302	382	179
Tour Guides	369	727	1371	2712	635

Source: MoT, *Annual Report of Tourism Statistics* Unit of measurement: room is for hotel and guesthouse, office for tour agencies, and person for tour guides.

**2.2.2. Tourism and Economic Growth**

As a result of such steady growth, Cambodia’s tourism sector is playing an important role in boosting economic growth, second only to the garment industry. The sector employs, both directly and indirectly, more than 566,000 people, representing 8.3 percent of total employment in 2004. This should total 1,108,000 jobs, or 15.8 percent of total employment by 2007, and 1, 473,000 jobs, or 17.1 percent by 2017 (WTTC, 2007). Tourism’s contribution to GDP grew rapidly during 1993–2004, with an annual growth rate of 25 percent. Tourism gross value added (GVA) in constant 2000 riels in 2004 was 2022.49 billion riels or 11.2 percent of GDP, compared to 1376.05 billion riels, or 8.2 percent of GDP in 2003 and to 177.13 billion riels, or 2.1 percent of GDP in 1993 (NIS, 2005). The steady increase in tourism’s contribution to GDP is mainly attributed to a rapid increase in the number of both domestic and international tourists, and a steady increase in per person expenditure.

**Figure 2.3: Tourism Gross Value Added (GVA) in Constant Prices: 1993-2004**

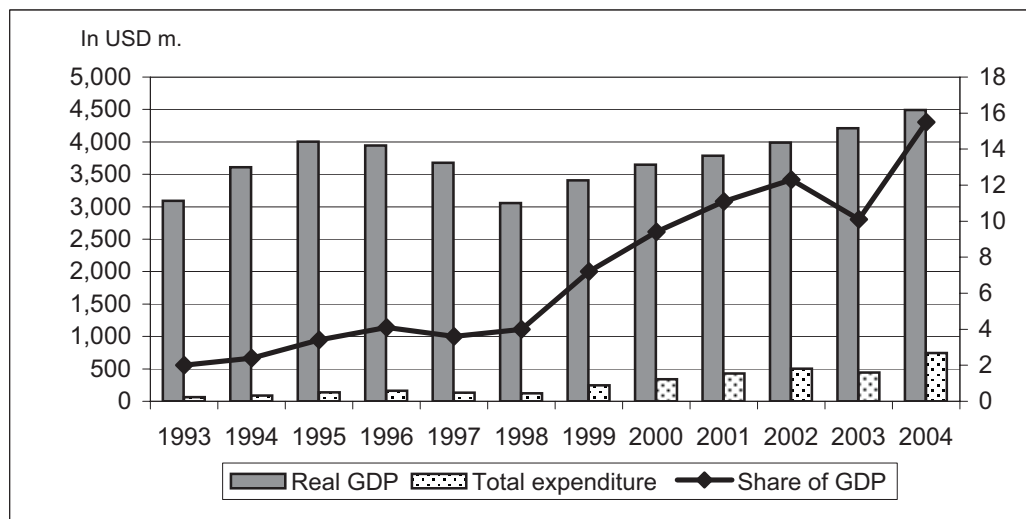


Source: NIS, *Statistical Yearbook 2005*

<sup>5</sup> Angkor Airlines, President Airlines, Royal Khmer Airlines, Royal Phnom Penh Airways, Siem Reap Airways International, and PMT Air. It is important to note that the statistics from Ministry of Tourism still include the President Airline though it is no longer operational.

Tourist expenditure has grown significantly, from USD62.4 million, or 2 percent of GDP in 1993, to USD744.5 million or 15.5 percent in 2004. International tourist expenditure increased from 1.7 percent of GDP to 13 percent in 2004. Domestic expenditure has also grown significantly over the same period, from 0.3 percent of GDP in 1993 to 2.9 percent in 2004.

**Figure 2.4: Total Tourist Expenditure: 1993-2004**



Source: NIS, *Statistical Yearbook 2005*

### 2.2.3. Tourism and Poverty Reduction

According to the World Bank (2006), the poverty rate in Cambodia fell from 45–50 percent in 1994 to 35 percent in 2004. This reduction coincides with the improvement of other poverty indicators, such as ownership of household durables, housing quality, use of modern sources of energy and overall supply of basic services. The report also argues that the fall in poverty rates has been driven by a combination of high economic growth (made possible by the end of two-and-a-half decades of conflict and the opening of Cambodia to foreign investment and trade), macroeconomic stability and improved access to services.

Although the number of tourists visiting Cambodia has expanded rapidly over the past decade, the majority visited tourist destinations that are concentrated near major cities (e.g., Siem Reap, Phnom Penh and Sihanoukville). Such urban-based tourism is likely to bring more benefits to high-income groups than low-income groups. Several studies have attempted to assess the impacts of tourism development in Cambodia on the local economy as well as linkages with other industries. Although tourism has been an engine of growth, its impacts on the local economy and poverty reduction have been limited. Ballard (2005) argued that the distribution of benefits from tourism is uneven, and people benefit more from employment in construction, services, and handicraft sectors than in agriculture. EIC (2005) in World Bank (2006) found that most of the jobs available for local people were unskilled casual construction work, while the more permanent jobs in other sectors have been much less significant in terms of quantity.

Tourism, however, does have the potential to contribute more to poverty reduction by providing employment and income opportunities for local people, including the poor. It can also generate different types of local income in the form of wages from formal employment and casual labour, earnings from selling goods, profits from locally owned enterprises and collective income in the form of community-based tourism (WTO, 2002). If pro-poor tourism policies and strategies are well formulated and implemented, tourism could play a crucial role in poverty reduction in Cambodia.

## 2.3. Policy Context

### 2.3.1. Overview of Socio-Economic Development Plans

The government's socio-economic development plans have evolved over the last decade in an effort to achieve its vision of a socially cohesive, educationally advanced and culturally vibrant Cambodia without poverty, illiteracy or disease. The National Program to Rehabilitate and Develop Cambodia in 1994, shortly after the first multiparty government was formed, aimed for national reconciliation, social justice and economic growth. The main focus at that time was on reforming administrative and judicial institutions, promoting economic stability and sectoral reforms and optimising the sustainable use of the national resource base (RGC, 1994).

The overall development goals in the first Socio-Economic Development Plan 1996–2000 (SEDP I) shifted towards economic growth and social development, with an emphasis on poverty reduction. Poverty reduction had by then become a primary objective of the government development strategy. The goals and focus in the second Socio-Economic Development Plan 2001–2005 (SEDP II) were more or less similar to SEDP I, aiming to achieve sustainable economic growth, social and cultural development and poverty reduction in the next five years. The current development plan, the National Strategic Development Plan 2006–2010 (NSDP), focuses primarily on reducing poverty and achieving other Cambodian Millennium Development Goals (CDMGs).

Because pervasive poverty is one of the key challenges facing the country, eradicating poverty is the single most important long-term objective of the government, and reducing it is the central thrust of its development plans. Nevertheless, achieving sustainable high economic growth and major socio-economic development goals are considered necessary and a prerequisite for achieving poverty reduction and other CDMGs.

### 2.3.2. History of Tourism Policies

Cambodia's tourism development policies over the last decade have shifted from attracting more tourists and promoting sector growth in the early 1990s to promoting growth along with a better distribution of benefits with an emphasis on poverty reduction.

In the early 1990s, Cambodia's tourism was very much in its infancy and faced many constraints, including: (1) lack of human resources and training, (2) poor infrastructure, (3) lack of suitable promotional finance, (4) poor international image, (5) weak private sector, (6) lack of meaningful research/statistics, (7) low product standards, (8) lack of legislative controls and (9) the Ministry of Tourism's lack of capacity to manage tourism. (NIS, 2005). Tourism policy and strategy during this period aimed to address these problems by focusing on key five areas:

- *Marketing and promotion* of tourism products, with a focus on Phnom Penh, Siem Reap and Sihanoukville.
- *Product development*, with an immediate aim of upgrading standards in hotels, restaurants, tourism sites, services and infrastructure.
- *Access provision* through upgrading of airports and integrating air access with other gateways in south-east Asia such as Bangkok, Kuala Lumpur and Singapore.

- *Labour development* through a comprehensive training needs assessment and formulation and implementation of a multi-sectoral training strategy.
- *Organisation and implementation of policies* with the aim of restructuring and strengthening the Ministry of Tourism in order to ensure effective planning and management of the sector.

A great deal of progress was achieved in facilitating increased tourist flows, including visa on arrival, rehabilitation and construction of international and national roads, rehabilitation and construction of roads to major tourist destinations, rehabilitations of airports, open sky policy, opening more border checkpoints, and bilateral, regional and international cooperation in tourism. These achievements largely contributed to rapid tourism growth in Cambodia (NIS, 2005 & MoT, 2001).

As the sector has expanded rapidly and recent and current socio-economic development plans have shifted their focus to poverty reduction, tourism strategy has also shifted toward promoting better distribution of benefits to local communities, especially the poor. In this context, the current tourism plan is based on the principle that it must contribute to reducing poverty and must ensure the equitable distribution of tourism revenues in a well-planned and managed manner.

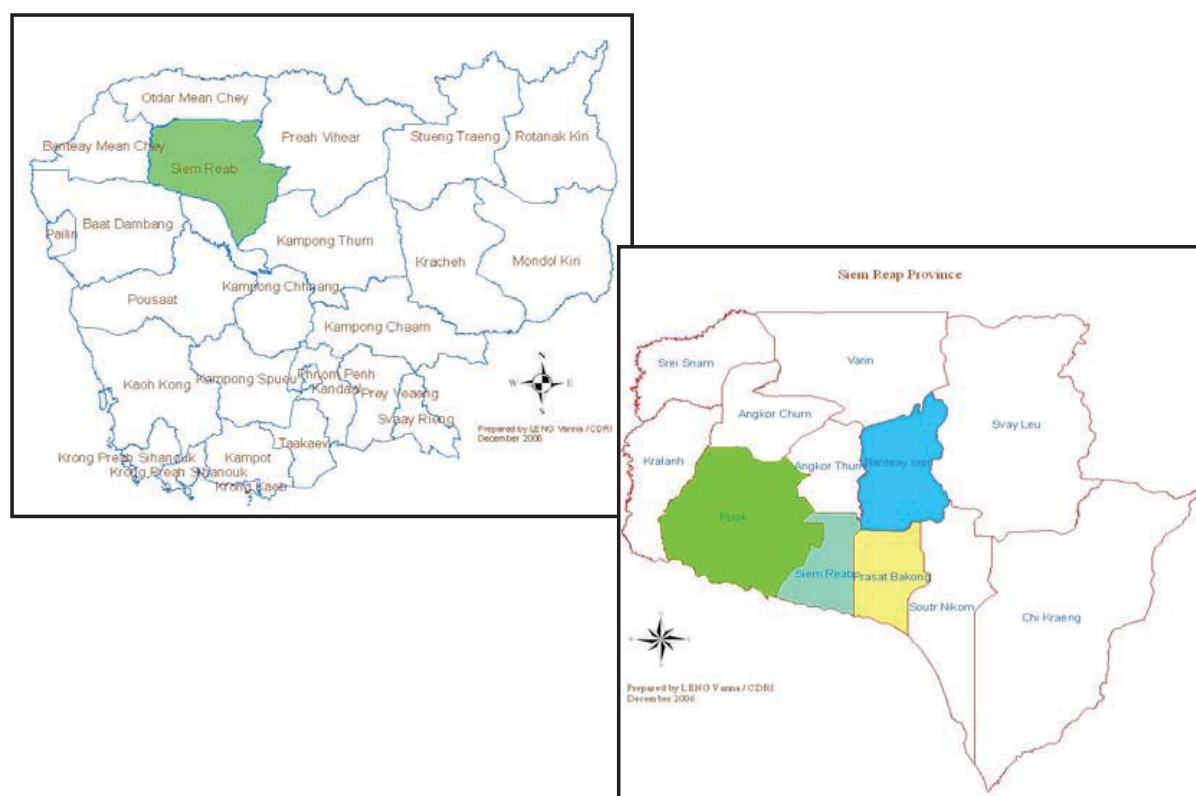
*“... conscious efforts will be made to ensure that appropriate benefits of tourism go to people living in the vicinity of tourist destinations, both to reduce poverty and improve their livelihood.”* (NSDP 2006-2010)



## 2.4. Case Study of Tourism in Siem Reap

This section begins with an overview of tourism development and poverty in Siem Reap. It is then followed by a discussion of methodology used in the case study as well as the analytical framework. A general description of the study sites and demographic information on households in the studied villages are given at the end of this section.

*Figure 2.5: Maps of Cambodia and Siem Reap Province*



### 2.4.1. Tourism Development in Siem Reap

In north-western Cambodia, Siem Reap province is well known for its historical cultural sites. It is the location of about 200 small and large temples dating from the eighth to the thirteenth centuries. Among them, Angkor Wat was registered as a World Heritage site by UNESCO in 1992. Since Siem Reap has become a world cultural tourism destination, tourism in this province has grown significantly. The number of foreign visitors increased from 44,833 in 1995 to 560,947 in 2004 and 653,630 in 2006 through November. The number of international visitors is targeted to reach more than 2 million in 2007 and 2.3 million in 2010 (Department of Tourism of Siem Reap, quoted in JICA 2006). The largest sources of foreign visitors are South Korea, Japan, the United States, Taiwan, France, China and Malaysia. The number of domestic visitors to the province also has sharply increased, to 372,382 visitors in 2006 through November, up from 264,000 in 2001. Despite the rapid growth of tourism and a significant development intervention (Siem Reap was the second largest provincial recipient of donor disbursements in 2004), the province is, however, still the country's third poorest, with 51.8 percent of people below the poverty line (Ballard 2005).

In response to this growth, tourism infrastructure and associated industries have been constantly expanding. Siem Reap-Angkor International Airport was renovated in 2003 and has become the main gateway for tourists to Siem Reap. Nine airline companies connect Siem Reap to nine major cities in Asia,<sup>6</sup> while three other airlines operate the Siem Reap-Phnom Penh route. The roads cutting across the province, connecting to most main temple sites and to Phnom Penh and the Thai border, have been renovated. Several local bus companies operate long-distance services from Siem Reap to major cities, including Phnom Penh, Kompong Cham, Battambang, Sisophon, Poipet and Bangkok. Siem Reap is also accessible by water from Phnom Penh

Accommodation and food service have expanded similarly. The number of hotels and guest-houses has increased from 13 (451 rooms) and 32 (257 rooms) in 1995,<sup>7</sup> respectively, to 53 (2722 rooms) and 120 (1379 rooms) in 2002 and 90 (6588 rooms) and 173 (2401 rooms) as of November 2006. The number of registered licensed restaurants in Siem Reap totalled 93 in November 2006 (Department of Tourism of Siem Reap, 2006).

Other services such as travel agencies, tour guides and souvenir shops have multiplied in Siem Reap in less than a decade. In 2004, the number of travel agency was 124, accounting for 41 percent of all travel agencies in the country, while the number of registered licensed tour guides was 1,983. The number of souvenir shops was 181. These registered businesses are supplemented by many unregistered smaller operators.

**Table 2.3: Tourists and Tourism Services in Siem Reap**

	1998		2001		2004	
	National	Siem Reap	National	Siem Reap	National	Siem Reap
International tourists (thousands)	290	-	605	264	1055	560
Hotels	216	24	247	47	299	74
Guest-houses	147	23	370	112	615	153
Tour agencies	137	-	226	88	302	124
Tour guides	369	280	727	603	1371	1173

Sources: NIS Statistical Yearbook 2005, and MoT, Annual Report of Tourism Statistics

This rapid growth of tourism and associated commercial sectors has expanded provincial gross value-added and generated local employment. JICA (2006), which assessed the economic impact of tourist expenditure on the local economy, suggested that of an estimated total international tourist expenditure of USD97 million in 2004, USD66.5 million was retained within Siem Reap province. Furthermore, this amount induced an additional USD38 million of consumption, USD38 million of value-added and 14,500 local jobs within Siem Reap in all other sectors of the economy. It generated 29,000 local direct jobs. Tourism-related earning opportunities have attracted many people from all over the country. The population of the province increased from 720,100 in 2001<sup>8</sup> to 788,568 in 2005,<sup>9</sup> an annual growth rate of 2.3 percent, well above the national average of 1.8 percent. This growth is occurring mainly in the districts along National Route 6, including Siem Reap, Puok and Prasat Bakong, because of immigration of job seekers (JICA 2005).

<sup>6</sup> Bangkok, Ho Chi Minh, Hanoi, Singapore, Vientiane, Taipei, Kuala Lumpur, Kunmin, and Inchon.

<sup>7</sup> RGC (1997): First Five Year Socio-Economic Development Plan 1996-2000.

<sup>8</sup> Data from Siem Reap provincial government quoted in JICA 2006.

<sup>9</sup> Department of Tourism of Siem Reap (September 2006), *ibid.*

### **2.4.2. Recent Policies Related to Tourism in Siem Reap**

The management and development of tourism in Siem Reap are currently under three authorities: the provincial Department of Tourism, APSARA (Autorité Pour la Protection du Site et l'Aménagement de la Région d'Angkor)<sup>10</sup> and the Committee for Tourism Development of Siem Reap, which is a framework of cooperating public agencies involving in tourism, including the provincial Department of Tourism. Policies and regulations on tourism development are formulated and implemented in consultation among these institutions.

While many good provincial plans have been created, their implementation has faced at least three main challenges. First, there is a lack of human resources in most public institutions in Siem Reap. Second, the Department of Tourism in Siem Reap is under the Ministry of Tourism, where decision making and finances are centralised. Finance for implementing plans is disbursed to the implementing agencies late or in insufficient amounts. Third, the private sector is very well informed about plans, and so is very active in land speculation. Land prices have been very high in development areas, making investment in those areas unrealistic, and thus private tourism development was carried out in an unorganized manner.

### **2.4.3. Methodology for Case Study**

This case study aimed to: i) illustrate the recent tourism policy development and its impacts on local tourism development, ii) understand the scope, scale and mechanism of tourism impacts on local communities and people and iii) identify how to help bring benefits to the poor.

In order to achieve these objectives, four research tools were used. First, desk reviews were carried out for discussing tourism and poverty and pro-poor tourism and tourism development policies; while secondary data on tourism arrivals and gross value added were analyzed to assess the economic significance of the sector. Second, a survey was conducted by using structured questionnaire (see the appendix) on 506 households which are randomly selected to represent eight villages in four districts of Siem Reap province (see more on description of the study sites). Third, social mapping and impact assessment Focus Group Discussions (FGDs) were employed. The social mapping FGD was aimed at listing and mapping out the well-being status of all village households. The impact assessment FGD was conducted to capture detailed unstructured information on the magnitude and mechanisms of tourism impact on local communities, as well as major hindrances that prevent the poor from benefiting. Four, Key Informant Interviews (KIIs) were done with interested households or persons in the villages, with related government offices and key tourism-associated businesses. Without a baseline survey, the welfare impact in this study was measured by the change of well-being between 2005–6 and 2002, based on recall.

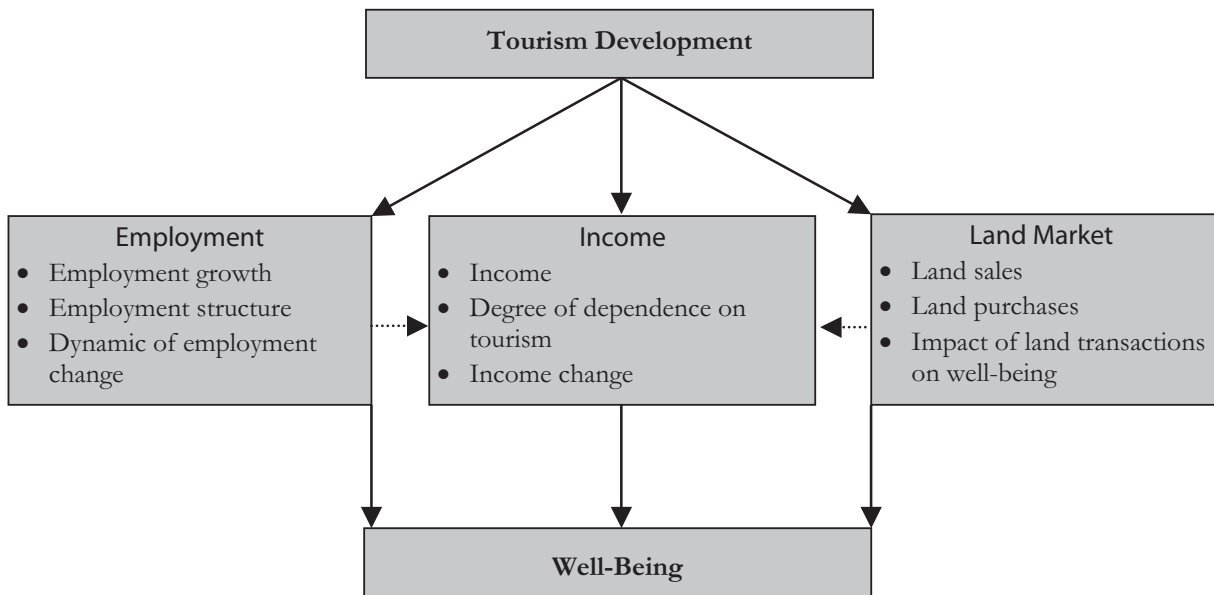
### **2.4.4. Tourism Economic Impacts Framework**

The analysis employs the following framework in order to assess the economic impacts of tourism in Siem Reap on local people.

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<sup>10</sup> This authority was created after Angkor Wat was registered as the world heritage in 1992 in order to protect, preserve, manage and develop this historical and cultural area.

*Figure 2.6: Tourism Economic Impact Framework*



We assume that tourism development will eventually affect the well-being of local people, people being better off if they benefit from tourism and worse off if they are negatively affected by it. Tourism development in Siem Reap affects the well-being of local people through at least three channels: employment, income and land markets.

#### **2.4.4.1. Employment**

Tourism theoretically generates direct and indirect employments for local people. In the case of Siem Reap, the recent rapid tourism development creates a wide range of jobs, from work in hotels/guest-houses, tour agents and transportation to handicrafts, petty trade, temple guards and construction. These opportunities lead to changes in employment and its structure, basically diverting people away from agriculture (mostly non-tourism-related activities) to manufacturing and services (mostly tourism-related activities). The change of local employment structure would contribute to changes in livelihood and thus well-being.

#### **2.4.4.2. Income**

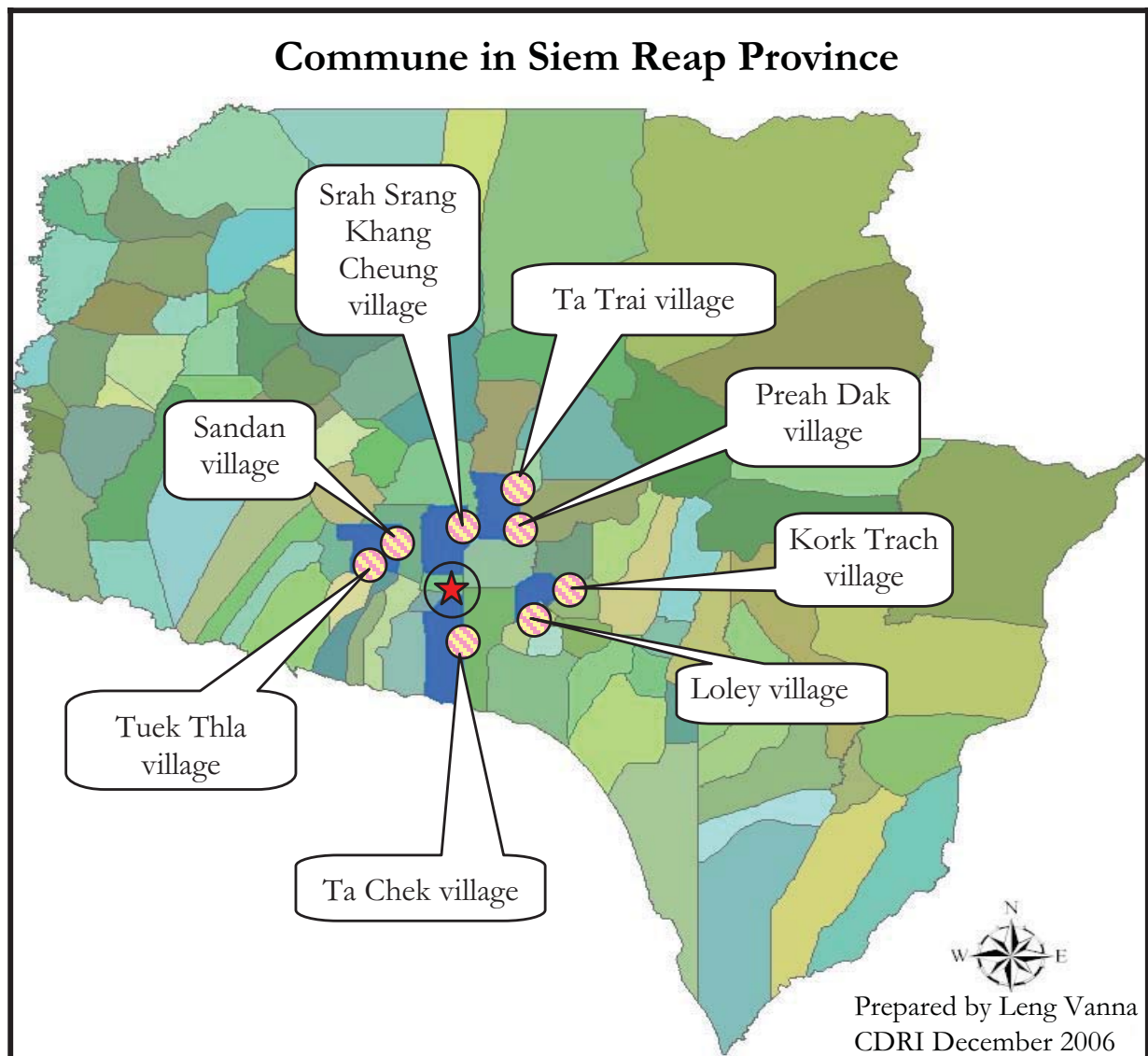
Tourism could also affect local incomes through wages from tourism-related work and earnings from casual work in construction for example, to other associated businesses. Income changes vary depending on the type of work and the degree of a household's participation in tourism-related jobs. The greater the degree of participation, the higher the income they can earn and the higher the dependence on tourism. Since income is a key determinant of well-being, change in income would result in a change in well-being.

#### **2.4.4.3. Land markets**

Land transactions in Siem Reap have accompanied the development of tourism. Land prices have increased sharply to levels that stimulate many people, especially farmers, to sell their land. The use of money from land sales varies greatly from household to household. For example, some invest in productive activities or businesses while others improve housing or pay off debt. Thus, we suspect that land markets may contribute to the change of local people's well-being.

#### 2.4.5. About Study Sites

Figure 2.7: Map of Siem Reap and Locations of Study Sites



Eight villages were selected from four districts in or near Siem Reap town or Angkor Park, which might receive varied benefits from tourism development (see Table 2.4). Of these, three are less than eight kilometres from Siem Reap town, one is 14 kilometres from Siem Reap town, but inside Angkor Park, and four are 14-16 kilometres from the town. Six villages are inside the APSARA Protection Zone. The total population of all villages is 1417 households (or 7639 persons), ranging from 81 to 300 households per village. The major occupations of villagers include farming, vegetable growing, petty trade, construction labour, working for APSARA and motor taxi or tour vehicle (“tuk-tuk”) driving. Fishing and palm sugar production are also found in some villages. Land sales and speculation have flourished over the last five years in most villages (more details are in Table 2.4).

**Table 2.4: Basic Information about Study Sites**

	Population	No. households	Sample Size	Main Occupations	Geographical Location	Administrative Location	Recent Land Market*
Ta Chek	616	113	44	farming, vegetable growing, fishing	6 km from Siem Reap (SR) town, good land for farming	Chreav commune, Siem Reap district	Very active
Srah Srang Khang Cheung	952	158	62	petty trade, farming, construction, APSARA work	in Angkor Park, 14 km from SR town, in APSARA zone	Nokor Thom commune, Siem Reap district	Not active
Tuek Thla	464	81	32	farming, hotel staff, construction work, handicrafts	6 km from SR town, in APSARA zone	Tuek Vil commune, Puok district	Less active
Sandan	1,428	257	100	handicrafts, construction, hotel, motor taxi, farming	8 km from SR town, in APSARA zone	Tuek Vil commune, Puok district	Less active
Preah Dak	1,347	300	69	farming, souvenirs, palm sugar production, construction work	16 km from SR town, on main road to Banteay Srei temple, in APSARA zone	Preah Dak commune, Banteay Srei district	Not active
Ta Trai	659	126	49	farming, construction work	16 km from SR town, in APSARA zone	Preah Dak commune, Banteay Srei district	Less active
Loley	1,297	218	85	farming, construction work	14 km from SR town, partly in APSARA zone	Bakong commune, Prasat Bakong district	Active
Kork Trach	876	164	64	farming, construction work	15 km from SR town	Bakong commune, Prasat Bakong district	Very active

*Source: Key Informant Interviews in Siem Reap in June 2006. \* The level of activeness of land market here is defined based on the number of land transaction. For example, village with very active land market means that villages have great deal of land sales and purchases.*

The villages were purposively selected to reflect the level of poverty and the level of impacts from tourism development. The selected villages were then categorised into two types: communities that are near Siem Reap town or Angkor Park (the most tourism-impacted areas), and communities that are far from the impact areas, in order to test the hypothesis that impacts of tourism vary according to the distance of the community from the impact areas. The average distance from Siem Reap town or temple sites is nine kilometres for the selected “near” communities and 15 kilometres for the selected “far” communities.

**Table 2.5: Villages by Location**

Community Type	Village
Near town	1) Sandan 2) Srah Srang Khang Cheung 3) Ta Chek 4) Tuek Thla
Far from town	1) Kork Trach 2) Loley 3) Preah Dak 4) Ta Trai

#### 2.4.6. Definition of Well-Being

The study defines well-being based on people’s definitions as expressed in FGDs. As earlier stated, social mapping was used to define and classify the well-being of village households. According to the social mapping FGDs, well-being is classified into four groups—rich, medium, poor and very poor—based primarily on ownership of major assets, including agricultural land, animals and means of transport, type of housing and occupations (see Appendix 2.1).

The *poor* are described as households that own little agricultural land and few agricultural productive assets, whose paddy production is not sufficient for family consumption. The poor are also those who have low-income occupations, such as farm workers, unskilled construction workers, cleaners or guards at temples or hotels, petty vendors and scavengers. The *very poor* share most of the characteristics of the poor, but do not have any agricultural land and so depend entirely on relatively expensive milled rice and foods, thus being worse off than the poor.

The *medium* households own some agricultural land and produce at least enough paddy for family consumption all year round, raise a few pigs and own one or two motor bikes. These people are involved in relatively higher income activities, including motor taxi or tuk-tuk driving, medium trade, growing legumes for sale, work in hotel or tour agencies and skilled construction work.

The *rich* are known as households that own many assets, including large agricultural land, a car, motorbikes, a rice mill, and hand tractor. The major occupations of the rich include paddy production, big trade, land broking, rice milling, renting out equipment for social gatherings, motor taxi or tuk-tuk driving, or staff of hotel, government or companies, all of which are the best paid jobs that can be found in their community.

For the purpose of this study, well-being is regrouped into two categories: the poor and the non-poor. Poor covers households defined as poor and very poor in the social mapping exercise. Non-poor refer to households defined as medium and rich.

### 2.4.7. Demographic Information on Households in Studied Areas

Table 2.6 shows that household size in the sample is slightly larger than the national average, while the sex ratio, the number of men per woman, is less than the national average. The poor have smaller families than the non-poor, and many more women than men in the family. The proportion of woman-headed households is larger than the national average, and is significantly larger in the poor than in the non-poor group. On average, members in poor households are younger and received less education. The number of members who can work is also smaller in the poor group than in the non-poor group. A very large proportion of poor households have settled in their respective villages since 1998 (see Appendix 2.4). The percentage of agricultural landlessness is higher for poor households.

*Table 2.6: Demography and Human Resources of Surveyed Households*

	Poor	Non-Poor	Overall	National
Family size	5.01	5.68	5.39	5.10*
M/F ratio	0.83	0.89	0.87	0.94*
No. of economically active members	2.88	3.37	3.16	-
Education of members aged 7+ (no. of years)	3.07	4.34	3.85	-
% of woman-headed households	43.06	25.52	33.00	22.40*
% of agriculturally landless households	38.2	24.7	30.5	20**

Sources: CDRI household survey in Siem Reap, May 2006

\* NIS (2004); \*\* World Bank (2006)

Together with observations from the FGDs in the eight study villages, we can conclude that poor households have fewer human resources in terms of quantity and quality, and fewer capital assets and land. There might be two situations of the poor: young couples with small children and woman-headed households that lack male labour.



## 2.5. Employment Impacts

Employment is one of the key variables with which to analyse the impact of tourism on local people's well-being. Using information primarily from household surveys, interviews and focus group discussions, this section explores three aspects of employment: the growth of employment by sectors, the change in the employment structure according to activities that are tourism related, and the change of employment structure by share of agriculture, manufacturing and services.

In this section, we argue that tourism has affected local employment by generating new forms of employment, mainly in manufacturing and services, and by shifting the employment pattern toward manufacturing and services. The change in employment structure, however, is less than might have been expected due to the immigration effect, possible misperception of occupation (see more in the following text) and a short time range for this study. This shift is more significant in communities far from Siem Reap town or temple sites than in nearby communities, and in the poor group than the non-poor group. Furthermore, the number of people employed in tourism increased during 2002–06, one-third of local earners having their primary occupation in tourism in 2006. Some livelihood sources, primarily activities related to tourism mainly in manufacturing and services, have flourished, while other local livelihood sources, mainly traditional activities such as vegetable growing, paddy production and sugar palm production, are declining. Most of the employment that the poor group and the more distant communities receive is low-paid and labour-intensive, such as unskilled construction, guarding temples, cleaning and petty trade, while the better paid activities in hotels, restaurants, tour companies and transport are taken by the non-poor and the nearby communities.

### 2.5.1. Employment Impacts—Evidence from the Household Survey

#### 2.5.1.1. *Employment: Tourism vs. Non-Tourism*

For the following analysis, individuals' jobs are categorised into two types: tourism and non-tourism. Tourism employment refers to those jobs that are directly and indirectly related to tourism. They include construction work, staff in hotels, restaurants, tour operators and recreation, petty trade, transport, handicraft/souvenir production and marketing, staff in temples or tourist site management, and some agriculture work for the tourist market. Most of these jobs are in manufacturing and services. Non-tourism employments refer to activities that are not at all related to tourism. They include NGO staff, government officials and agricultural work for own consumption, petty trade, and other off-farm employment.

More than a third of individual earners in the survey sample are involved in tourism-related activities as their primary job. The communities located near town or temple sites have a larger proportion of individuals working in tourism than the more distant communities, while the poor are more involved than the non-poor. The share of tourism employment increased by 5 percent during 2002–06. This increase was larger in the distant communities than in the near communities and in the poor group than in the non-poor. These observations suggest that tourism has generated some positive impacts as a significant amount of tourism employment for local people.

*Table 2.7: Employment Structure by Category, 2002–2006*

Activity	Tourism		Non-Tourism		Tourism		Non-Tourism	
	2002	2006	2002	2006	2002	2006	2002	2006
<b>Community Location</b>	number				percent			
<i>Near</i>	236	280	316	318	43	47	57	53
<i>Far</i>	119	173	473	501	20	26	80	74
<b>Well-Being Class</b>	number				percent			
<i>Poor</i>	140	191	299	302	32	39	68	61
<i>Non-Poor</i>	215	262	490	517	30	34	70	66
<b>Overall</b>	355	453	789	819	31	36	69	64

Source: CDRI household survey in Siem Reap, May 2006

Table 2.8 indicates the wide range of jobs generated by tourism. Construction work is the most striking emerging job in Siem Reap largely due to the expansion of tourism facilities. It accounts for 38 percent of tourism employment, and is particularly accessible for the poor (46 percent) and the distant communities (55 percent). Many young men and women can be observed cycling into Siem Reap town at dawn and travelling back to their villages in the evening. Other major tourism employment includes handicrafts, temple guards/cleaners, petty traders and hotel staff. The bulk of employment that the poor group and the distant community receive is in low-paid and labour-intensive jobs, such as unskilled construction, temple guard, cleaner and petty trader. Better paid activities, including staff in hotels, restaurants, tour companies and recreation and transport services, are taken by the non-poor group and the nearby communities. In addition, even for the same employment category, the poor tend to have lower paid jobs while the non-poor tend to have better paid jobs. For example, according to the FGDs and KIIs for construction jobs, the poor tend to be unskilled workers earning 6000–8000 riels per day, while the non-poor are skilled or semi-skilled workers, earning 100,000–150,000 riels per day. The children of the poor tend to be cleaners in hotels and earn USD50 per month; while the children of the non-poor tend to be hotel receptionists or supervisors and earn USD100–300 per month.

*Table 2.8: Distribution of Tourism Employment in 2006*

<i>in number of primary jobs</i>	Overall	By Well-being		By Type of Community	
		Poor	Non-Poor	Near	Far
Construction	172	89	83	78	94
Hotel	33	12	21	15	18
Restaurant	5	2	3	5	
Tour operator (staff, guide etc.)	13	1	12	10	3
Transportation	16	2	14	14	2
Recreation	16	7	9	14	2
Petty business	35	12	23	23	12
Handicraft/souvenir	81	36	45	67	14
Temple guard/cleaner	44	16	28	28	16
Agriculture	38	14	24	26	12
<b>Total</b>	453	191	262	280	173

Source: CDRI household survey in Siem Reap, May 2006

### 2.5.1.2. Employment Growth by Main Sector

From the survey, the number in the labour force, which is defined as people aged 16 and over who are involved in earning activities, has increased by 11.8 percent, from 1144 persons in 2002 to 1279 persons in 2006.

**Table 2.9: Employment Growth by Sector 2002-06**

Activity	Agriculture	Manufacturing	Services
<b>Community Type</b>	<i>Growth in %</i>		
<i>Near</i>	2.0	18.9	10.2
<i>Distant</i>	4.7	33.3	27.9
<b>Well-Being</b>			
<i>Poor</i>	2.6	14.4	21.1
<i>Non-Poor</i>	5.5	36.8	8.9
<b>Overall</b>	<b>3.8</b>	<b>25.0</b>	<b>17.0</b>

Source: CDRI household survey in Siem Reap, May 2006

Manufacturing experienced the highest growth in employment with 25 percent between 2002 and 2006. Employment in services grew at 17 percent, while agriculture grew at a sluggish pace of 3.8 percent for the same period. As the employment share of tourism activities during 2002–06 grew along with the high growth of manufacturing and services, the growth of manufacturing and service sectors is partly due to tourism growth. The growth of employment in manufacturing and services was higher in the distant communities than in the nearby communities. The poor's employment grew much more in services, but much less in manufacturing than the non-poor's employment.

### 2.5.1.3. Employment Structure in 2002 and 2006

Despite this pattern of growth, the overall employment structure in the study sites did not change significantly between 2002 and 2006. The employment share of agriculture declined by 4 percent, while manufacturing and services increased by 2 percent each. As shown in Table 2.10, 45 percent of local earners worked in agriculture in 2006, compared to 49 percent in 2002. Eighteen percent and 37 percent worked in manufacturing and services, respectively, in 2006, rising from 16 percent and 35 percent in 2002.

**Table 2.10: Employment Structure by Sector Category, 2002-2006**

Activity	Agriculture		Manufacturing		Services	
	2002	2006	2002	2006	2002	2006
<b>Community Type</b>	<i>in percent</i>					
<i>Near</i>	36	34	19	21	45	45
<i>Far</i>	61	56	13	15	26	29
<b>Well-Being Class</b>	<i>in percent</i>					
<i>Poor</i>	49	46	20	24	31	30
<i>Non Poor</i>	49	45	14	14	38	41
<i>Overall</i>	49	45	16	18	35	37

Source: CDRI household survey in Siem Reap, May 2006

The communities that are far from Siem Reap town are more agrarian and thus less dependent on services and manufacturing than the nearby communities. During the period 2002-2006, both community types registered a decline in the proportion of the labour force in agriculture sector, and an increase in the labour force in manufacturing and/or services. The structure is more dynamic in the distant communities with a greater decline of employment in agriculture than in the nearby communities. The share of manufacturing employment increased in the poor group, while it was unchanged in the non-poor group. By contrast, the non-poor registered an increase in services while the poor did not.

The degree of occupational change and movement from non-tourism jobs to tourism jobs is also significant. About 21 percent of existing earners (people aged at least 16 and earning since 2002—266 persons out of a total of 1279 earners) have changed their main occupation over the last five years. Of these, 46 percent moved to tourism-related work, 37 percent to non-tourism work and the other 17 percent to unpaid work (e.g., domestic help or assuming reproduction roles).<sup>11</sup> Of the tourism-related work, half of the movers took up work in services (e.g., temple guards or cleaners, restaurant, hotel and transportation workers), less than half in manufacturing (e.g., construction and handicraft production) and only 4 percent in agriculture (e.g., growing vegetables or producing food for tourist markets). Among the movers, some (22 percent of the movers) changed their occupation from tourism related activities, which is far less than the portion of people who moved into tourism related activities. 45 percent of these people changed to unpaid work, 36 percent to services (e.g., petty business, NGO staff) and 19 percent to own farm production.

We would expect the recent development of tourism in Siem Reap to have had considerable impacts on the employment structure of local communities. This expectation is consistent with Ballard's (2005) observation that the shift of about 16 percent of employments from the primary to secondary and tertiary sectors in Siem Reap province between 1998 and 2004 was attributable to tourism development in the area.

The change in employment structure from agriculture to manufacturing and services in this study was, however, much less than expected. The following factors may have influenced the limited extent of structural change. First, the bulk of employment and income generated by tourism have been received by immigrants from other provinces such as Kompong Cham, Battambang, Kompong Thom, Svay Rieng and Prey Veng. For example, it appears that many workers in shops, hotels and restaurants in Siem Reap town are not local people.<sup>12</sup> Only 30 percent of the transport service providers are local people, according to the estimates of five tuk-tuk drivers and five motorcycle-taxi drivers in Siem Reap town. Second, the period covered in the study is shorter, between 2002 and 2006, than in Ballard (2005), between 1998 and 2004. Hence, much of the observed change might have occurred earlier. Third, the methodology in this study may not have been sufficiently robust because the survey relied on respondents to name their occupations. One may argue that people tend to think of themselves as farmers because they live in agricultural areas, regardless of what other important activities they engage in, which might be more significant than their agricultural production.

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<sup>11</sup> Reproduction refers to the period which women need to take to produce baby, so those women are absent from earning activities.

<sup>12</sup> Informants from five businesses, including one travel agency, two medium guest-houses, one big restaurant and one supermarket were interviewed about the origins of their employees.

## 2.5.2. Details of Livelihood Changes<sup>13</sup>

The major livelihood sources for people in our study areas include agriculture production (paddy and legumes), construction labour, work as APSARA staff, handicraft production, palm sugar production, transport and hotel work. This section details how the major sources of local people's livelihoods have changed.

### 2.5.2.1. Paddy Production

Paddy production is a major traditional work of many households in all studied villages. The number of households involved in this activity has, however, declined over the last several years in five villages, while in three villages it remained the same. Thanks to land speculation and increasing land prices, some households have sold all their agricultural land and left paddy production for other activities, including construction work, working for APSARA, petty trade and motorcycle taxi driving. There are several reasons for the movement away from agricultural work. First, selling land has become more attractive due to increasing land prices. Second, agricultural production, especially small farming, provides little yield due to lack of irrigation and rising costs of inputs. Third, tourism has generated many employment opportunities that require minimum education and skill. These new jobs have absorbed many new workers and agricultural workers.

### 2.5.2.2. Small Crop/Legume Production

With interventions from NGO and government agriculture extension programmes, some households in five villages that have fertile soil and good irrigation grow small crops and legumes for sale. This activity, however, is not very profitable and faces many production and marketing problems. Production is seasonal, prices fluctuate greatly, product quality is not good, and there is strong competition from cheap imported vegetables and fruits. In addition, people frequently report that the vegetable wholesale market is allowed to take place only at midnight and market fees are relatively high. Many people are not interested in continuing this activity and have contemplated shifting to emerging cash income earning opportunities instead.

### 2.5.2.3. Construction Work

One increasingly popular livelihood source is unskilled work in the construction of hotels, guest-houses, shops and individual housing. There has been a remarkable increase in private investment in tourism facilities since 2000. Construction employs many people aged between 16 and 45, more men than women, and mostly from the poor and very poor households, from all areas within 20 kilometres of Siem Reap town, the distance which workers can bicycle to construction sites. Although jobs in this sector are abundant, a person must know other people working on the site to get a job, or spend a few days to find one if he or she does not know one. Despite the increase in the supply of labour to the sector, the earnings of an unskilled worker have increased from 4000 riels per day in the last several years to at least 6000 riels per day for women and 7000 riels per day for men as of 2005-2006.

According to the FGDs, there are limited job opportunities for low skilled or limited education persons, particularly outside the tourism sector. Construction work is highly valued by local people as better

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<sup>13</sup> Unless otherwise stated, this section is based on information from 10 FGDs and 15 KIIs in the studied villages. Through these methods, it is very difficult to get precise figures, so "some" or "many" is often used in this section.

paid than agriculture, and is more regular and abundant than seasonal farm labour or other types of work. Although tourism is expected to continue to increase in the next several years (NIS 2005), the capacity to increase the supply side—sewage system and other tourism-supporting facilities—is, however, presumably limited. When the capacity to grow presumably reaches the maximum ceiling, and given a lack of employment generation from other sectors, where will these workers go as they do not have land nor education or skills?

#### **2.5.2.4. APSARA Staff**

Six villages in our study are entirely or partly within the protection zone of APSARA. As a matter of policy priority, employment as temple guards or environmental protectors are offered to local residents in the area. Hence, seven to 10 people from each village have obtained jobs as APSARA staff, after the villages were put into the zone between 2002 and 2005. The working conditions are less difficult, but the salary is USD20–25 per month for 15 working days, a lot less than in construction work.

#### **2.5.2.5. Souvenir Handicrafts**

With the increasing tourist influx, demand for locally made handicrafts has dramatically increased. Handicraft souvenirs have therefore been flourishing in areas where handicraft production is traditional (two studied villages, namely Preah Dak and Srah Srang Khang Cheung). While the production involves many poor, the marketing involves all types of people ranging from young to old and poor to rich. Souvenir shops have been opened and some young people under 15 sell handicrafts after school in temple sites. This is a relatively high earning activity, so it attracts many people. Profit margins, however, have been declining over the last few years. Currently, large scale vendors, who are usually from the rich households, make USD5–30 per day, while medium scale vendors make 10,000–30,000 riels per day and small scale vendors 5,000–8,000 riels per day.

#### **2.5.2.6. Palm Sugar Production**

Palm sugar production is a traditional source of income in villages that have many palm trees (two studied villages in APSARA areas of Banteay Srei district). This activity usually involves at least two family members, one to climb the tree and the other to collect firewood in the forest and stir the palm juice to produce sugar. The number of households producing palm sugar has declined recently because this activity is less profitable due to the increasing cost of firewood. Firewood has become scarce, and cutting wood is not allowed in forests in the APSARA protection area. One person can earn 7,000–8,000 riels/day as a construction worker, whereas two or three can earn 7000–10,000 riels/day from palm sugar production.

The labourers that have left palm sugar production start different livelihoods according to village location (i.e., distance to town and distance to road among other factors). For example, in Preah Dak village where opportunities for trade along the way to the famous Banteay Srei temple are open, people who left palm sugar production resume work as petty trade in souvenirs or food shop. Whereas the other persons who left palm sugar production in Ta Trai village enter construction work in Siem Reap town, and APSARA staff because there is no other employment opportunities in this village.

### 2.5.2.7. *Transportation*

There is an increasing number of motorcycle taxis and tuk-tuks in Siem Reap town, most of which could be attributable to the tourism development in the town. Not all of them are driven by local residents. According to the FGDs, except in Sandan village, which is very nearby and on the main road and has many taxi or tuk-tuk drivers, only about three to five persons from each village are involved in this activity. They are mainly from local medium and rich families, as a person needs some initial capital for means of transport and some knowledge of an international language in order to provide this service. These drivers also earn a lot more than in activities such as construction work or agriculture. Motorcycle taxi drivers can earn 15,000–40,000 riels per day, while tuk-tuk drivers can earn 20,000–80,000, depending on the tourism season.

### 2.5.2.8. *Hotel Staff*

Working in hotels is a higher paid and more secure job. The salary of a cleaner or gardener is USD35–65 per month, of a guard USD45–100 and of a receptionist USD50–180. Only a few people, mainly from the medium or rich categories, from the study villages, however, work in hotels because these jobs require some general education and language ability, neither of which the poor possess. Not only are the minimum requirements constraints for the poor in particular, but having special connections and some money for bribery are reported to be necessary to obtain these jobs. Only a few people from richer groups with better education, networks and money are able to get them. “Wanting to get a job at hotel is daydreaming—one needs both networks and money, so the poor, who don’t have money or knowledge, will not get such jobs.” (FGD in Tuek Thla village, near town but far from road, in Puok district.)

#### ***Box 2.1: Hotel Employment and How to Be Hired***

A medium income household in Tuek Thla village has eight members. They have fairly good education; the parents are able to write and count, four children are in school, and the other two left school after their primary education. The parents farm paddy twice a year on their 1.5 hectares. The oldest son works as a hotel guard and the second son works as gardener for a rich individual in the village.

The oldest son is 23. He left school at grade 8 and has some knowledge of English. He has been working as a guard for a hotel in Siem Reap town for two years. At the beginning, he was introduced by one of his relatives, who had been working there for eight years, and he allowed USD20 to be deducted from his salary for the first four months by the recruitment chief of the hotel.

This work has many incentives for him. He works six days per week with one meal provided per day, has one month leave per year, gets a USD15 bonus for Khmer New Year, and his family will receive USD5000 in case of his death due to work. His salary has increased substantially: USD45 in the first month, USD50 one month later, USD60 five months later, USD70 another five months later.

According to his mother, the money from this job did not greatly improve the household’s well-being. This is because four of her children are growing up, so expenses for their education and living costs also increase. Some of his earnings are being saved for his marriage.





## 2.6. Income Impacts

Income is an important factor in understanding the livelihoods of local people, and is used in this analysis to measure tourism impacts on local communities. Using information mainly from the household survey, this section explores various aspects of income, including absolute and relative incomes, change in income based on respondents' perceptions and the degree of effects from tourism.

The study found that income from tourism is one of the major livelihood sources of local people. Income from tourism accounted for about half of total household earning in 2005-06, and it was one of the most important factors improving local households' total income in the period 2002-06. The distance to Siem Reap town or temples determines the level of tourism impacts. The distant communities earn less from tourism than nearby communities. The poor not only earn much less from tourism than the non-poor, but are also more sensitive to any shocks to or changes in it, because they are dependent on it for a larger share of their total income. Tourism development has a positive correlation with income improvement, while factors leading to income decline are social and non-tourism related.

### 2.6.1. Absolute and Relative Income Impact Indicators in 2005-06

Without consumption expenditure data, income is used in this study as a proxy for household well-being. In the past year, per capita annual income for the poor was approximately 650,000 riels per year, or about 1,780 riels per day.<sup>14</sup> In order to investigate how much household income comes from tourism, and how sensitive it is to industry shocks, we examine key indicators, including average household income, average household income from tourism, tourism income share and tourism sensitivity.

*Table 2.11: Household Income and Tourism Indicators in 2005-06*

	Average income/ HH	Average tourism income/HH	Tourism Sensitive HH*	Tourism Income Share**
<i>Community</i>	<i>ten thousand riels</i>		<i>percent</i>	
Near	830.1	334.2	55	49
Distant	393.2	161.7	52	45
<i>Well-Being</i>				
Poor	316.6	154.3	55	49
Non Poor	813.6	310.4	52	45
<b>Overall</b>	<b>600.0</b>	<b>243.3</b>	<b>53</b>	<b>47</b>

Source: CDRI household survey in Siem Reap, May 2006

\* Tourism sensitive households are those which earned at least 40 percent of total income in the past one year from tourism.

\*\* The share of tourism income in total household income

<sup>14</sup> It is interesting to note that the overall national poverty line based on consumption in rural areas was 1,753 riels, (Knowles, 2005).

Households in the survey earned an average of 2,433,000 riels (USD 600) from tourism in 2005-06. In Table 2.11, an average household in distant communities earned one-third as much as those near town. A similar difference existed between poor and non-poor. Interestingly, the communities and households with higher average income also receive higher earnings from tourism than the communities and households with lower average income.

Tourism income share, the proportion of household income from tourism, ranges from zero to one, which can be interpreted as from the least to the most tourism dependent household or area. This figure allows a comparison of relative impacts from tourism with the level of income in each locality and individual household. From the survey, we found that on average income from tourism represented about 47 percent of the total household income in 2005-06, meaning the dependence on tourism to generate income is quite high. As shown in Table 2.11, the communities that are near Siem Reap town or temple sites receive more impacts from tourism than the distant communities, both in terms of income earned from tourism and tourism income as a share of total income. Although the poor receive much less income from tourism than the non-poor, their tourism income share is 49 percent, higher than the non-poor's, 45 percent.

Tourism sensitivity is defined as characterising households that would likely be greatly affected if tourism income were suddenly lost. It is assumed to cover households having tourism income of at least 40 percent of total income. We would expect these households to experience considerable difficulty if income from tourism disappeared as tourism is commonly known as considerably vulnerable to external shocks. Overall, 53 percent of households fall in the tourism sensitivity group. Based on this indicator, the communities that receive higher impacts from tourism, both in terms of tourism income and tourism income share, the Near communities compared to the Far communities, are more at risk from shocks to the tourism industry. The poor group are more vulnerable to the risks or shocks in the industry because they not only have higher tourism sensitivity, but also earn less than the non-poor group. In other words, if tourism is suddenly in crisis, the poor would be more affected than the non-poor.

In sum, households in the study villages have considerable dependence on tourism income. The level of tourism income varies with location and household well-being.

### 2.6.2. Perceptions and Explanations of Income Change between 2002 and 2006

In order to better understand changes over time, respondents were asked to compare their incomes between 2006 and 2002 and provide reasons for any change. The survey showed that about half of the respondents said their income (usually a rough estimate without considering inflation) had increased, while one-fourth stayed the same and the other one-fourth declined.

*Table 2.12: Self-Perception of Income Change, 2002-06*

	Increase	About the same	Decline
<b>Community Type</b>	percent		
<i>Near</i>	46	26	27
<i>Distant</i>	55	21	24
<b>Well-being</b>			
<i>Poor</i>	47.5	22.1	30.4
<i>Non-poor</i>	53.1	24.7	22.2
<b>Overall</b>	51	24	26

Source: CDR household survey in Siem Reap, May 2006

### 2.6.2.1. Income Increases between 2002 and 2006

About half of the households reported that their income increased in 2002–06. The proportion of households that reported an income increase was higher in communities near Siem Reap town or temple sites than in distant communities. Slightly more than half of the non-poor households and slightly less than half of the poor households reported that their income increased over the period (Table 2.12).

The major explanatory factors for higher income were an increase in the number of family earners in tourism-related activities, the improvement of existing businesses due to the increase in tourists and the increase in land prices and agricultural production due to infrastructure development associated with tourism. Almost half (48 percent) of causal factors were related to tourism. The poor gave more importance to tourism-related factors than the non-poor (Table 2.13). It thus appears that tourism is a major factor in increasing the income of the poor.

*Table 2.13: Reasons for Income Increase, 2002–06*

<i>in percent</i>	<b>Poor</b>	<b>Non-Poor</b>	<b>Overall</b>
More family earners (tourism-related jobs)	19	23	21
Increase in agriculture production	19	21	21
Increased income of existing business due to non-tourism	15	18	17
Increased income of existing business due to tourism	13	12	12
More earners in non-tourism jobs	12	11	11
Income from new tourism activities	13	4	7
Increased land price due to improved road	3	4	4
Other	6	7	7
<b>Sum of tourism-related factors</b>	<b>50</b>	<b>46</b>	<b>48</b>

*Source: CDRI household survey in Siem Reap, May 2006*

### 2.6.2.2. Income Declines between 2002 and 2006

One-fourth of the survey households reported that their income declined between 2002 and 2006. Compared to distant communities, nearby communities have a higher proportion of households that said their income declined. As expected, the poor registered a higher proportion of households with declining income than the non-poor (Table 2.12).

*Table 2.14: Reasons for Income Decline, 2002–06*

in percent	Poor	Non-Poor	Overall
Sickness/debt/family crisis	33.9	17.1	25.7
Fewer income earners in family	14.8	17.1	15.9
New migrant effects	13.0	18.0	15.5
Loss in business/decrease in income from business	10.4	11.7	11.1
Decrease in agricultural production	8.7	9.0	8.8
Less agriculture land/no land	7.8	9.0	8.4
Natural disaster/damaged crop	4.3	8.1	6.2
Other	7.0	9.9	8.4

*Source: CDRI household survey in Siem Reap, May 2006*

Table 2.14 shows that the driving factors of income decline are more social and less tourism-related than the factors for increased income. The major explanations for declining income are sickness, debt, family crisis, new migrant effects, loss/decline in income from existing businesses and decrease in agriculture production. While the reasons for income decline are overwhelmingly related to the family structure for the poor, others factors, such as new migrant effects or business losses, are more important for the non-poor.

## 2.7. Land Impacts

This section examines the impacts of tourism on land markets in and around Siem Reap. It suggests that the level of land speculation is subject to the APSARA's<sup>15</sup> rules and regulations imposed on land ownership and use in the area, among other factors. Selling land can have both advantages and disadvantages. Those who benefit from land sales are the non-poor who can manage to buy land or invest in businesses that bring a better return using the money from a land sale. The poor do not benefit as much as the non-poor because they tend to sell land at relatively low prices for non-economic reasons, including cash for health treatment or for children's marriage. They become worse off because they end up depending on casual labour, which provides less food security than farming their own land.

Tourism development is expected to activate land markets in the local communities. According to interviews with key informants, land impact depends greatly on regulation of land use and APSARA management. The land in areas under the protection of APSARA is excluded from sale to outsiders, but sale to local villagers is still permitted. This measure prevents land prices from going up. All studied communities, except Kork Trach and Ta Chek, were partly or entirely included in preservation areas under the protection of APSARA in 2003–05. For this reason, the following analysis will exclude the effect of distance to town and focus only on tourism impacts on local communities through land transactions by degree of well-being.

### 2.7.1. Land Sales

About 27 percent of households in our survey had sold some portion of their land. Land sales averaged 5209 square metres. Unsurprisingly, the proportion of households selling land is much higher in the non-poor than in the poor group (Table 2.15). This is because the non-poor have a smaller proportion of landless households (25 percent for non-poor compared to 38 percent for poor—see section 2.4 on characteristics of households). In addition, the non-poor households usually have more land than poor households. According to the survey, average land ownership is 4789 m<sup>2</sup> for the poor and 8972 m<sup>2</sup> for the non-poor.

**Table 2.15: Land Sales**

	% of HH Selling Land	Avg Sold Land Area per HH (m <sup>2</sup> )	Land Sale By Years (% of Plots)		Land Sale Price (USD/m <sup>2</sup> )		Location(% of Plots)		
			Up to 1998	1999 to Now	Up to 1998	1999 to Now	Inside Village	Nearby Villages	Siem Reap Town
Poor	21.7	4389.6	72.9	27.1	0.28	2.05	94.4	5.6	-
Non-Poor	31.3	5636.1	68.7	31.3	0.49	2.3	80.3	17.1	2.6
Overall	27.1	5208.5	70.1	29.9	0.39	2.22	84.8	13.5	1.8

*Source: CDRI household survey in Siem Reap, May 2006*

From Table 2.15, more than 70 percent of land sales took place before 1998. More non-poor (31 percent) than poor (27 percent) households sold their land after 1998. The poor sold their land at much lower prices than the non-poor, particularly before 1998 when land markets were not dynamic yet. About 85 percent of the lands sold were located inside the village. Interestingly, fewer land sales of the poor were in nearby villages and none were near or in Siem Reap town.

<sup>15</sup> The Authority for the Protection of the Site and Management of the Region of Angkor

## 2.7.2. Land Purchases

About 14 percent of surveyed households had purchased some land. Very few poor households purchased land, only 8 percent, compared to 18 percent of the non-poor households. Average land purchase areas were similar between the poor and non-poor households, about one hectare per household. Most of the land was purchased after 1999 and located inside the village. Many more non-poor land purchasers bought land outside the village, 24 percent compared to only 3 percent for poor land purchasers (Table 2.16).

**Table 2.16: Land Purchases**

	HH Buying Land (%)	Avg Land Purchase (m <sup>2</sup> )	Land Purchase by Years (% of Plots)		Purchase Price (USD/m <sup>2</sup> )		Location (% of Plots)			
			Up to 1998	1999 to Now	Up to 1998	1999 to Now	Inside Village	Nearby Villages	Siem Reap Town	Other
Poor	8.3	10438.9	36.9	63.1	5.54	1.16	96.92	3.08	-	-
Non-Poor	18.1	11505.1	38.1	61.9	3.16	3.02	75.51	21.09	2.72	0.68
Overall	13.9	11230.9	37.7	62.3	3.91	2.44	82.08	15.57	1.89	0.47

Source: CDRI household survey in Siem Reap, May 2006

A few poor households and many non-poor households bought land, but the poor tended to buy land for housing, while the non-poor bought agricultural land for production or speculation (Table 2.17). The majority (65 percent) of plots purchased by the poor were residential land, while about 52 percent of those purchased by the non-poor were agricultural land. This suggests that many poor buy in land for basic needs purpose more than non-poor.

**Table 2.17: Reasons for Land Purchase**

	Poor	Non-Poor
For housing	50.0	27.7
For agriculture production	23.8	26.7
For heritage	17.5	16.8
Good land price/land speculation	6.3	12.0
Idle saving	1.3	10.5
For business set up	-	6.3
For entrance to residential lot	1.3	-
Total	100	100

Source: CDRI household survey in Siem Reap, May 2006

## 2.7.3. Impacts of Land Transactions

Land sales can have both positive and negative effects, depending on how the money from selling land is used. If the money is used productively, i.e. to buy productive assets or as capital in business or as investment in children's education, then selling land can help lift the family's livelihood. Otherwise, selling land (mostly farming land) can be detrimental because the family loses an important source of livelihood.

### *Box 2.2: Impacts of Tourism on a Local Community through Land Transactions*

Ta Chek village in Siem Reap district has good soil and an irrigation system, so local people grow paddy three times a year and some legumes/small crops. In addition to farming, villagers fish in the Tonle Sap Lake, about 17 kilometres away. Located 14 kilometres from National Road 6, 20 kilometres from Siem Reap town and outside APSARA protection zone, this village has had very active land sales over the past few years. Land prices in the village increased from about USD 4 per m<sup>2</sup> in 2002 to USD20 per m<sup>2</sup> in 2006. A few villagers became land brokers. Many households became involved in selling village land to outsiders who are known as the rich and powerful from Siem Reap or Phnom Penh. Those lands have been left idle until now.

Land markets are perceived to have positive impacts on local livelihoods. Overall well-being in the village has been significantly improved according to one FGD and interviews with three persons. Within three or four years, there have been significant changes. Newly built or repaired houses are seen in almost every corner of the village. Some households have two or three motorbikes. Further, people reported that hand-tractors have been introduced to the village since 2005, partly due to the improvement in villagers' living conditions. Many land sellers bought larger plots in areas further from the village and continued their paddy production. These people became better off.

Land sales, however, result in the decline of local agricultural production; approximately 30 percent of farming households have quit agriculture in last five years. Jobs as farm labourers in the village have become scarce, so people now move to other occupations, including growing legumes on small plots around the house for women and construction for men. In addition, a few households have sold all their land, quit farming and become sellers of their labour. This is perceived to be riskier because the landless do not have financial safety and are at high risk of food shortages. This group usually consists of the poor or medium. If they experience family shock or stress, they usually end up being worse off.

*Source: CDR qualitative field work in Siem Reap, May–July 2006*

On the positive side, land sale could improve well-being by generating extra cash for improving a house, expanding assets and covering other consumption expenses. The contribution of land sale to well-being is discussed further in Section 2.8. According to the survey, the major reasons for land sales include paying for housing, paying for other family expenses, expanding business assets and withdrawing from farming that is unproductive due to poor soil and lack of family labour.

**Table 2.18: Reasons for Land Sale**

Reasons for Land Sale	Poor	Non-Poor	Overall
Pay for housing	13.1	26.9	22.7
Pay for other family expenses	17.5	18.6	18.3
Pay for other business/productive assets	10.2	11.5	11.1
Unfavourable land (not productive for farming)	9.5	10.6	10.2
Land price is high/land broker (land middleman)	0.7	9.6	6.9
Pay debt	12.4	7.7	9.1
Pay for medical treatment	14.6	6.4	8.9
Avail cash for heritage donation to children	3.6	2.9	3.1
Land surrounded by others' land, so has no path	10.2	2.9	5.1
Funeral/wedding/other ceremonies	7.3	2.2	3.8
Pay for children's education	0.7	0.6	0.7
Total	100	100	100

Source: CDRI household survey in Siem Reap, May 2006

On the negative side, land sales can be detrimental if the family does not invest in activities with a higher return than agriculture. This could lead to increased vulnerability and poverty, particularly for the poor, who have more demand for cash for non-productive purposes. According to the survey, the majority of the poor who sold land did so for unproductive purposes, including paying for family living expenses, repaying debt, medical treatment, funerals or weddings and because their land were surrounded by others' land so was not easily accessible (Table 2.18). These people then depend on riskier labour activities, primarily in unskilled construction work. Construction work is a casual activity that depends heavily on the growth of tourism. It is less food secure than agriculture (see Section 2.5). Box 2.3 describes a good example of people who have sold land but did not buy other land or invest in more profitable activities.

### **Box 2.3: A Household Becoming Worse off after Selling Agricultural Land**

A poor couple in Ta Chek village have three sons (aged 23, 21 and 17) and a daughter aged 14. The oldest son is married and has his own family outside the village. The second son left for Phnom Penh and has not been heard from since he left. The parents have very little education, and only one child is currently in school.

Before 2002, this family grew paddy twice a year. Paddy production was more than adequate for household consumption, but did not allow them to save. In 2002, the oldest son got married, and this was the turning point in the family's situation. In order to pay for the son's wedding, they sold all their agricultural land (about half a hectare) for about USD800 and left agriculture. After that, the husband decided to become an unskilled construction worker. He is unhealthy, so he can work only about 20 days a month, and earns 8000 riels per working day. Later their youngest son joined him, earning 7000 riels per day. They sometimes borrow to cover daily expenses and medical treatment.

Source: CDRI qualitative field work in Siem Reap, May–July 2006

Tourism development plays an important role in stimulating land transactions in Siem Reap. Land sales are among key determinants of household improvement, while also being a cause of poverty in case money from the sale is used for consumption rather than production. The poor sold land at lower prices, while the non-poor have more of this asset and can sell at the right time, when land prices are high.



## 2.8. Well-Being Impacts

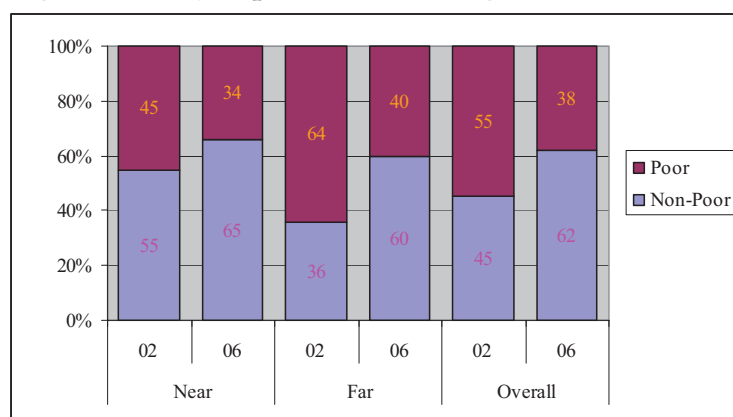
As earlier discussed, well-being in this study is defined by people's perceptions, which take into account income, condition of house, ownership of assets and wealth and type of livelihood sources. It is commonly accepted that improving one's sense of well-being is one of the most important goals for most people. While earlier sections capture some important aspects of well-being, this section assesses from the perception of the people themselves the changes in their well-being and tourism impacts on their lives.

The study observed three key points. First, half of local households felt they had become better off in the previous five years, improving their houses, having more assets or increasing income. Tourism had significantly lifted people's living standards primarily by generating new employment and boosting land values. Second, although tourism has generated many jobs for the poor, not many poor can improve their lives because the type of employment they obtain pays them enough only to meet their daily expenses. Without tourism, however, the poor might find it even harder to make a living due to the general lack of earning opportunities. Third, the major obstacles to the poor gaining more from tourism are lack of skills and education, lack of capital and lack of networks.

### 2.8.1. Perceptions of Well-Being Change

According to people's perceptions of their well-being, well-being has significantly improved between 2002 and 2006 (Figure 2.8). The proportion of poor declined by 17 percent, and these people moved to the medium level. This improvement was found to be greater in the poorer communities and in the more distant communities, because growth from a very low base tends to be relatively larger.

*Figure 2.8: Self-Reported Well-Being Structure, 2002 & 2006*



*Source: CDRI household survey in Siem Reap, May 2006*

To assess the changes in well-being during the period 2002–06, respondents were asked to evaluate their well-being and explain the reasons for any change. The following sub-sections detail the well-being changes.

### 2.8.1.1. Well-Being Improvements

Half of the households reported that they were better off, 28 percent said they remained the same, and 22 percent said they were worse off compared to 5 years previously. These findings were confirmed by FGDs, which suggested an overall improvement in all studied villages during the previous several years in terms of improved housing, accumulated assets, better roads and thus better access to markets and improved access to some social services. The percentage of households that reported an improvement of their well-being did not vary significantly between the nearby and distant communities. The proportion of households that reported well-being improvement was considerably larger in the non-poor group than in the poor group.

**Table 2.19: Self-Perceptions of Well-Being Change**

	Better off	About the same	Worse off
<b>Community</b>	percent		
<i>Near</i>	46	29	24
<i>Distant</i>	52	27	20
<b>Well-Being</b>	percent		
<i>Poor</i>	45	27	28
<i>Non-Poor</i>	53	30	18
<b>Overall</b>	50	28	22

Source: CDRI household survey in Siem Reap, May 2006

This positive movement is consistently explained in both surveys and FGDs mainly by an increase in income, better housing, improved family structure, increasing land prices and improved public services. These factors are related to tourism in three ways: (1) increase in income is explained by the increase in the number of tourists; (2) land speculation is related to demand for space for tourism development; and (3) improved public services are brought about in support of tourism in Siem Reap.

**Table 2.20: Reasons for Well-Being Improvement**

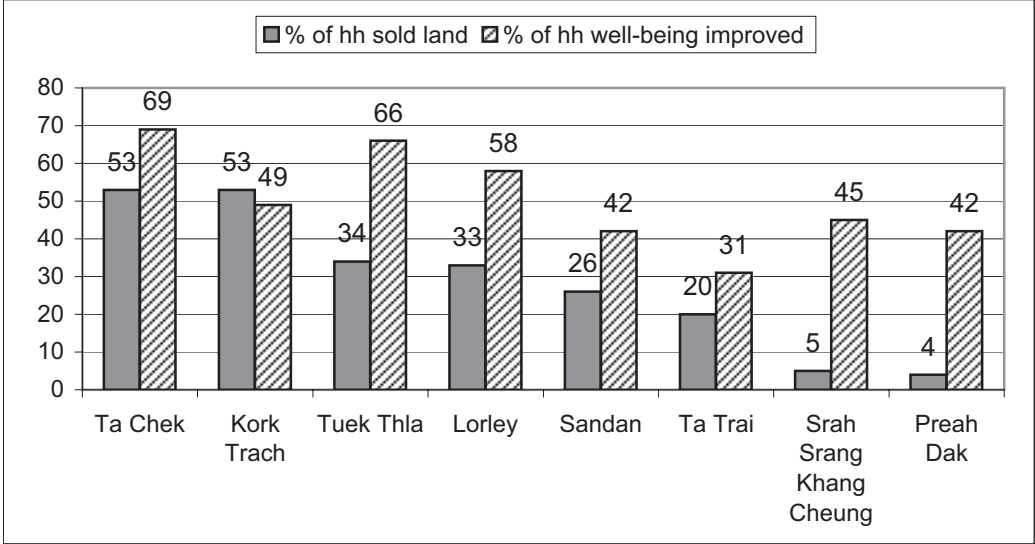
	Poor	Non-Poor	Overall
Income increase	51.3	48.2	49.3
Children growing up/household burden declining	29.9	26.8	27.9
Improved housing condition	9.1	13.9	12.2
Improved education/health services	5.8	4.6	5.1
Improved security/infrastructure	1.9	3.6	3.0
Increased income from land sale/land deal	1.3	2.2	1.8
Other	0.6	0.8	0.7
Total	100	100	100

Source: CDRI household survey in Siem Reap, May 2006

As earlier discussed in section 2.6.2, 51 percent of households reported that their income increased, and half of the explanations for increased income were related to an increase in the number of tourists. Second, land prices in many studied villages had dramatically increased in the previous few years, providing advantages more to the non-poor who had accumulated land when land prices were low. Except in Srah Srang Khang Cheung and Preah Dak, where land sales are strictly forbidden because they are located in the APSARA protection zone, villages that had a higher proportion of

households that sold land also had a larger proportion of households that responded that their well-being had improved over the previous five years (Figure 2.9). Information from FGDs confirmed that land sales lead to well-being improvement of some households. The first priorities for money from land sales were improving houses and purchasing assets including motorbikes, followed by purchasing land. In Figure 2.9, although Srah Srang Khang Cheung and Preah Dak were not involved in land sales due to the location in APSARA protection areas, they recorded a significant proportion of household reported well-being improved during the period of 2002-2006. This is because they have strong handicraft linkages. Third, the recent improvement of roads and other infrastructure in support of tourism development and management in Siem Reap has also benefited local people.

**Figure 2.9: Land Sale and Well-Being Improvement**



Source: CDRI household survey in Siem Reap, May 2006

The proportion of households that reported well-being improvement during 2002–05 was somewhat larger among the non-poor than the poor. Although the proportion of households that reported increased income in this period was similar for the poor and the non-poor, this does not translate into an equal proportion of reported well-being improvement. This can be explained in two ways. The first concerns the different types of activities in which the poor and the non-poor are involved. The poor earn very little compared to the non-poor; their improved income was generated by low-paid and labour-intensive activities, while the non-poor engaged in more remunerative activities, as discussed in Section 2.5. The second reason is that the poor are more vulnerable to family shocks such as sickness and death, because they have fewer assets and little or no savings to cope with shocks.

**2.8.1.2. Well-Being Deterioration**

One-third of households reported a decline in well-being over the previous five years (Table 2.19). This is explained mainly by declining income, sickness, family shocks and crises, more dependent family members, increased prices, poorer education and poorer health services (Table 2.21). Poor households tend to be more affected by social and family problems, such as too many small children, or family shocks, while the non-poor households are more affected by economic problems including increased prices. It appears that tourism is not a cause of decline of well-being, while social problems and family crises are.

**Table 2.21: Reasons for Declining Well-Being**

	Poor	Non-Poor	Overall
Decline in income	25.9	32.7	29.0
Sickness/disability/death/debt/household shocks	28.1	23.8	26.0
Too many small children/burdens	17.8	12.9	17.0
Increase in prices	14.1	19.8	17.0
Worsening education/health services	8.1	6.9	8.0
Other	5.9	4.0	3.0
Total	100	100	100

Source: CDRI household survey in Siem Reap, May 2006

## 2.8.2. Perceptions of Impacts of Tourism

### 2.8.2.1. Perceptions of Impacts

Tourism brings many benefits to local people and communities, as pointed out by 60 percent of respondents in the survey and confirmed by all FGDs and KIIs. The major positive impacts include increased job opportunities and the rise in land prices. Jobs that increased due to tourism development included direct activities such as construction work, petty trade, handicraft production, legume production and hotel and transportation work. With the growing number of job opportunities in tourism-related activities, local income had increased, so the general well-being was lifted. For example, it was elaborated in an FGD in Srah Srang Khang Cheung village and mentioned in other villages that, thanks to increasing job opportunities, many villagers had higher incomes and could spend to improve their family's well-being, including purchasing good quality and high protein foods in place of foods collected from the forest, as well as having better clothing and housing.

**Table 2.22: Major Benefits Generated by Tourism**

<i>in percent</i>	Poor	Non-Poor	Overall
Construction work in Siem Reap	40.3	22.5	30.9
Sell goods/souvenirs	14.6	27.3	22.9
Sell agriculture goods at good price	17.4	17.2	17.9
Work as guard/guide/cleaner in temple	14.6	11.0	12.9
Staff at hotel/guest-house	7.6	6.7	7.4
Transportation	1.4	5.7	4.1
Improved roads in village	0.7	0.5	0.6
Other	1.4	4.3	3.2
Total	100	100	100

Source: CDRI household survey in Siem Reap, May 2006

### 2.8.2.2. Obstacles to the Poor Receiving Benefits from Tourism

The benefits of tourism, however, are perceived to accrue to the non-poor, while the poor are limited to low-paid “hand to mouth” jobs (FGDs and KIIs). It is very typical that the rich engage in high return, usually capital intensive, economic activities (CDRI, forthcoming, and CDRI, 2007). This was also found in this study. The poor are involved in casual sale of labour and as cleaners, temple guards

and operators of petty business, while the rich and medium dominate better occupations in hotels, restaurants, tour companies, large businesses and transportation.

In nearby communities that gain many benefits from tourism, it is the better off households that benefit more in terms of better-paid jobs and profitable activities. The poor, however, receive more benefits from tourism in the less tourism-affected areas such as the more distant villages. This is because these communities receive impacts only as low-paid and labour-intensive employment, the area that the poor tend to be involved in.

Box 2.4 below describes how a non-poor family can benefit from tourism. Because this family had relatively plentiful agriculture land, it was able to use some savings to start a transportation business that provides better income. In addition to having long experience in the business, the husband was able to set up informal relationships with people who could make things easier and give him access to more clients.

### ***Box 2.4: A Household Benefiting Greatly from Tourism***

A family in Tuek Thla village was pointed out by other villagers as one of the recipients of most benefits from recent tourism development in Siem Reap. Their well-being had been gradually improving. Despite having many children, the family is now considered as rich. Education and skills seem to be highly valued in this family; the parents have some education, a daughter is studying beauty salon skills, and the others are in school.

Currently, their major income sources are a tuk-tuk service and paddy production. For tuk-tuk driving, the man gets up at 5:00 in the morning and sometimes returns home as late as midnight. This family grows paddy on 1.5 hectares and can produce around two tonnes per year, meeting its own consumption needs and leaving extra for sale.

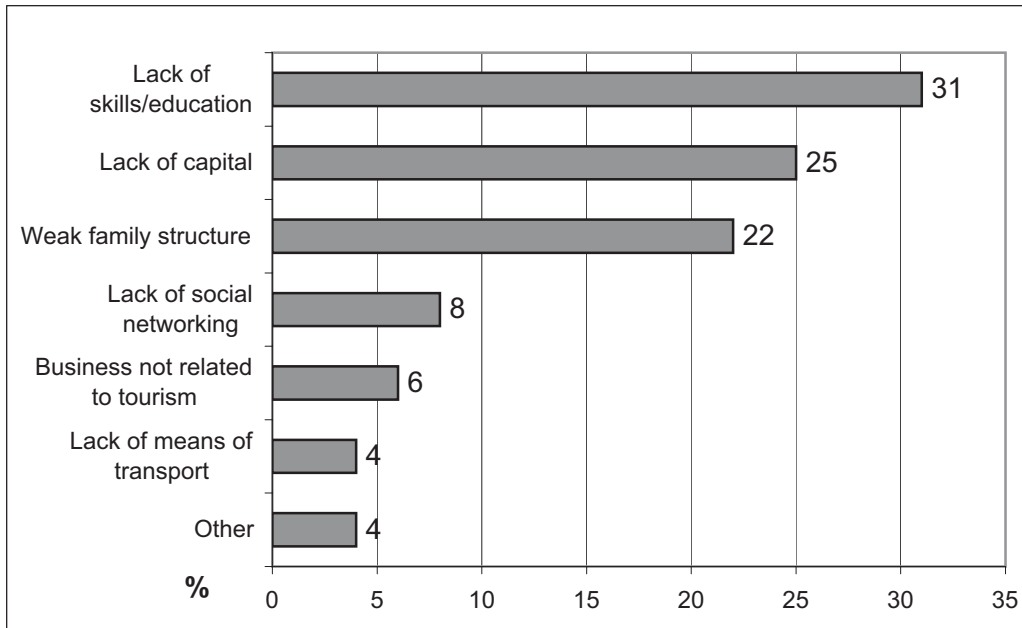
With savings from paddy production, the man bought a motorcycle and began as a motor taxi driver in 1995 in his spare time from paddy production. Doing this, he could earn just enough to cover the daily expenses of his big family. Later the number of tourist clients increased, and he started to study English. Through years of experience in motorcycle taxi driving, he built up good relationships with hotels and guest-houses, which are key to connecting him with tourists. He bought a tour vehicle tuk-tuk in 2002 and was able to increase daily earnings from USD2.50–5 to USD15–30 now.

All tour vehicle drivers have to get a licence from and pay USD7 per year to the provincial Department of Tourism in Siem Reap. It is compulsory for the drivers to wear a uniform. Otherwise, they are forbidden to enter Angkor Park, or are fined USD20 when caught in the park. He stated that because he has built up good relationships with hotels and guest-houses and some drivers, he is able to earn much more than other drivers. This is key to his success in this career.

*Source: CDRI qualitative field work in Siem Reap, May–July 2006*

The poor lack education, skills, capital and networks, which prevents them from engaging in more rewarding activities such as formal employment in hotels, restaurant and tour agencies (Figure 2.10). The average education of earners, for instance, is 5.63 years for the rich, 4.21 for the medium, 3.08 for the poor and only 2.95 for the very poor (Table 2.6 in Section 2.4.7). Hence the poor tend to obtain only unskilled jobs.

*Figure 2.10: Major Barriers to Gaining Tourism Benefits*



*Source: CDRI household survey in Siem Reap, May 2006*

# 2.9. Conclusions and Policy Recommendations

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Tourism development in Siem Reap has been very impressive. It has brought significant changes to the city landscape, facilities, infrastructure, livelihoods and economic activity. This rapid development has been a primary engine of economic growth in both Siem Reap province and Cambodia. It has also had positive impacts on local communities through generating employment, raising income and improving well-being.

Tourism growth in Siem Reap affects local employment in two ways by creating a considerable number of direct and indirect tourism jobs, and shifting employment patterns. More than one-third of local individual earners are involved in tourism-related activities as their primary work. The poor obtain tourism jobs more than the non-poor, but the majority of those employments are unskilled and low-paid jobs such as construction work, temple guard/cleaner, making handicrafts or souvenirs and petty trade. Because of these emerging job opportunities and decreasing yields from agricultural production, a portion of the labour force, including the new labour entrants, has moved from agriculture to manufacturing or services. The change in employment structure is, however, less than might be expected due to immigration, misperception of occupations and the short time frame of this study.

Tourism is an important source of income. Local people, especially the poor, depend considerably on tourism to generate income. This is reflected by the high tourism income share, about 47 percent of the total income. Earnings vary significantly among the poor and non-poor, primarily due to the nature of jobs, which are unskilled and low-paid job for the poor and skilled or semi-skilled and higher paid for the non-poor.

Land speculation in and around Siem Reap town has been very active in recent years, largely due to rapid tourism development in the province. About one-third of households in the survey were involved in land sales or purchases, or both. This has several implications, both positive and negative, for local livelihoods. Land sales can improve well-being through better housing, a shift to larger agricultural plots elsewhere and/or setting up new business. Land sales can reduce local livelihoods by removing food security and forcing people into casual work such as construction. The latter case is commonly found among the poor who urgently need cash to meet family shocks crises.

The distance from the most dynamic areas, including Siem Reap town and temple sites, is important in determining the scope and scale of tourism impacts. The areas located far from the most dynamic areas tend to receive low impacts compared to those areas nearby. The benefits from tourism are limited to low-paid jobs in more distant areas, while the nearby areas' impacts include better paid employments and high-return businesses. Others factors such as education and skills, access to or ownership of capital and social networks also influence the level of impact.

Although tourism development is found to have some positive impacts on local people and communities, not everyone receives equal benefits. Benefits are unevenly distributed among well-being groups, skewed in favour of the non-poor. The poor usually face various barriers to deriving greater benefits from tourism, including lack of education and skills, lack of capital or social networks and weak family structure. As a result, the poor do not benefit as much as expected; therefore, tourism development in Siem Reap does not appear to have a sufficiently pro-poor character. Tourism policy and strategies should therefore focus not only on promoting growth, but also on enhancing its benefits for the poor.

Before making policy recommendations, it is important to highlight the character of tourism and its impacts, and the characteristics of the poor, which can be summarised as follows:

### *Nature of Tourism Development and Impacts*

- Tourism development and its impacts are concentrated in towns and in tourist areas. This concentration cause areas far from town, which have difficult physical and information access, to receive relatively few impacts from tourism, mainly unskilled jobs.
- Tourism development in Siem Reap has weak linkages with agriculture and handicrafts, the sectors in which most poor are involved.

### *Characteristics of the Local Poor*

- The poor have no or limited education or skills. They lack general education and the skills necessary to obtain good jobs.
- The poor have poor financial and social stability in their families. They lack extra labour to earn income, while everyone in the family has to work to earn subsistence.
- The poor have limited capital or resources to set up more profitable economic activities.
- The poor have limited information or social networks necessary to get a good job.

It appears that benefit transmission channels do not match well with the characteristics of the poor. In order to promote a better distribution of the benefits from tourism, the study proposes three measures: diversifying tourist destinations and activities, redistribution of benefits to the poor and strengthening tourism-agriculture linkages.

#### **2.9.1. Diversifying tourist destinations and activities**

Siem Reap has a great diversity of tourist attractions in terms of cultural heritage, nature and traditional crafts. Most visitors, however, visit only cultural heritage sites, while an important type of tourism—community-based, which has a more pro-poor nature—is not very common. One of the reasons is that village-based tourism is not yet well established. Therefore, the study recommends:

- (1) *Diversify tourist destinations toward rural communities.* The multiplication of areas could increase the chances for local communities, including the poor, to attract tourists and thus increase their benefits. Preah Dak village is a good example of this type of tourism, where tourists stop to see palm-sugar production while travelling to Banteay Srei temple. Tourist flows have also stimulated the souvenir trade and other small businesses along the road. As a result, a considerable proportion of households in Preah Dak benefit from tourism. This success needs to be replicated elsewhere. Tuek Vil Village in Puok district, where most households produce rattan souvenirs, for example, could be developed as community-based tourism by encouraging tour agents to arrange visits to see the people's lifestyle and traditional production processes. The following actions should be undertaken to promote tourist visit to this handicraft producing village. First of all, those handicraft producers should form associations, whose main functions among others is to work closely with provincial tourism department and tour agents to promote village visits. Second, the leadership of the associations should be the village or commune chief with support from NGOs and provincial government to persuade tour agents to include such visit in their tour program. Third, the associations should also perform sales and marketing function on behalf of producers and set aside a certain margin of profit for its operation.



Studies of potential community tourist destinations as well as functionality of handicraft producers' association are suggested for further research.

- (2) *Create new tourism-related activities that involve the poor in tourist spending.* In Luang Prabang,<sup>16</sup> for example, there is a night market in which people from nearby villages, including ethnic minorities, sell their family-made products. Income from such vending is important to their livelihoods. In Siem Reap around Phsar Chas, there is a wide range of tourism services, including restaurants, pubs and souvenirs shops that serve tourists at night. However, the service providers are non-poor and foreigners. There is a need to include the poor in tourist spending by creating a night flea market that allows the poor to sell souvenirs or locally produced products. This would engage the poor in tourist expenditure package and thus generate some income from tourism-related activities.

### 2.9.2. Redistribution of tourism benefits to the poor

Another measure that needs to be undertaken is to consider fiscal policy that mobilizes national and local governments' financial resources to introduce benefit redistribution to the poor. An appropriate and effective taxation policy could be a powerful tool to generate increased state revenues from tourism. Part of the revenue could be used to preserve tourism assets and environment, while another part could be used to support key components of poverty reduction. A greater share of Angkor Park entrance fees could be, for instance, used to fund projects that have pro-poor impacts. Those components, which include education and skills, health and access to market and finance, are necessary to help the poor participate more in tourism. Although the policy suggestions below are somewhat general in attacking poverty, we believe that addressing these issues could contribute to poverty reduction in general, and help the poor benefit more from tourism in particular. The resources to implement the recommended policy need to come jointly from national government resources as well as national/local government resources from tourism for poverty reduction.

- (1) *Provide education and skills training to the poor.* The poor are characterised by low education and limited skills. A scholarship programme targeting the poor, especially poor girls, to support them in completing basic education, is strongly recommended. Skills training programmes are also a necessity. The training may include techniques to produce and market handicrafts and other souvenir products, basic skills to set up and operate a small business and basic foreign languages. An interesting success is found in Preah Dak commune, where a group of young women from destitute households were selected for training in making rattan souvenirs. A small but beautiful house made from thatch is used for both production and marketing, where tourists stop to see the production process and buy products. According to the interviews with these women, their livelihoods have improved since joining this programme; even without support they can now make a living from this occupation.
- (2) *Improve health care services for the poor.* Due to hardship and insufficient health care, the poor often encounter health problem that lead to chronic illness. This weakens family structure and makes living conditions even worse. The government needs to use part of tourism revenues to provide sufficient health care services for the poor. This would enable the poor to increase their participation in tourism-related activities and thus improve their conditions.
- (3) *Increase access of the poor to tourism markets.* This relates to physical infrastructure, market information and credit. Government revenues, especially from tourism, as well as financial support from donors and NGOs, could be a solution.

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<sup>16</sup> One of the most popular cultural tourism sites in Laos.

### 2.9.3. Enhancing tourism and agriculture linkage

Although this study does not elaborate about the degree of linkage between agriculture and tourism in Siem Reap, some previous studies suggest that tourism in Siem Reap has a very weak linkage with agriculture. As hotel and restaurant demand for agricultural produce is increasing, improving linkage to tourist markets would not only reduce economic leakage, helping the entire local economy, but also improve the income of local farmers, the majority of whom are poor.

This recommendation is not new, and it has even been attempted by many NGOs. These efforts, however, have not produced satisfactory results because hotels need regular supplies of certain quality, while domestic producers could not fulfil these requirements. As a result, agriculture linkage to tourism remains very low. In this regard, the study proposes that national and local government reconsider implementation of this existing policy. The selection of geographic locations that are most favourable for growing vegetables and fruits, for example, with sufficient provision of extension services and irrigation, would increase productivity and quality. Clear coordination and management of this issue are needed among the provincial agricultural department, NGOs and the private sector.

The effective implementation of the above measures requires tourism organisations, in particular the Ministry of Tourism, the provincial Tourism Department, Ministry of Agriculture, Forestry and Fisheries and the provincial agricultural department to develop sufficiently capable human resource, certain level of authority and ownership in planning and decision making and revenue generation opportunities from tourism. It is also imperative to have deeper partnerships with and continuous support from donors, NGOs and the private sector to promote tourism growth and to enhance equitable distribution of benefits to the poor.

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# Appendices

*Appendix 2.1: Indicators for Well-Being Classification from Social-Mapping FGDs*

Community / Well-Being Group	Rich	Medium	Poor	Very Poor
<b>Tuek Thla</b>	Growing rice on 1.5-2 ha, vendor-trader, growing crops, construction work	Growing rice on 0.5-0.6 ha, taxi-remorque drivers, growing crops, construction work, workers at hotel	No farm land, construction work, farm worker, workers at hotel	Small hut, construction work, farm worker, cannot approach others for loan
<b>Sandan</b>	Trader, land broker, own car, not growing rice, government staff, company staff	Growing rice on 1-2 ha, tuk-tuk driver, work at hotel, small vendor, construction work	No farm land, small vendor, construction work, work at hotel, fish for food in rainy season, farm worker	No farm or residential land, construction work, soil carrying work
<b>Preah Dak</b>	Growing rice on 1-2 ha, own car, trader-vendor, own truck for rent, hire out wedding preparation materials	Growing rice on 1 ha, own motorcycle, selling souvenirs, workers, palm juice making, worker at temples or APSARA staff	Growing rice on 0.5 ha, small vendor, worker at temples, farm workers	No farming land, selling labour and low-paid workers
<b>Srah Srang Khang Cheung</b>	Growing rice on 3-5 ha, own car, work at hotel, vendor at temple, grow vegetables	Growing rice on 1-2 ha, vendor at temple, work at hotel, construction work, workers at temple, APSARA staff, tour guide	Growing rice on 0.25 ha, producing souvenir, construction work, worker at temple, work at hotel	Construction work, workers at temple, producing souvenirs, no farm land
<b>Ta Chek</b>	Own rice land 3-5 ha, own car, raise 20-40 pigs, grow crops, vendor at Phsar Chas, land broker, own rice mill, own hand-tractor	Own rice land 0.5-1 ha, grow crops, construction work, own hand-tractor, remorque taxi, fishing, raising 2-5 pigs, work at hotel, tour guide	Own rice land 0.5 ha, fishing, construction work, motorcycle taxi driver, growing little crops, producing mats, farm workers	Small hut, construction work, farm work, producing mats
<b>Ta Trai</b>	Own rice land 2 ha, own rice mill, raising 10-20 pigs, own motorcycle, vendor at temple	Own rice land 1 ha, raising 1-2 pigs, growing crops, construction work, work at hotel, souvenir vendor, some own motorcycle, sewing thatch for sale	Own rice land 0.2-0.5 ha, sewing thatch for sale, producing buckets, construction work, growing small crops	-
<b>Kork Trach</b>	Raising 20-30 pigs, own rice land 1-1.5 ha, growing crops, grocery shop owner, children work in construction, own motorcycle, own hand-tractor	Raising 1-3 pigs, own rice land 0.5 ha, growing crops, small vendor, children work in construction, some have motorcycle	Some do not own land, some own 0.2-0.3 ha, construction worker, growing small crops, some do not own house	-
<b>Loley</b>	Own car, own rice land 3-4 ha, land broker, children work in construction	Own 2-3 ha rice land, some do not own land, own 3 cattle, growing crops, construction work, grocery shop owner, own hand-tractor, own rice mill, work at hotel, own motorcycle	Own 0.5 ha-1 ha, some do not own land, construction work, farm worker, growing small vegetables, recyclable waste trader, small vendor	No land, construction work, farm workers, small vendor

## Appendix 2.2: Focus Group Discussion Guideline

Besides household surveys using structured interviews, FGDs were used to capture historical development, overall living conditions, poverty and impacts of tourism on the community and its people. In each village, two FGDs, each composed of six to eight persons, were conducted. One FGD conducted with people who worked or whose family members worked in tourism-related activities. The tourism-related activities in this study included construction, work in hotels or restaurants, handicraft production, agriculture and tourism management in Siem Reap town or Angkor Park. The other FGD was carried out with the villagers who worked or whose family members worked in other sectors (farming, petty trade in local areas etc.).

### Main Questions for FGD

- What are the main occupations and businesses in your village? What percentage of households are involved in those occupations?
- What type are those households and household members?
- What are the working conditions, difficulties and recent development of each occupation?
- How have recent tourism developments affected your work or business and well-being?
- Who is getting more benefits and who is getting fewer benefits? Why?
- What do you think are the main barriers that prevent the less benefited group from gaining from tourism development?
- How do you think recent tourism development affects the land market in your village? Who is involved in land transactions? How are they affected (gains and losses)?
- How would you propose to have your household and your village benefit more from tourism development?
- How do you think future expansion of tourism in the area will affect your household?

### FGD Note Template

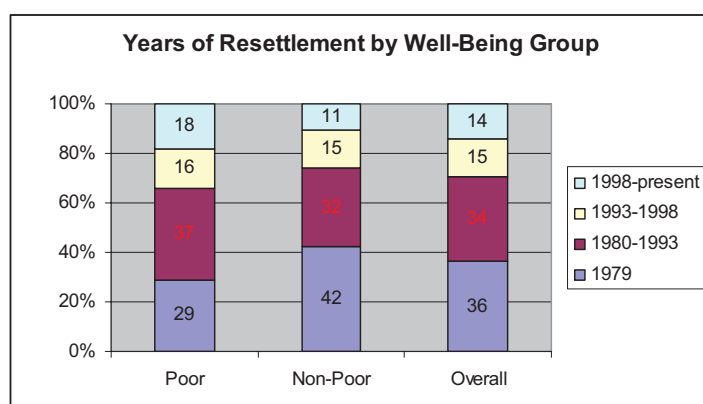
Themes	Questions
<b><i>I. Economic activities/ employment profiles</i></b>	<ul style="list-style-type: none"> <li>• Main occupations in the village</li> <li>• Working conditions (yield, profit, challenges etc)</li> <li>• Characteristics of household/persons in each main occupation</li> <li>• Percentage of households in the main occupation</li> <li>• Profile of recent development in occupation (since 2002 commune election)</li> </ul>
<b><i>II. Gains and losses from tourism</i></b>	<ul style="list-style-type: none"> <li>• Overall gains and losses from tourism (village level)</li> <li>• Who gains most, why and how</li> <li>• Who gains least, why and how</li> <li>• Who loses, why and how</li> </ul>
<b><i>III. Barriers and suggestions</i></b>	<ul style="list-style-type: none"> <li>• Motivations for households that participate in tourism-related activities</li> <li>• Obstacles for households who want to be involved, but can not (barriers for those who do not gain at all from tourism)</li> <li>• Barriers for those who gain least from tourism and what should be done to help them gain more</li> <li>• Overall suggestions in order for village and household gain more benefit from tourism</li> </ul>
<b><i>IV. Land market</i></b>	<ul style="list-style-type: none"> <li>• Land ownership (size, type of households, landlessness)</li> <li>• Land transactions</li> <li>• Gains and losses from land transactions</li> <li>• Land conflict</li> <li>• Land regulations/management/policies by relevant authorities or government</li> </ul>
<b><i>V. Prospects</i></b>	<ul style="list-style-type: none"> <li>• Prospects of village and household well-being from future development of tourism.</li> </ul>

### Appendix 2.3: Cambodia's Tourism Sector Pro-Poor Situation Analysis

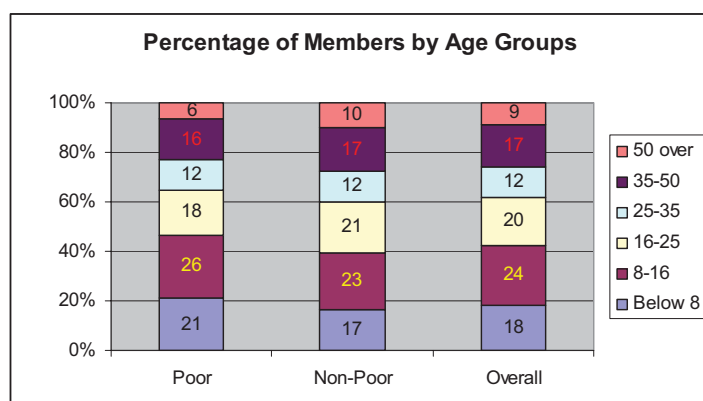
<b>1. Policy</b>	<ul style="list-style-type: none"> <li>• Pro-poor tourism policies clearly stated in Cambodian National Tourism Development Plan 2001–2006 (CNTDP)</li> </ul>
<b>2. National Strategies</b>	<ul style="list-style-type: none"> <li>• National Strategic Development Plan 2006–2010</li> <li>• Second Socio-Economic Development Plan 2001–2005</li> <li>• Cambodian National Tourism Development Plan 2001–2006</li> <li>• Cambodian National Poverty Reduction Strategy 2003–2005</li> </ul>
<b>3. Strengths</b>	<ul style="list-style-type: none"> <li>• National tourism plan</li> <li>• Focuses on poverty alleviation</li> <li>• Considerable tourism flows in key poor areas—Angkor/Siem Reap</li> <li>• Pilot projects in NE/ADB/World Bank village projects</li> </ul>
<b>4. Weaknesses</b>	<ul style="list-style-type: none"> <li>• Poor infrastructure</li> <li>• Under-funded government departments</li> <li>• Lack of skills in many areas</li> <li>• Real and perceived security issues</li> </ul>
<b>5. Opportunities</b>	<ul style="list-style-type: none"> <li>• To develop village-based and nature-based tourism models as in CNTDP</li> <li>• To increase opportunities to provide supplies to the tourism industry</li> <li>• To increase capabilities/capacity (government, community)</li> </ul>
<b>6. Threats</b>	<ul style="list-style-type: none"> <li>• Lack of policy implementation</li> <li>• Environmental degradation of resources/forestry/water</li> <li>• Tourism decline in the region</li> </ul>

Source: Asian Development Bank, 2005

### Appendix 2.4: Some Statistics from Household Survey



Source: CDRI household survey in Siem Reap, May 2006



Source: CDRI household survey in Siem Reap, May 2006





# **Pro-Poor Tourism in the Lao PDR: A Case Study in Luang Prabang Province**

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and Mr Siviengxay Olaboun**



# Acknowledgments

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The National Economic Research Institute (NERI) and the National Statistics Centre (NSC) of the Lao PDR joined the Development Analysis Network (DAN) in August 1997. The DAN workshop held in Phnom Penh in the last quarter of 2005 discussed the fifth phase of collaboration in the DAN and agreed to conduct research in 2006 on pro-poor tourism. This project intends to review tourism development in the Lao PDR. It also tries to assess the socio-economic impacts of the industry, especially the impacts on poor local people, and, finally, to make some policy recommendations. Luang Prabang was selected as the case study area. We very much hope that this report will provide basic information for further research on development in the Greater Mekong Sub-region.

Despite our research efforts, mistakes, insufficient data and information and debatable issues could not be avoided. In this regard, we highly appreciate and welcome all readers' comments and suggestions.

We would like to thank the survey teams from NSC, NERI and LNTA for their tireless and dedicated work. Our appreciation is also extended to the dedicated contribution from the Luang Prabang Tourism Office of administrative and substantive support for the field work.

NERI's and NSC's research teams would like to express sincere thanks and appreciation to the Rockefeller Foundation for its financial support. The teams highly appreciate Mr. Larry Strange, the director of CDRI, for his excellent coordination and arrangement of the project. The teams also thank Dr. Brett Ballard, acting research director at CDRI, for valuable advice and guidance. Special thanks go to CDRI, the Central Institute for Economic Management of Vietnam, the Thailand Development Research Institute (TDRI) and the Yunnan Academy of Social Sciences for their helpful comments during the consultation and dissemination workshops. Finally, the teams would like to express special thanks to Mr. Göthe Isacson, senior statistician, and Mr. Thavipheth Oula, deputy director, Planning and Cooperation Department, LNTA, for their contribution and support in editing work.

*Vientiane, March 2007*

*Dr Leebor L.  
National Economic Research Institute*

*Dr Samaychanh Boupha  
National Statistics Centre*



# Executive Summary

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*Tourism national strategies and policies:* Tourism has been a significant sector of the economy since the foundation of the Lao PDR in 1975. The Lao National Tourism Authority (LNTA) is an independent authority at ministry level responsible for managing tourism development in line with government policy and for coordinating local tourism activities.

The national tourism strategy pinpoints five features for developing tourism:

- governance, planning and research;
- service quality, education and training;
- product diversification based on Laos' unique natural attractions;
- equity considerations, including ways to spread the benefits to remote and minority communities;
- using tourism to promote the Lao PDR and her products in the global marketplace.

In 2005, the LNTA suggested that the government adopt a tourism development strategy until 2015 based on:

- increasing and securing funds for tourism development;
- improving tourism development regulations;
- making it easier to obtain and extend visas;
- establishing training centres to meet the demand for high quality services;
- community-based tourism development to exploit tourism sites in remote areas;
- developing sustainable tourism activities in protected areas;
- conserving archaeological heritage.

*Tourism's macroeconomic importance:* The number of tourist arrivals in Laos was just over 1 million in 2005, up significantly compared to previous years. Tourism revenue has increased dramatically and reached almost USD150 million in 2005. The tourism share of GDP was estimated at 7.5 percent in that year. The contribution to the government budget was 15 percent, and 24,000 people were employed in the industry. Tourism has quickly become a major export industry, ranking as the nation's third largest source of export revenue in 2005. Its importance is clearly reflected in the increase of tourism establishments, of which there were 843 in 2000 and 1859 in 2005, a compounded annual growth rate of over 17 percent.

*Luang Prabang as a case study:* Luang Prabang province was chosen for a case study on how and to what extent poor people benefit from tourism. The province received almost 300,000 tourists in 2005, of whom half were foreigners. Village and household surveys were conducted and a participatory

assessment survey was conducted in strategic villages to assess the economic, social and environmental impacts of tourism. The villages selected were inside and outside the city at various distances and with and without tourism sites. The majority of tourists stayed in the city, and only a small number visited the selected rural villages.

The case study covered the socio-economic conditions of the villagers, access to services, land and assets, presence of tourism and impacts of tourism on the economy and livelihoods of villages and households. The main findings can be summarised as follows:

*Access to services and land:* People have good access to education, and literacy is very high compared to national averages—highest in the city but with few illiterates in rural villages. Housing conditions are somewhat better in the city, but below-standard wooden houses are as frequent in the city as in rural areas. Access to safe water is good in all villages. Irrigation networks do not reach many villages, which is an important disadvantage for agriculture in supplying a growing number of tourists with food. Also, households have little agricultural land at their disposal, on average one hectare per household.

*Livelihoods and household economy:* Tourism has significant effects on livelihoods and household economy. Work in services is by far the most important occupation in the city. In rural villages, services are second in importance, after agriculture, and in some villages close to agriculture. It is estimated that three persons out of five are working. In the city at least one in four of the economically active are working in tourism-related services and in rural villages about one in 10. Although the data of village and household case studies are not fully consistent (i.e., the village study indicates a larger share of services), the overall impression is that tourism plays a significant role in household economies. The importance of tourism is further highlighted by the fact that farmers and other producers have established direct selling links to tourists and tourist establishments, which means that they are both producers and retailers. Middlemen have a fairly small part in the distribution of these goods.

People who own land have seen the value of their properties increase far more than inflation in the past five years; in particular, city owners have been favoured. It is obvious that the demand for land created by tourism is the main cause. The growing market for houses or premises in the city in particular has created a profitable market for property leasing, and owners have migrated to villages outside the city.

Previous surveys have shown that the average household consumption in Luang Prabang province is above the national average. The case studies indicate a per capita consumption well above a poverty line of USD1 per day, but in the most remote villages the level is close to that line despite these villages being located near a tourism site.

The case studies also collected data on earnings. The conclusion to be drawn from these is that tourism employees are fairly well paid in the city, probably reflecting higher skills. Significantly lower salaries were measured in rural villages.

*Pro-poor effects from tourism:* The basic question to be answered from the case studies is to what extent the benefits from tourism trickle down to the poor, and consequently whether tourism has a pro-poor outcome. Improvements in living standards can take several forms, including more job opportunities resulting in higher work participation rates, better remuneration and better access to social services. The case studies provide some answers to these questions.

Data from the Department of Planning and Investment of Luang Prabang province indicate a lower poverty incidence in the province than the national average, and further indicate that poverty is almost eradicated in the city and exceptionally low in two other districts with access to tourism sites. This would lead us to think that tourism benefits all or most people. The case studies, however, do not fully support this conclusion. The household consumption data indicate that the average household is well

above a poverty line of USD1 per day; city households are more than double this level; households in the most remote areas are not just a fraction above.

The household study also shows that, of people engaged in tourism activities, a much larger than average number are considered to be rich and a much smaller than average number very poor. However, the overall result is that the poor and very poor among people engaged in tourism are only fractionally fewer than the average. Tourism has taken many people out of very poor status and also made some people rich.

Village representatives give a very positive view regarding poverty criteria, such as enough rice, adequate clothing and ability to meet health and education expenses. In all these aspects very few city households were classified as poor, and very rural few villages have more than 10 percent of households that cannot meet these standards.

The village case study also revealed a dominant trend of improving living standards. Villages from all four areas reported an improvement in all aspects. Villagers suggested that they earned higher incomes because of increasing job opportunities, access to markets, access to main roads and growing tourism industries. They thus experienced positive linkages between tourism and improved living standards. Apart from these major improvements, many villages also claimed that they enjoyed better health care and transportation. As a result, village representatives assessed that poverty in city villages is basically eradicated, while there are pockets of poverty in villages outside the city.

Interestingly, while a majority of the households had a positive view of their changed living standard in the past five years, as many as 30 percent of city households believed that their living standards had become worse, mostly due to lost job opportunities, tough competition and business losses. Furthermore, one out of three households thought that there was no benefit at all from tourism (which did not mean that they were poor). Lack of capital seemed to be the main reason for that opinion.

*Impacts on culture and environment:* Along with economic impacts, the tourism industry brings a multitude of impacts, both positive and negative, on people's lives and environment. The household study indicated that impacts on local culture and traditions were of concern to many people. Basically one-third of households had the opinion that tourism has a negative influence on culture and traditions, the same attitude in the city as in rural villages. Such influences are difficult to measure and are not always apparent, but clearly the most significant negative impact concerned morality issues. Although not yet a big problem, the number of sexually transmitted diseases (STD) is increasing.

A minority (less than 10 percent) of the households thought that tourism has negative effects on the environment. The quality of the environment, both natural and human-made, is essential to tourism. The environment is affected in a number of ways, including depletion of natural resources, pollution and impacts of new infrastructure. Although tourism put pressure on local natural resources, the ability of Luang Prabang province to cope with the current number of tourists seemed to be good. For example, there have not been any water shortages, land degradation is limited etc. However, we observed pressure on local resources like food and raw materials. Agriculture is to a high degree production for own use based on small plots. Littering, pollution from transport and erosion of river banks are growing problems.

*The establishment survey:* The most important result of the tourism establishment survey was that a substantial part of input costs (i.e., purchases of food and other goods and services) originates from local producers. This is important because it tells us that benefits from tourism to quite a large extent remain in the province. However, local food producers may face capacity problems, since the study also showed that food prices had surged recently; it seemed that local producers may have problems

meeting demand. Another interesting result was that most of the employees are from the province and that six out of 10 are females.

*Constraints and potentials:* The main constraints on tourism development in Luang Prabang are an inadequate road network linking the provincial centre with rural areas, poor coverage of electricity outside district and provincial capitals, non-extendable visas on arrival, lack of qualified staff and limited agricultural land and investment capital.

The potentials and opportunities to expand tourism are considered good, however, based on Luang Prabang's World Heritage status, relatively well-developed tourism services, closeness to the Chinese market, attractiveness as an eco-tourism destination, scenic landscapes, ethnic diversity and cultural and historical sites.

*Conclusions and recommendations:* The last chapter contains some conclusions and recommendations. It states that expected economic improvements are a foundation for Luang Prabang province to promote tourism. The dependence on tourism in the province is high and can involve risks if tourism should slump. However, the prospect is for tourism to grow due to arrivals from the huge Chinese market having just started. It is concluded that at least city households get a decent reward from their efforts, due to the fact that three out of five people are working and that students can earn money from casual work. Tough competition and possible over-capacity in some businesses are issues that face some city households. Countryside households are facing harder times. The income farmers can get from their land is quite small due to small plots of land per household. They have to look for other ways to wring a living from their land. Expanding crops to fruits and vegetables is one way that seems to have been successful. However, it requires access to irrigation. Selling agricultural produce in markets is another course. Migrating to the city for jobs in the tourist industry is also an option used by many.

A conclusion is that tourism has lifted many people out of poverty and that money generated by tourism reaches the poor.

The study team identified a number of general recommendations to guide medium and long-term tourism development. The general recommendations are measures to increase tourists' awareness of what the province has to offer, to preserve the culture and charm of the city and to improve urban planning to cater for more tourists but avoid population pressures on the old city. They also stress the importance of foreign investment, upgrading Mekong River boat services and improvement of employees' skills.

Other recommendations relate to strategies focusing on addressing constraints on tourism development in more isolated areas through improving road networks, identifying and promoting niche markets etc. The recommendations for the long and medium terms also focus on simplifying visa procedures and improving cooperation between private and public sectors. They also deal with measures to improve cooperation between neighbouring provinces, and between the tourism industry in the provinces and in neighbouring countries to promote sub-regional development. With lack of market information a constraint on tourism development, the recommendations also address the need to invest in education and infrastructure.



# 3.1. Introduction

## 3.1.1. Background and Rationale

The Lao PDR is a landlocked country located in the centre of south-east Asia. The population was 5.6 million in 2005, of which 23 percent lived in urban and 77 percent in rural areas (NSC 2005b). There are some 49 ethnic minorities (NSC 2005b), most of which maintain their own customs and traditions. The Lao PDR is rich in cultural diversity and ways of life. The population density is 24 people per square kilometre.

Economic reforms since the mid-1980s have provided a much needed stimulus to the economy, and since the 1990s it has shown a steady and significant growth. Annual real economic growth during 1991–2005 averaged 6.3 percent, and the incidence of poverty fell from 46 percent in 1997/98 to 33 percent in 2002/03 (NSC, 2006). However, the Gini coefficient rose from 30.5 in 1992/93 to 34.9 in 1997/98 and slightly decreased to 32.6 percent in 2002/2003. Economic growth has thus brought with it an increase in inequality—the rich have benefited more than the poor, and the country’s multi-ethnic population has been affected unequally.

Despite the progress achieved, the Lao PDR is identified by the United Nation as a “least developed country” (LDC) with a gross domestic product per capita of USD511 in 2005 (NSC, 2005a). Almost 80 percent of its people live in rural areas and are engaged in agriculture. Agriculture is still the country’s most important economic sector, contributing 45 percent of total GDP in 2005, but has gradually declined from 60 percent in 1990, while non-farm goods and services have expanded. In 2005 industry and services accounted for 29 and 26 percent of GDP, respectively (NSC, 2005a).

In 2004, the government adopted the National Growth and Poverty Eradication Strategy (NGPES), providing the framework for all programmes related to economic growth and poverty eradication. The NGPES has been translated and integrated into the Sixth Five-Year Plan, the National Socio-Economic Development Plan 2006–10. Tourism is one of the government’s priorities for the development of the services sector and one of eight priority development areas targeted to play a key role in lifting Laos from the list of LDC by 2020. The government is committed to develop and promote ecological, cultural and historical tourism to attract continuously increasing regional and international arrivals. The importance of tourism for the socio-economic development of Laos is clear. For instance, in 2005 the tourism sector generated more than USD146 million,<sup>1</sup> 5 percent of the country’s GDP, making tourism one of the top foreign exchange earners.

Many tourism regulations, plans and policies, such as the “Tourism Management and Development Plan”, focus mainly on improvements and increases of tourism facilities and infrastructure, conservation and development of tourist attractions and development of human resources. This indicates that there is already concern that development of tourism could have some negative impacts on aspects such as the environment, history, culture and tradition. Another concern is that the benefits, although large, may not be shared equitably. Therefore, policy makers need to pay more attention to how to maximise tourism’s benefits and minimise negative spill-overs.

It is evident that tourism has become an important socio-economic sector in Laos. Because of its significance, many studies have attempted to assess the social and economic impacts of tourism expansion. However, recent studies have mostly analysed impacts from a growth perspective.

<sup>1</sup> Tourist revenue estimated by LNTA.

The government has set a target of halving poverty by 2010 and completely eradicating it by 2020. Because of these strong commitments, the poverty level has declined significantly. The development of tourism has taken place in the same period that poverty has declined substantially. However, there are few studies that link these two phenomena. There is still a question to what extent the benefits from the tourism boom are enjoyed throughout society and able to reach those most in need. The question is to what extent poor people can share the benefits from the industry.

### **3.1.2. Research Objectives and Questions**

The objective of this study was to address whether tourism development in Laos is embracing a pro-poor approach. More specifically, this study examines whether tourism in Luang Prabang province is pro-poor by:

- examining the scope, scale and nature of the linkages between the tourism industry and local people;
- identifying factors and circumstances that promote strong positive linkages between tourism and other sectors of the economy, as well as the factors and circumstances that inhibit or prevent negative outcomes for the poor; and
- consolidating the observations and analysis into a set of pro-poor policy recommendations for government, civil society organisations and private companies at the provincial, national and regional levels, as appropriate and relevant.

The researchers focused on questions such as:

- How has tourism policy developed and tourism practice changed in response to policy shifts?
- What are the current costs and benefits of tourism, and how are they distributed among different groups in society?
- What linkages are there between the tourism sector and local communities and what can national government do to promote pro-poor tourism?

### **3.1.3. Research Approaches**

The research was based on available information and a case study with the intention to provide data on the following issues:

- tourism development historically;
- infrastructure and access characteristics of the case study site, as well as activities and services provided;
- current economic activities of households in selected communities and their relation to tourism;
- impacts of earnings from tourism-related activities on household well-being;
- other impacts on household income and well-being from tourism;
- barriers that impede the poor from benefiting from tourism activities.

The researchers reviewed literature, statistics and existing studies on the development of tourism to gain background knowledge of the sector. They also focused on analysing primary data from a case study in Luang Prabang province. The case study employed five tools: key informant interviews (village survey), household survey, participatory assessment survey (focus group) and surveys of tourism-related businesses and of tourists.

The first two mentioned surveys were conducted in 20 villages divided into four groups according to distance from the provincial centre and proximity to tourist spots. The key informant survey interviewed important persons in the village administration while the household survey interviewed 10 heads of household in every village. Each survey used its own questionnaire, containing both quantitative and qualitative questions. They were conducted to capture some in-depth information on the impacts of tourism. Annexes 2 and 3 contain the questionnaires for the village and household surveys.

In the participatory assessment (PA) survey, some villages were revisited. The study assessed economic, social, cultural and environmental impacts of tourism in the perception of focus groups such as women, teachers, health care workers, students, the elderly and village administrators. The PA applied a “10-seed technique” developed by Dr. Ravi Jayakaran to stimulate participation. In addition, the PA also interviewed many public social and economic organisations related to tourism in Luang Prabang, such as provincial tourism offices, the Department of Commerce, the Department of Agriculture and Forestry, provincial police offices, the Women’s Union, labour unions, HIV protection offices etc.

The business survey interviewed the owners of 20 enterprises related to tourism to capture information from the production side and make the understanding of impacts and benefits of tourism more complete. See Annex 4 for the questionnaire.

Finally, a survey of tourists was conducted to assess the perspective of tourist arrivals in Luang Prabang. One hundred tourists were interviewed at Luang Prabang International Airport.

### **3.1.4. Organisation of the Report**

The report is organised into four main chapters. After the introduction in chapter one, the second chapter gives an overview of tourism development in the country and stresses its macroeconomic importance. It covers the historical background of tourism development and the policy framework. The third chapter presents a case study of Luang Prabang, analysing the impacts of tourism on living standards and livelihoods in selected villages. It presents the pro-poor concept and provides some research evidence of how tourism has affected poverty in Luang Prabang and other areas. It also presents attempts to estimate the current living standards and poverty levels of sampled villages and households as well as households’ perception of how living standards have changed in the past five years. Chapter three also summarises findings from tourism business and tourist surveys and ends with an assessment of constraints and opportunities for continued tourism expansion. The last chapter draws conclusions and highlights some policy implications and recommendations.



## 3.2. Overview of Tourism Development

### 3.2.1. Historical Background and Policy Framework

Tourism has been a significant sector of the economy since the foundation of the Lao PDR in 1975. During the period 1975–86, when the country had a centrally planned economy, most foreign tourists were official delegations or groups. The tourism agency was the National Tourism Department, under the Ministry of Information and Culture. The main purposes of receiving tourists were to exchange lessons and experiences in sport and culture, and to create solidarity, especially with the socialist countries. Tourism services did not aim at generating income. Most tourism sites and destinations were less developed.

#### *Box 3.1: Visa Procedures*

Tourists can obtain a tourist visa at any international border checkpoint. Citizens in provinces of neighbouring countries with a border pass can enter the neighbouring provinces of the Lao PDR freely. Border tourists can stay in their neighbouring Lao province for three days, extendable to six days. This measure seems to promote pro-poor tourism because visitors can move freely in the province and stay overnight in communities. Poor local people thus have an opportunity to provide food and accommodation and to benefit immediately. Providing accommodation to tourists is allowed by the National Tourism Authority or Provincial Tourism Office provided that regulations are followed. The provider should have a guest-house with five bedrooms, one counter, one lobby and at least one common toilet. The bedrooms should be well equipped.

With economic reforms introduced in 1986, tourism was considered a sector for commercialisation. The Lao National Tourism Administration (LNTA) under the Ministry of Commerce and Tourism was established in 1989, replacing a previous agency. In 2004 it was moved to the Prime Minister's Office and then became an independent authority at ministry level, whose head is a minister. The roles and functions of the LNTA are determined in Decree 91/PM, 30 July 2004. They are in particular:

- to manage tourism development in the whole country in line with the tourism development policy of the government;
- to draft tourism development regulations, laws and strategies and propose them to the government for consideration;
- to observe, monitor and control the implementation of the national tourism strategy, laws and regulations;
- to consider and authorise the establishment of business enterprises related to tourism such as hotels, guest-houses, tour agencies, restaurants, drink shops, entertainment places etc.;
- to fine or stop business activities of enterprises related to tourism, if these enterprises violate tourism laws or regulations, to coordinate with ministries concerned, organisations and authorities to facilitate tourism growth in the whole country.

### *Box 3.2: Hotel and Guest-House Regulation*

Regulation 159/PMO on Hotel and Guest-House Management and Instruction Number 631/NTA on Implementation of Regulation 159/PMO are strict on keeping fixed minimum standards of hotels and guest-houses. Hotels and guest-houses that can not meet these minimum standards or are not controlled and allowed by the National Tourism Authority are strictly prohibited from serving tourists. The regulation requires hotels and guest-houses to employ qualified people who have finished vocational training or study on hotel and guest-house management. The decoration of hotels and guest-houses should be in Lao styles. In order to prevent deterioration of Lao culture, tradition and livelihoods, the regulation strictly prohibits hotels and guest-houses providing or facilitating commercial sex services, producing or spreading sex media or trafficking or consuming illegal drugs and addictive substances. The hotels or guest-houses that violate these regulations and instructions face an immediate end to their business.

The LNTA coordinates with all provincial and district authorities in which tourism offices are established. Those offices are obligated to consult the local government to develop tourism in accordance with central government policies, regulations and laws.

The main objectives of tourism development policy are to contribute to economic growth, conserve and develop social-cultural heritage, traditions and livelihoods and protect the environment. The policy promotes friendly ecological, social-cultural and historical tourism and forbids any kinds of tourism that damages the environment, history or culture of Laos.

The national tourism strategy pinpoints five features for developing tourism:

- governance, planning and research;
- service quality, education and training;
- product diversification based on Lao's unique natural attractions;
- equity considerations, including ways to spread the benefits to remote and minority communities;
- using tourism to promote the Lao PDR and its products in the global marketplace.

In 2005, the LNTA suggested that the government adopt a tourism development strategy until 2015. However, the strategy has not changed much the political guidelines or the previous strategy. Ecological, historical and cultural tourism activities remain the centre of tourism development. The LNTA wants to continue to implement the previous strategy more consistently, especially to:

- increase and secure funds for tourism development, at present insecure and inadequate;
- improve tourism regulations and laws;
- improve visa policies to boost regional and international arrivals;
- develop human resources;
- develop community-based tourism;
- develop sustainable tourism in protected areas;
- conserve archaeological heritage.

### 3.2.2. Recent Tourism Development

*Number of tourism establishments:* Tourism received a boost when the country was opened to international tourists in October 1989. The number of tourism establishments has increased significantly to serve the increasing number of tourists. The number of establishments has doubled over last six years, from 843 units in 2000 to 1859 in 2005. The capital of Vientiane has the most establishments accounting for 18 percent of the total number, followed by Luang Prabang with 15 percent and Vientiane Province with 13 percent.

**Table 3.1: Number of Tourism Establishments by Province, 2000–05**

Province	2000	2001	2002	2003	2004	2005
Vientiane Capital	193	231	219	269	276	331
Champasak	69	73	78	122	131	157
Luang Prabang	147	155	163	205	155	272
Savannakhet	48	50	53	106	112	124
Oudomxay	66	63	61	104	109	101
Bokeo	27	35	43	39	42	58
Khammouane	23	25	27	23	40	34
Sayabouli	36	32	28	94	76	80
Luang Namtha	44	47	49	85	90	65
Xiengkhouang	40	35	31	48	48	63
Bolikhamsay	40	43	47	49	85	73
Vientiane Province	31	50	69	249	211	234
Phongsaly	28	32	36	46	49	65
Huaphanh	17	17	17	42	55	75
Attapeu	12	12	12	21	21	42
Saravane	14	16	17	48	37	35
Sekong	7	7	7	17	23	37
Saysomboun	1	1	1	4	6	13
Total	843	924	958	1,571	1566	1859

Source: LNTA 2006a

*Foreign investment in hotels and tourism:* Foreign investment in hotels and tourism has increased significantly in recent years. During 2000-05, there were 40 projects invested, with total project cost amounted to USD72 million., more than 1.6 percent of total foreign investment (Table 3.2).

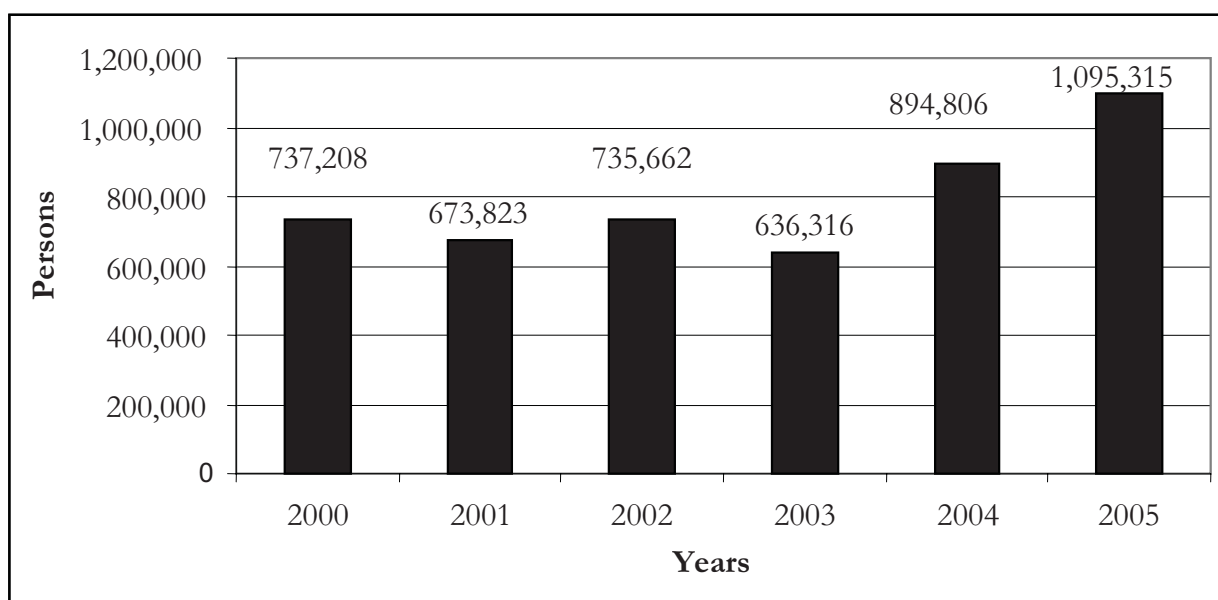
*Table 3.2: Foreign Investments in Laos by Sector, 2000-05*

Sectors	Number of Projects	Project cost (USD m)	Percentage
Electricity Generation	29	2,754	63.47
Mining	96	440	10.14
Agriculture	100	238	5.49
Trading	74	219	5.05
Industry & Handicraft	150	215	4.96
Construction	23	160	3.69
Services	121	132	3.04
Hotel & Restaurant	40	72	1.66
Telecom	3	40	0.92
Wood Industry	30	27	0.62
Banking	8	20	0.46
Garment	23	17	0.39
Consultancies	18	5	0.12
<b>Total</b>	<b>715</b>	<b>4,339</b>	<b>100.00</b>

Source: Department of Foreign Investment

*Tourism growth and economic impacts:* The number of tourist arrivals in Laos was more or less unchanged from 2000 to 2003 (2003 was affected by SARS) but from then to 2005 almost doubled reaching 1.09 million ( more details in Figure 3.1).

*Figure 3.1: Number of Tourist Arrivals in Laos, 2000–05*



Source: LNTA 2006a

There is a big difference between international and regional tourists in terms of length of stay and amount spent. The average length of stay in 2005 was 6.6 days for international tourists and 3.6 days for regional tourists. Tables 3.3 and Table 3.4 provide more details on tourist stays and expenditures.



**Table 3.3: Number of Tourists and Revenue from Tourism in Laos, 2000–05**

Year	Number of tourists (000)	Average length of stay (days)	Average expenditure per person per day (USD)	Total Revenue (USD m)
2000	737	4	39	114
2001	674	5.2	30	104
2002	736	4.3	36	113
2003	636	4	34	87
2004	895	4.3	31	119
2005	1,096	4.5	30	147
<b>Total/Average</b>	<b>4,774</b>	<b>4.4</b>	<b>33</b>	<b>684</b>
Of which:				
International tourists	1,264	6.6	51	422
Regional tourists	3,510	3.6	26	262

Source: Estimate by NERI based on LNTA 2006a

From 2000 to 2005 the tourism industry produced revenue of over USD684 million, of which international tourists contributed 62 percent while being 26 percent of all tourists. The revenue from the tourism industry has large impacts on the economy. The total production value by tourism industry during 2000-05 was USD839 million, or 7.5 percent of GDP.

**Table 3.4: Tourism Industry's Share of GDP, 2000–05**

Year	Number of tourists (000)	Tourist expenditure (USD m)	Total production value created by tourism industry <sup>2</sup> (USD m)	Lao GDP (USD m)	Tourism Industry share (%)
2000	737	114	141	1595	8.8
2001	674	104	129	1685	7.7
2002	736	113	141	1785	7.9
2003	636	87	108	1889	5.7
2004	895	119	147	1992	7.4
2005	1096	147	173	2292	7.5
<b>Total</b>	<b>4774</b>	<b>684</b>	<b>839</b>	<b>11,237</b>	<b>7.5</b>

Source: Estimated by NERI

In terms of contribution to the government budget, tourism generated USD35 million, or 15.3 percent of total budget, an increase from USD 28 million in 2000.

<sup>2</sup> The total production value created by tourism is estimated by multiplying tourists' expenditure by a multiplier effect. The LNTA has estimated the multiplier using following formula: Multiplier

$$= \frac{I - TPI}{MPS + MPI}$$

I= Input (total value of tourists' expenditure). TPI = Tourism propensity to import.

MPS= Marginal propensity to save. MPI= Marginal propensity to import. According to the administration,

$$I = 100\%, TPI = 31\%, MPS = 20\%, MPI = 36\%. \text{ So, the multiplier effect factor} = \frac{100\% - 31\%}{20\% + 36\%} = 1.24.$$

This means that tourists' expenditures circulate within Lao economy 1.24 times.

**Table 3.5: Tourism Industry Contribution to Government Budget, 2000–05**

Year	Contribution from Tourism Industry (USD m)	Government Budget (USD m)	Contribution of Tourism (%)
2000	28	183	15.3
2001	26	194	13.4
2002	28	191	14.7
2003	22	179	12.3
2004	29	197	14.7
2005	35	229 (est.)	15.3
<b>Total</b>	<b>168</b>	<b>1173</b>	<b>14.3</b>

Source: Estimated by NERI

Tourism has also a major source of employment in Laos. According to the estimate by NERI in 2005, tourism generated about 24,202 direct jobs, or 0.8 percent of total employment. Forty seven percent of these are jobs in restaurant and entertainment sites, 27 percent are jobs in hotel and guesthouse, and 10 percent are jobs in transportation services. The sector also created about 302,160 indirect jobs, or 15.6 percent of total employment, which include jobs in agriculture, construction and manufacturing.

**Table 3.6: Direct Employment in Tourism by Type of Agency, 2000–05**

Agency	2000	2001	2002	2003	2004	2005
Hotels	1777	1960	2144	2549	2858	3186
Guest-houses	1357	1509	1660	2792	2991	3412
Travel agencies	1303	1303	1303	1303	1303	1303
PTO and LNTA	294	294	294	294	294	294
Restaurants and entertainment places	5579	5750	5921	9833	9060	11,470
Airline services	499	499	499	499	499	499
Souvenir shops	654	654	654	654	654	654
Immigration personnel	177	177	177	177	177	177
Local transportation services	2411	2411	2411	2411	2411	2411
Port and boat services	435	435	435	435	435	435
CBT services	360	360	360	360	360	360
<b>Total</b>	<b>14,845</b>	<b>15,352</b>	<b>15,858</b>	<b>21,307</b>	<b>21,042</b>	<b>24,202</b>

Source: Estimated by NERI

*Infrastructure development:* Infrastructure is still limited in comparison to other south-east Asian countries. There are just three international airports in Vientiane (Wattay), Luang Prabang and Pakse. Wattay International Airport is still the main entry point by air, with 37 international arrivals every week. From Luang Prabang there are international connections only with Chiang Mai, Bangkok, Hanoi and Siem Reap. Fifteen provincial airports are used for domestic flights only. Improvements of airports have been undertaken recently, in particular extensions of runways at the international airports to accommodate larger aircraft. Road networks are still poor. In total, Laos has 31,209 km of national roads, of which 4497 km are paved (NSC, 2005a). Some roads can be used only during the dry season. Infrastructure development, especially road construction, is one of the sectors given priority by external funding agencies.

*Historical and cultural tourism site development:* In order to preserve the cultural heritage of the country and ethnic minorities, the government, in cooperation with UNESCO, is implementing a culturally and ecologically sustainable tourism policy in Nam Ha. Regional master plans and promotion packages are also being implemented for the historical sites of Luang Prabang and Champasak. In Luang Prabang, for example, accommodation construction is regulated and buildings must conform to regulations with respect to size, construction style and building materials.

There are also legislation and human resource programmes related to the preservation of cultural, historical and natural heritage. An important item is the Presidential Decree on Preservation of Cultural, Historical and Natural Heritage of June 1997. Among other things, the decree requires that a survey of the national heritage be undertaken every five years. Maintenance, repair or modification to features of the national heritage requires approval. No restaurants or entertainment premises may be constructed within archaeological or natural sites. In addition, there is legislation designed to protect and promote Lao culture.

*Ecological tourism sites:* Along with historical and cultural tourism, the government has strongly promoted eco-tourism and established broad guidelines for its development. These guidelines emphasise careful capacity management, sustainable use of resources, respect for cultural and natural diversity and the involvement of local communities in decision making.

*Human resources:* The development of human resources has been identified as a priority for tourism and is supported by many organisations. UNDP, for example, has been conducting an English language training programme since April 1998. Each year, the LNTA organises a 45-day training programme for tour guides. Upon completing the programme, participants receive certificates that qualify them for a tour guide licence. The LNTA has also started a one-month training programme for hotel and restaurant workers held at various places each year. The Ministry of Education offers a three-year diploma course in catering and hotel services at its technical schools. The Ministry of Labour and Social Welfare offers up to three months of certificate courses in cooking at its vocational training centre. The Lao Women's Union offers three-month programmes in hotel and food services. The National University is also involved in tourism human resource development. A course on tourism is offered in the Faculty of Economics (LNTA, 2005b).

*Tourist entry:* To promote tourism, the government has gradually opened borders and facilitated immigration. On 21 January 1994, the cabinet of the Prime Minister's Office enacted Regulation 81/CPMO on Migration of Tourists. This allows non-ASEAN tourists to obtain a 30-day non-extendable visa at the two international airports by paying a USD30 fee. Non-ASEAN tourists are also able to obtain a 30-day visa at a Lao embassy abroad, also costing USD30. The visa is extendable by paying USD2 per day. In addition, the regulation allows border pass holders access to provinces that adjoin the point of entry for three days, extendable to six days. Since July 2004, Vietnamese and Malaysian nationals have been able to enter Laos without a visa, and since January 2005 all ASEAN nationals. Moreover, the government has increased the number of border gates, from 10 gates in 2000 to 14 in 2004. At these border gates, regional tourists can enter using a border pass.

### **3.2.3: Tourism and Poverty Reduction**

Poverty in the Lao PDR has fallen sharply since the early 1990s. Using a national poverty measure computed according to international standards, one in three persons (33 percent) did not consume enough to meet basic needs in 2002/3, declining from two in five persons (39 percent) in 1997/8 and almost one in two persons (46 percent) in 1992/3. The progress is remarkable. In one decade, one-eighth of the total population was lifted out of poverty. Projections suggest that the poverty headcount fell further, from 33 percent in 2002/03 to 31 percent in 2005 (NSC et al., 2006). The

report further shows that a set of welfare indicators confirms the improvement in living standards, such as higher food security, more assets, growth and structural changes, recovery of infrastructure, higher and more diversified crop production, more livestock and market integration.

A number of studies have shown the pro-poor potential of tourism in Laos. The recent study by Oula (2005) on “Economic, social and environmental impacts of Tourism in Vangvieng District, Vientiane Province” shows that tourism has contributed strongly to the economic growth of Vangvieng as well as encouraging investment and increasing the state’s income. Oula (2005) stated that the positive impacts of tourism were huge, particularly in the areas of foreign exchange earnings and employment creation. The increase in tourist arrivals is correlated with an increase in revenues. However, benefits of tourism for the poor living far from tourism sites were not evident. In the case of Vangvieng, in spite of numerous benefits, the report found that more than 17 percent of the respondents did not receive any economic benefits from the tourism expansion in the area, while 3 percent had their economic situation deteriorate. Furthermore, tourism expansion has led to an increase in economic inequality. Another serious issue is the negative impacts of tourism on local culture, tradition and livelihoods. According to the report, “not everybody can get the same benefits from tourism expansion”. Therefore, it is important that the pro-poor approach be incorporated into the mainstream tourism agenda.

Poverty reduction in Luang Prabang has been significant during the last decade. The poverty incidence has declined continuously, from 62.7 percent in 1993 to 49.4 percent in 1998 and 21.4 percent in 2005. This was a reduction rate significantly higher than for the whole country. However, 86,298 people in Luang Prabang still lived under the poverty line in 2005, with more than 80 percent of them engaged in agriculture and living in remote areas (Table 2.7). The poverty incidence in Luang Prabang province of 21.4 percent in 2005 is significantly lower than the country’s average (estimated at 27.7 percent in 2005 and 30.7 percent in 2003). Luang Prabang is the province with lowest poverty incidence in the northern region of the Lao PDR. In addition, Table 3.7 shows that the poverty incidence in the province is especially low in districts in which the tourism industry is located and districts having road infrastructure linked with tourism (Luang Prabang, Xiengguane, Chomepet). In these districts, the poverty incidence is less than 10 percent, clear evidence that tourism helps to reduce poverty.

**Table 3.7: Poverty Incidence in Luang Prabang Province by Districts, 2005**

District	Number of villages	Number of households	Poor villages	Poor households	Poor persons	Percent poor households
Luang Prabang	116	13,814	9	84	487	0.6
Xiengguane	74	5621	23	201	1166	3.6
Nan	56	5029	27	597	3463	11.9
Pakou	65	4334	11	1920	11,136	44.3
Nambak	96	10,217	38	1553	9007	15.2
Goy	112	6818	49	901	5226	13.2
Pakxieng	63	4067	35	1306	7575	32.1
Phonexay	62	5055	55	3508	20,346	69.4
Chomephet	67	5011	55	310	1798	6.2
Viengkham	100	6429	95	3335	19,343	51.9
Phukhune	44	3105	28	1164	6751	37.5
<b>Total</b>	<b>855</b>	<b>69,500</b>	<b>425</b>	<b>14,879</b>	<b>86,298</b>	<b>21.4</b>

Source: Department of Planning and Investment, Luang Prabang province

## 3.3. Case Study in Luang Prabang

### 3.3.1. Characteristics of Study Areas

*Geographical and natural resources:* Luang Prabang is located in the centre of northern Laos bordering Oudomxay, Phongsaly and Huaphanh to the north, Vientiane and Sayabouli to the south, and Xiengkhouang to the west. Eighty-five percent of the province is mountains and upland, creating some difficulties for agriculture. A number of large rivers flow through the province, facilitating regional trade and transport. The province is divided into 11 districts, with the capital district of the town of Luang Prabang located at the junction of the Mekong and Khan rivers. About 90 percent of the area is covered by forests and rivers. In 1993, the government established the Phu Loei National Protection Area, in the north-eastern part of the province; it covers 150,000 ha, corresponding to 9 percent of the total provincial area (Government of Lao PDR, 2003b). The province is rich in forests, water and biodiversity.

*Population and ethnicity:* In 2005, the total population of Luang Prabang was 407,309 inhabitants, the fourth largest province in terms of population size, but sparsely populated with a density of only 24 persons per km<sup>2</sup>, similar to the national average. The population consists of different distinct ethnic groups among which Khamu and Lao are the largest groups sharing 47 percent and 29 percent of the population, respectively. Hmong comprises 16 percent of the population. Other ethnic groups comprise 8.1 percent. Despite the mountainous nature, 82 percent of the people are engaged in agriculture production, primarily rice cultivation, while others are mainly involved in commerce and other sectors mostly from the town of Luang Prabang.

*Infrastructure:* Luang Prabang is the province most accessible by air and road, after Vientiane. Until recently, however, it was cut off from major markets by lack of reliable surface transport; even the Mekong is not completely navigable year-round. Therefore, the province is used to traditional subsistence production and services. Recent transportation developments are the construction and improvement of Route 13 connecting Vientiane and Oudomxay and making Luang Prabang accessible by road all year. In addition, Luang Prabang airport has been upgraded to an international airport. Many international airlines are planning to fly directly to Luang Prabang in the near future. Luang Prabang has two distinct seasons: a pronounced wet season from May to October and a relatively dry season from November to April.

*Overview of socio-economic situation:* Agriculture is the main economic activity. It contributed 48 percent of the total production value of the province in 2005, while the non-farm goods industry contributed 17 per cent and services 35 percent. GDP per capita amounted to USD355 in 2005, compared to USD511 for the whole country.

### 3.3.2. Luang Prabang as a Tourist Centre

Luang Prabang's history dates back to 1353, when Lan Xang, the first Lao kingdom, was established in the area. The fledging city-state became known as (Great) Luang Prabang after receiving a revered Buddha image called Pha Bang as a gift from the Khmer monarchy. It remained the capital of Lan Xang until the kingdom's administration was moved to Vientiane in 1545. Even then Luang Prabang remained the spiritual and religious centre of the country. The people of Luang Prabang are rightfully proud of their ancient history and culture, which continues to flourish to this day and is on display in many sites throughout the province.

*Cultural tourism:* Culture is perhaps what makes Luang Prabang best known to the world. The capital district is claimed to be the area most populated with temples. Visitors can also see many villages with handicraft works such as cotton and silk, traditional iron, silver, posa (mulberry bark) paper and pottery. Tourists can also visit night markets, where sellers from all over the province gather to sell handicrafts from different ethnic groups.

*Natural tourism:* Luang Prabang is also rich in natural tourism sites. In 2004, there were 50 official natural tourism sites, including waterfalls, caves and mountains. Visitors can enjoy activities such as rock climbing, bush walking, swimming and exploration. Some of the country's most popular natural tourism sites are also located in the province, such as Kuang Si waterfall and Tham Ting cave.

*Historical tourism:* One of the best known historical sites is the national museum, the former royal palace, built in 1904. It accommodates many royal religious objects, gifts from foreign envoys, religious and cultural artefacts including Pha Bang and a gold standing Buddha image from the 14<sup>th</sup> century. Because of its rich cultural heritage, Luang Prabang was proclaimed “the best preserved city in south-east Asia” in 1994. The province was added to UNESCO's World Heritage List in 1995 for “its outstanding universal value, founded in the harmonious relationship between the natural and built environment; the juxtaposition of Lao village and French colonial architecture of the 19<sup>th</sup> to early 20<sup>th</sup> centuries” (Schipani, Choi and Gujadhur 2000:29).

Luang Prabang attracts tourists from all over the world. The number surged from 62,000 in 1997 to 262,000, of which half were foreign visitors, in 2005. Although currently Chinese tourists are few and their expenditures small (33,000 persons and USD1.83 million in 2005), it is believed that Laos could be a large market for Chinese tourists in the future. Recently, the government signed an agreement with China regarding tourism promotion. Chinese tour groups began arriving in 2005 (Myers, 2006). In 2005, Luang Prabang and China signed an agreement to increase Chinese tourists in Luang Prabang. Hence, the number of Chinese tourists is expected to increase rapidly in the near future. To accommodate this, the city has experienced a surge in hotels and guest-houses, from only 29 in 1997 to 163 in 2005, and in restaurants, from 22 to 102.

These data show that tourism in Luang Prabang has developed extensively in recent years and no doubt has significantly influenced the livelihoods of the people. This makes the city an interesting case study to assess the impact of tourism on poverty reduction. The results will not only enhance understanding of links between tourism and poverty reduction in Luang Prabang but will also highlight lessons that could be applied to develop pro-poor tourism in other parts of the country.

### **3.3.3. The Impacts of Tourism in the Selected Villages and Households**

The key informant survey was carried out in 20 villages. The villages were classified into four groups: five villages in city centre (group A), four located 10–20 km from the city (group B), seven situated 20–25 km from the city (group C) and four more than 25 km from the city but close to a tourism site (group D). In each village 10 households were selected for interviews on their economic situation.

#### **3.3.3.1. Human Resources**

The population sizes of the sampled villages varied moderately across the different groups. Villages in groups A and D appear to have on average fewer household members than the other two groups. However, the household sizes in the sampled areas (shown in Table 3.8) are well below the national average of 6.1 (NSC, 2004a). The villages also vary in terms of ethnicity. Villages located in the city comprise mainly one ethnic group—Lao Lum—while the other villages are quite diversified, composed mainly of Lao Lum but also of Lao Theung, Yuan, Khamu and Lue.

**Table 3.8: Population and Ethnic Groups in Sampled Villages**

Indicator	Type of sampled villages				Total
	City villages (A)	10–20 km from the city (B)	20–25 km from the city (C)	> 25 km from the city near a tourism site (D)	
Population	2,926	2,463	5,260	2,190	<b>12,839</b>
Number of households	551	427	963	419	<b>2,360</b>
Average household size	5.3	5.8	5.5	5.2	<b>5.5</b>
<i>Ethnic majority:</i>					
Lao Theung	0	2	1	1	<b>4</b>
Lao Lum	4	1	5	3	<b>13</b>
Lao Sung	0	0	0	0	<b>0</b>
Yuan	0	0	1	0	<b>1</b>
Khamu	0	1	0	0	<b>1</b>
Lue	1	0	0	0	<b>1</b>

Source: Village case study

### 3.3.3.2: Access to Education

Villagers in the studied areas have fairly good access to education. Most of the villages have primary schools, and a few have secondary schools. Access to a school depends on distance and travel time. Villages in the city have better access, and a school may be nearby even if it is not located in the village. The average literacy rate is much higher in the urban (98 percent) and group D villages (97 percent). Although distance to schools and travel time are important to explaining the literacy rate, it is interesting to note that the rate among villagers in group D, with long travel time to school, matches the city. An explanation may be that people there have been more inclined to go to school because, living close to a tourism site, they may hope to participate in tourism.

**Table 3.9: Access to Education and Literacy Rate**

	A	B	C	D	Total
No. of sampled villages	5	4	7	4	<b>20</b>
Total number of villages with school					
- <i>Incomplete Primary</i>	2	4	7	4	<b>17</b>
- <i>Complete Primary</i>	2	4	7	3	<b>16</b>
- <i>Lower Secondary</i>	0	1	2	0	<b>3</b>
- <i>Upper Secondary</i>	0	0	1	0	<b>1</b>
- <i>Vocational Training</i>	0	0	1	0	<b>1</b>
Average literacy rate (%)	98	91	87	97	<b>93</b>
Number of villages with convenient access to main road or city in both seasons	5	4	7	4	<b>20</b>

Source: Village case study, 2006

Household members in the studied areas are relatively well educated. On average, only around 7 percent of the people are illiterate, a considerably lower rate than the national average of 24 percent. The literacy rate is comparable with the average level in urban areas. As expected, household members in the city are the most educated group, but the difference with those outside the city is not large,

and it is not evident that household members in villages close to tourism sites receive better basic education than people in other villages (Table 3.10).

**Table 3.10: Education by Type of Village (%)**

	A	B	C	D	Average
Illiterate	5.4	8.4	8.5	7.4	7.4
Not complete Primary	6.4	17.4	15.3	10.8	12.5
Complete Primary	17.6	29.0	23.8	23.3	23.4
Not complete Lower Secondary	12.3	12.3	9.8	13.1	11.8
Complete Lower Secondary	14.7	14.8	17.3	15.3	15.5
Not complete Upper Secondary	7.8	7.1	7.8	9.1	8.0
Complete Upper Secondary	15.7	6.5	10.4	10.8	10.8
Vocational Training	14.2	2.6	5.9	9.7	8.1
University	4.9	1.9	0.3	0.6	1.9
Others (specify)	1.0	0.0	1.0	0.0	0.5
Total	100.0	100.0	100.0	100.0	100.0

Source: Household case study, 2006

### 3.3.3.3: Housing and Water

Housing conditions are somewhat better in the city—34 percent of households live in concrete houses, but those living in below-standard wooden houses are the same proportion as in the other villages. There is not much difference in house ownership between the villages. This is not surprising, because usually households outside cities live in their own houses, while people living in the city sometimes have to rent accommodation or live with relatives. As expected, households in the city have better access to safe water than other groups.

Households have good access to clean water, the provision of which has expanded over a long time. Every village in the urban centre can access clean water from a pipe. Some households in B and C villages do not yet have access to clean water. Although villagers in group D can access clean water, one village uses piped water and three rely on streams.

**Table 3.11: Household Living Standards**

Criterion	A	B	C	D	Total
No. of households	50	40	70	40	200
<b>Housing (%)</b>					
Wooden house (below standard)	16.0	17.5	11.4	27.5	17.0
Wooden house (standard)	8.0	22.5	11.4	25.0	15.5
Concrete house	34.0	15.0	18.6	17.5	21.5
Other	42.0	45.0	58.6	30.0	46.0
<b>House ownership (%)</b>	94.0	95.0	95.7	92.5	94.5
<b>Access to safe water (%)</b>	100	90.0	90.0	92.5	93.0
<b>Access to sanitation (%)</b>	98.0	65.0	94.3	85.0	87.5

Source: Household case study, 2006



### 3.3.3.4: Access to Services

*Access to health care:* Six villages (out of 20) reported that they have access to traditional health care centres and district hospitals, most of them constructed during 1976–90. There are only two main hospitals established before 1975, both located in urban areas. The number of pharmacies increased significantly from 1991 to 2000, in particular in groups A, C and D.

*Access to electricity:* Villages have very good access to electricity; most had been connected to the grid in the previous 10 years. This is a result of an expansion of the electricity network and the construction of hydro-power dams in recent years. At present, 18 of 20 villages can access electricity. Only two villages in group D are without.

*Access to telephones:* Villages have excellent access to telephone networks. Fifteen have fixed line phones and 19 have mobile phone coverage. This development took place in the previous five years, when the fixed line networks were extended and many new local and international mobile phone service providers entered the industry. Again, accessibility is much better in the villages nearer the city centre.

*Access to markets:* Sixteen of the 20 villages have a permanent market, a large proportion of which were established before 1990. Some villages also have traditional markets.

*Access to irrigation:* Although the majority of people in Luang Prabang consider agricultural work their main economic activity, irrigation networks still do not reach many villages. This may be partly due to the mountainous landscape of the province. At present, only seven villages have access to irrigation. Most systems were established during the previous five years. Accessibility is higher in the villages located 25 km or more from the city.

*Access to credit:* The accessibility to credit varies between villages in and outside the city. City villages can access many sources, mainly government and commercial banks. Villages away from the city rely on village funds as their major source of credit, and a few villages can also access banks.

*Access to roads and other transport:* All selected villages have convenient access to main roads. Some villages are situated on the Ou River and can thus be reached by water as well. These villages face a problem of erosion, and the stairways to reach the village from the river are not well maintained.

### 3.3.3.5. Land Resources and Assets

The villages are endowed with different resources. Villages outside the city have more agricultural land per household: for instance, 1.8 ha in group B compared to 0.5 ha in the city. Rural villages also have more rice mills and hand tractors. Motorcycles and cars are more abundant in the city villages due to both a higher purchasing power and the need for such transportation.

**Table 3.12: Agricultural Land and Other Assets, per Village**

	A	B	C	D	Total/ Average
Average agricultural land (ha)	49	187	110	142	<b>117</b>
Average agricultural land (ha/household)	0.5	1.8	0.8	1.4	<b>1.0</b>
Rice mills	1	4	5	13	<b>6</b>
Hand tractors	2	4	6	7	<b>5</b>
Motorcycles	120	45	68	46	<b>72</b>
Cars	21	4	6	3	<b>8</b>
Boats	13	8	15	31	<b>16</b>

*Source: Village case study, 2006*

Possession of assets varies to some extent. Households in the city villages seem to be the most affluent in terms of capital goods, but the difference with the other villages is not very large. Land ownership is more frequent among households outside the city. It is worth noting that possession of capital goods does not seem to depend on distance from the city. Villages in group D located close to a tourism site appear to be as affluent as villages closer to the city. This fact supports view that the benefits from tourism very much depend on the nature and size of the tourism site and activities in which local people are involved.

**Table 3.13: Households Owning Land, Livestock and Durable Goods (%)**

Asset	A	B	C	D	Average
Land	11.1	23.6	17.4	23.2	<b>18.8</b>
Livestock	4.2	12.4	13.2	18.9	<b>12.2</b>
Motorbike	16.1	11.8	11.9	11.0	<b>12.7</b>
Car/Truck/Boat	4.2	3.7	5.2	4.9	<b>4.5</b>
Television	17.6	11.8	14.0	11.0	<b>13.6</b>
CD/VCD/DVD	17.2	14.3	13.8	11.6	<b>14.2</b>
Refrigerator	15.7	8.7	11.4	7.9	<b>10.9</b>
Tractor	-	1.2	2.1	2.4	<b>1.4</b>
Air Con	5.7	4.3	3.1	3.0	<b>4.1</b>
Other	8.0	8.1	7.8	6.1	<b>7.5</b>
No. of households	204	155	309	176	<b>844</b>

Source: Village case study, 2006

### 3.3.3.6. Village and Household Livelihoods

Three-fifths of household members in all four studied areas are working, slightly more in the city villages. The difference between the villages is less than 8 percentage points (Table 3.14). The studying generation is relatively larger in country villages, and the share seems to grow with distance from the city. Except for the obvious fact that farmers are the dominant occupation in the countryside and government employees are quite numerous in the city of Luang Prabang, the other noticeable feature of labour force participation is the size of activities related to tourism in the city centre.

**Table 3.14: Household Members' Economic Activity (%)**

Activity	A	B	C	D	Total
Study only	19	22	29	32	26
Study and work	3	1	1	0	1
Working	64	61	56	57	60
Too old to work	7	5	5	2	5
Disabled	1	0	0	0	0
Other	6	11	9	8	9
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
Working persons per household	3.1	3.5	2.9	2.9	3.1

Source: Household case study, 2006

Tourism is expected to have economic effects upon local livelihoods. The main occupations among people in the city are related to services, while agriculture is still the main occupation outside the city (Table 3.15). City people are employed in many more areas of tourism than people outside the city, such as in transportation services, hotels and restaurants, and in commerce along the main road to the tourism sites. In addition, manufacturing and construction work are also important in the city. Tourism-related employment in rural villages is found only in transportation services and vending along roads to the tourism sites. In the past five years, some new businesses have been established in the studied villages. New businesses in the city are more related to tourism—hotels, restaurants, transportation and handicraft stores. New businesses in other areas are more varied and related to other sectors of the economy. Villages far from the city, but near a tourism site, have some new businesses related to tourism, such as transportation services and guest-houses.

**Table 3.15: Main Occupations in Villages (%)**

Occupation	A	B	C	D	Total
Agriculture	13	42	30	32	29
Fishing	8	5	2	4	5
Construction	13	11	13	4	11
Manufacturing	11	5	7	12	9
Services	39	16	28	24	28
Government	13	5	11	12	11
Other	3	0	9	12	6

Source: Village survey

### 3.3.3.7. Agriculture Production and Market Access

The data in Table 3.16 suggest that on average 81 percent of household's rice production is consumed by the households themselves. Only a very small fraction is thus for sale. Maize, vegetables, fruits and flowers—and possibly beef and poultry—are more important cash crops for farmers, and it is probably in this segment of agriculture that local villagers can benefit most from tourism. Households can process their produce and sell it in local or city markets or directly to the final consumers. Farmers close to the city sell little through middlemen and a large part to markets in the city or directly to tourists or tourist establishments. Closeness to the city may give them an advantage. Selling through middlemen is more common in the other villages, but less than 20 percent of sales overall. Farmers in villages close to the city can thus benefit more from rising prices. The large share of direct sales is not as common in other parts of the country.

**Table 3.16: Household Crop Production and Consumption**

	A		B		C		D	
	kg	% own consumption	kg	% own consumption	kg	% own consumption	kg	% own consumption
Rice	8000	69	34,030	91	111,050	76	57,490	89
Maize	2	100	9970	31	4410	16	1500	7
Vegetables	4100	2	2530	62	32,950	6	790	20
Fruits	300	23	58,950	22	35,190	5	7860	8
Flowers	-	-	11,300	4	3150	0	-	-
Other	306	2	5940	4	33,430	1	9110	1

Source: Household case study, 2006

The production of agricultural goods to supply the tourist market is not enough, largely because the sector faces some major constraints, including weather conditions, lack of capital and insufficient labour, insufficient irrigation, technical knowledge and lack of land. Apparently the tourism boom has put pressure on local supplies of goods and services. Prices of many consumption goods in the studied villages have soared recently. The price level for a selection of food items in 2006 was 33 percent<sup>3</sup> higher than in the previous year. This is far above the national inflation level, which was 7 percent in 2005 and estimated below 9 percent<sup>4</sup> for 2006. The official consumer price index tells us that food prices were 16 percent higher in Luang Prabang province in July 2006 than in July 2005, and that prices of rice increased between 21 and 49 percent during the same period. Most food items could be locally produced, and the soaring prices indicate that local agricultural producers in particular have difficulty meeting the demand. Local producers have a large share of sales to the tourism industry. Limited capacity to deliver food products could force buyers to turn to other suppliers, and if the market is once lost, it may be difficult to regain it.

### 3.3.3.8. Household Consumption and Expenditure

Average per capita consumption and expenditure are highest in the city villages, supporting the idea that households there are more affluent. As poverty is reduced, the share spent on food tends to become smaller, with increased income going more for non-food items. The comparisons between city and countryside households in the studied areas indicate a similar trend that households in the city spent more on food than countryside household. Examining household expenditure in more detail, the variations reflect different preferences and lifestyles as well as sample errors, but it seems as if city households do not rely so much on basic food items (e.g., rice, fish and meat) but eat more vegetables and fruits, which may be a result of higher income as well different preferences.

**Table 3.17: Per Capita Household Consumption and Expenditure (kip)**

	A	B	C	D	Total/ Average
No .of households	50	40	70	40	<b>200</b>
Total population	204	155	309	176	<b>844</b>
Monthly food expenditure	398,500	193,900	272,800	210,500	<b>275,985</b>
Monthly food consumption	498,100	242,300	341,000	263,100	<b>344,955</b>
Monthly non-food expenditure	217,100	233,500	132,200	112,700	<b>169,785</b>
Monthly consumption	715,200	475,900	473,200	375,800	<b>514,760</b>
Food consumption as % of total consumption	70	51	72	70	<b>67</b>
Food expenditure as % of total expenditure	56	41	58	56	<b>54</b>

Source: Household case study, 2006

Non-food expenditures also vary among households related to different needs, such as transportation being a larger burden for households away from the city, and different accessibility (e.g., electricity taking a larger share of city households' expenditure). Spending on education is higher in villages outside the city, partly because of larger families, but probably also because of ambition among households there to provide their children with good education. Spending on health care seems to be higher in rural areas.

<sup>3</sup> This rate is not official. It is calculated from the prices for 13 consumption goods given by key informants during the village survey.

<sup>4</sup> Informal estimate by Macroeconomic Research Division, NERI.

**Table 3.18: Household Expenditure on Non-Food Items (% of non-food spending)**

	A	B	C	D	Total
Public transportation	2.6	3.1	16.5	15.0	<b>10</b>
Fuel (private transportation)	17.9	5.5	10.6	13.2	<b>11.9</b>
Communications	11.1	2.6	9.5	7.1	<b>8.0</b>
Personal care	9.0	2.1	5.7	6.5	<b>5.9</b>
Household utilities	3.0	2.7	9.1	8.7	<b>6.2</b>
Education	10.0	20.3	18.9	19.2	<b>17.0</b>
Medication and health care	11.3	61.2	21.0	14.5	<b>25.3</b>
Electricity	17.8	1.7	3.9	9.8	<b>8.1</b>
Water	6.4	0.4	0.6	1.4	<b>2.2</b>
Cooking fuel	7.6	0.3	1.0	1.2	<b>2.6</b>
Entertainment	2.1	0.0	3.3	3.6	<b>2.1</b>
Other	1.1	0.0	0.0	0.0	<b>0.3</b>
Total	100.0	100.0	100.0	100.0	<b>100.0</b>

Source: Household case study, 2006

### 3.3.3.9. Earnings

The research team did not attempt to measure household income, for which household consumption is a good proxy. Instead we wanted to ask if people working in the tourism industry are remunerated well. Can they live on their income or support other non-working members of their household? Table 3.19 provides some example of earnings from tourism and other work. The figures should be interpreted with some caution, because people may be reluctant to provide such information; income may often be understated and households may have other kinds of income not measured in the surveys. Remittances from relatives living in other parts of the country and abroad, for example, are an important source for many households. The average level of earnings is also a bit below the consumption level.

**Table 3.19: Average Monthly Income of Selected Activities (kip)**

	A	B	C	D
Student	150,000	.	.	.
Farmer	280,000	340,000	350,000	330,000
Government official	370,000	280,000	360,000	330,000
<b>Tourism-related activities, average</b>	<b>815,714</b>	<b>296,667</b>	<b>580,000</b>	<b>547,500</b>
-Labourer	1,370,000	450,000	570,000	520,000
-Driver (taxi, tuk-tuk)	930,000	280,000	210,000	600,000
-Run a SME	410,000	160,000	1,300,000	970,000
-Artisan	600,000	.	.	100,000
-Cook/chef	650,000	.	240,000	.
-Waiter	750,000	.	.	.
-Tour guide	1,000,000	.	.	.
Retired	305,000	367,000	100,000	.
Security	500,000	.	400,000	.
Administrative worker	400,000	420,000	.	.
Other	794,000	401,000	508,000	423,000

Note: Income is calculated net in cases where the activity entails running costs. The cost is based on estimates from establishment surveys and household surveys.

It seems clear that the earning level for workers in the tourist industry is significantly higher in the city than in the countryside, reflecting better education and requirements. For people operating their own businesses, city entrepreneurs do not have any advantage over their rural counterparts. The examples are too few to draw any conclusions, but other information suggests that competition takes its toll in the city. The other, more important, conclusion is that the level of earnings is such there are few, if any, who alone can feed a family of five. However, since on average about three members of households work, the situation looks much better. With the average income from tourism activities and the number of people working per household (Table 3.14) we get an income of USD2 per day per person or more for city households and households in groups C and D. For villagers in group B, the income barely reaches the poverty line. Although the measurements are not fully consistent with the consumption data, the conclusion is the same: whatever the importance of tourism for the overall economy and for owners of service establishments, the remuneration of people working there is not particularly high.

Average earnings for different occupations vary quite significantly across the studied areas. Farmers' income (i.e., cash income plus the value of own produced and consumed goods) is among the lowest, although somewhat better outside the city because in those villages they grow very sweet pineapples and many types of vegetables and market them in local and city markets. Working for government gives the same level of earnings as farming, but civil servants most likely have other benefits. It is interesting that labourers seem relatively high paid in all the studied areas. For the family income, it is important that students in the city can have part-time jobs during vacations or weekends and earn 150,000 kip per month. No such opportunity exists in other areas.

Comparisons of income by different occupations and levels of household participation in different areas gave us some picture of the economic impact of tourism. Income from tourism-related sectors<sup>5</sup> makes up about 25 percent of all income in villages outside the city and almost the same for villages in the city.

### 3.3.4. Key Findings on Poverty from Household Survey

Of the 844 persons in the household sample, 60 percent were considered poor or very poor based on consumption. This is a much higher rate than the official poverty incidence in the province (estimated at 21 percent in 2005). Obviously the small sample entails errors, but that could not fully explain the difference. Poverty rates in the village groups are shown in Table 3.20.

However the percentage of "very poor" people was lower in the city and in villages far away but with a tourism site, which indicates that tourism has some effects on poverty. In the city, a majority were better off, but also in villages far from the city the poor and non-poor were evenly distributed. Living in the city thus implies somewhat less risk of being poor, but the evidence is not clear cut. A majority of the poor and very poor are farmers or students. Also among better off people are farmers and students together with those running SMEs.

There are different possible explanations of how poverty is distributed among villages. Access to various jobs may be greater in the city, but citizens there may also face bigger difficulties if they do not find a job. Rural citizens may have a more stable source of income, in particular if farming is the base of the household economy. An interesting question is in what sense tourism activities have provided income opportunities.

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<sup>5</sup> Tourism-related sectors here exclude agriculture because, although some income in agriculture must arise from tourists, it was not possible to determine how much.

**Table 3.20: Wealth Level by Village Type**

Village type	Number of persons	Percent				
		Very poor	Poor	Medium	Rich	Total
A	204	20	22	27	31	100
B	155	70	13	9	8	100
C	309	43	23	12	23	100
D	176	32	19	35	13	100
<b>Total</b>	<b>844</b>	<b>40</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>100</b>

Source: Household case study, 2006

Table 3.20 illustrates how poverty is distributed by village type for all sampled persons, engaged in tourism or not. Table 3.21 provides information for that part of the sample engaged in tourism. Twenty eight percent of the survey population are engaged in such activities, of which 52 percent are poor and 48 percent are non-poor. By types of village, 57 per cent of the very poor in the city are engaged in tourism. The table also shows that while tourism is an activity that engages far more people in the city than in the countryside, at least one-fifth of people from all groups outside the city take part in this activity. Another conclusion is that poor people in the city are as engaged in tourism as rich people. There is no evidence that people in remote areas have become rich only because of engagement in tourism. Tourism may be a secondary activity, but it seems to have an impact upon the economy among certain individuals.

**Table 3.21: Percentage of Wealth Categories Engaged in Tourism, by Village Location**

	Very poor	Poor	Medium	Rich	Total
No of people engaged in tourism	70	53	45	68	236
Percentage of each wealth category engaged in tourism:					
A	57	43	47	47	48
B	26	30	-	58	27
C	9	29	19	31	19
D	14	21	19	43	22
<b>Total</b>	<b>21</b>	<b>31</b>	<b>20</b>	<b>41</b>	<b>28</b>

Source: Household case study, 2006

Table 3.22 presents the wealth distribution among village types of those engaged in tourism. Comparing it to the overall poverty distribution shown in Table 3.13, it is clear that the share of the “very poor” is lower mainly due to lower rates in villages far from the city. Another observation is that the proportion of the “rich” has gone up somewhat more in remote areas than in the city.

**Table 3.22: Wealth Distribution of People Engaged in Tourism**

Village type	Number engaged in tourism activities	Percent distribution of those engaged in tourism				
		Very poor	Poor	Medium	Rich	Total
A	97	22	20	28	31	100
B	42	69	14	-	17	100
C	58	21	34	10	34	100
D	39	21	21	31	28	100
<b>Total</b>	<b>236</b>	<b>30</b>	<b>22</b>	<b>19</b>	<b>29</b>	<b>100</b>

Source: Household case study, 2006

The data on income confirm previous conclusions. Poor people engaged in tourism activities have slightly higher average incomes than other poor individuals, regardless of location. Rich people engaged in tourism have a much higher average income than other rich with no or little participation in these activities. Although the average income of rich people in the city is higher than in other areas, the income difference between people with or without tourism engagement seems to be more significant in remote areas than in the city. This may not be a surprise because people in the city have more income sources than people in remote areas.

The perception of how living standards have developed is generally positive, with very few households believing their standard is the same or worse than five years ago. The perception is more or less the same between the village groups, but very poor people have a more positive opinion of what the past years have brought than do poor and non-poor people.

### 3.3.5. Villagers' Perception of Changed Living Standards

The village survey revealed an overwhelming trend of improved living standards in the studied villages. All four areas reported an improvement in all aspects. Villagers suggested that they earned higher incomes because of increasing job opportunities, access to markets, access to main roads and growing tourism. They have thus experienced positive linkages between tourism and improved living standards. Apart from these major improvements, many villages also claim that they have enjoyed better health care and transportation. As a result, village representatives made the assessment that poverty in city villages is basically eradicated, while there were pockets of poverty in villages outside the city.

*Table 3.23: Percentage of Poor Households by Poverty Criteria*

Criterion	A	B	C	D	Total
Not enough rice (<16 kg/month/person)	1.5	10.8	3.3	11.2	<b>5.9</b>
Lack of adequate clothing	0.9	3.7	5.1	10.5	<b>4.9</b>
Not having permanent housing	0.9	0.0	8.3	13.6	<b>5.9</b>
Not capable of meeting health care costs	1.5	3.7	12.1	13.6	<b>8.1</b>
Not capable of meeting family educational expenses	1.5	9.1	9.8	7.2	<b>7.1</b>

*Source: Village case study, 2006*

The poverty incidence seems to rise with increased distance from the city: the share of poor households is highest in the villages in group D according to four of the five poverty criteria (Table 3.23). However, when asked about changes in the living conditions of the poorest, 15 (out of 20) villages said that the poorest people in their village enjoy better lives because of continued economic growth and rising incomes.



**Table 3.24: Perception of Changed Living Standards of the Poorest Compared to 5 Years Earlier, by Reason**

Reason	Number of villages			
	Better off	Worse off	No change	Total
People's diligence and strong will to fight poverty	2	0	0	2
Economic growth	5	0	0	5
Increasing incomes	5	0	0	5
Good guidance from the government	3	0	0	3
Insufficient capital	0	0	1	1
Recently settled in the village	0	1	0	1
Families have too many children	0	0	1	1
Related to drug usage	0	1	0	1
Unknown reason	0	0	1	1
<b>Total</b>	<b>15</b>	<b>2</b>	<b>3</b>	<b>20</b>

Source: Village case study, 2006

Our research team also investigated the impact of tourism on changed household living standards through interviews with individual members. The households that think their living standards have been improved outweigh those that think their lives have become worse. It was expected that households living near tourism sites would have more positive views on changes in their living conditions because of the booming tourist sector. However, this expectation was not fully realised in the survey. Although a majority of city households perceive their standards as having improved, there are some households that feel conditions have become worse—a feeling shared by households in group C but for different reasons. City households mention fewer job opportunities, business losses and high competition as factors explaining worse outcomes; this may indicate that there is overcapacity in the city. For households in group C, natural disaster and fewer job opportunities are the main causes for the worsening condition. Households in the other groups seemed to have little to complain about.

When asked directly whether they felt that they had benefited from the expansion of tourism, about one-third of the households stated that they had not noticed any benefits at all (Table 3.25). For villages outside the city, where most households have seen improvements in living standards, there seem to be other opportunities to earn a living than in the city. For households in the city, poor business conditions seem to explain why some 26 percent do not see any benefits from tourism.

**Table 3.25: Perception of Benefits from Tourism (% of Households)**

	A	B	C	D
Very beneficial	46	44	34	40
Moderate benefits	28	20	30	26
No benefits at all	26	36	36	34
	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Household case study, 2006

**Table 3.26: Percent of Households not Benefiting from Tourism, by Reason**

	A	B	C	D	Total
Lack of capital	16	10	17	27	17
Low skill / education	4	5	13	12	9
Lack of labour in the household	8	5	4	2	5
Located far from tourism site	4	10	11	13	10
Lack of access to information	4	2	4	12	6
Lack of good infrastructure	2	-	-	-	1
Business not directly related to tourism	10	10	21	23	17
Other	6	20	13	8	12

Source: Household case study, 2006

Finally, households in the city and in group C appear to be more worried than others that tourism could negatively impact living conditions, Lao culture and traditions and the environment.

**Table 3.27: Percent of Households Having Negative Views of Tourism Impacts**

	A	B	C	D	Total
Tourism creates direct or indirect negative impacts on living conditions	17	4	20	2	12
Over the last 5 years, some culture/ traditions/ language changed negatively	39	16	49	17	34
Tourism has negatively affected the environment of Luang Prabang	6	5	15	3	8

Source: Household case study, 2006

### 3.3.6. Perceptions of Impacts of Tourism Development

This section will identify how people in the villages perceive tourism. It was expected that villages close to tourism sites were more likely to see benefits from tourism.

**Positive and negative impacts of tourism:** The survey found that most city villages and those close to a tourism site claimed to benefit from tourism through job creation and income generation. For instance, tourism generates income in four (of five) villages in the city and three (of four) distant villages located near a site. In addition, about half of the villages in these same groups also benefitted from tourism by being able to provide services to visitors. On the other hand, only one of four villages in group B and one of seven in group C claimed similar benefits. These villages are not only away from the city but also far from tourism sites.

Only a few villages expressed some negative views about the impact of tourism. These included that visitors made villages and tourism sites dirtier because of rubbish and dust from transportation. In addition, two villages mentioned an incident of a Buddha image stolen and destroyed by tourists. Apart from this, 12 villages commented that the absence of tourism sites in their villages must be an important reason that people can not profit from tourism.

**Tourism and the environment:** In general, it was expected that an increase in the number of tourists visiting villages could create more interaction between tourists and local people. This could create conflicts or arguments between them, be uncomfortable for the local people and impact on the

environment of the villages. However, the survey revealed overwhelmingly positive perceptions in the villages. Arguments have seldom taken place; in fact only two villages reported such incidents.

Fifteen villages commented that tourists were more than welcome and that they were willing to receive more of them. Still, a few villages feel uncomfortable with tourism as a whole, although not with any specific tourists. Two villages commented that they are under the supervision of the World Heritage office and therefore lack independence in making changes (e.g., repairing their houses).

Finally, even though the number of tourists visiting Luang Prabang is rising, villagers still feel that the environment of the villages and surrounding areas is not yet affected. Only two villages in group D expressed the view that the rapid expansion of tourism produces more waste, makes water dirty and creates some pollution associated with transportation.

***Potentials of the villages and how they could benefit from tourism:*** The survey also examined the perception of villagers regarding their potential to attract tourists or generate income from tourism. The survey found that being a World Heritage city was viewed as a major potential benefit. In addition, villages far from the city commented that the presence of attractive natural tourism sites had a strong potential benefit.

However, only villages located close to tourism sites see benefits from tourism. For villages in the city, income generation, job creation and opportunities to sell souvenirs to tourists are obvious benefits, while villages located far from the city but near tourism sites also see gains from tourism, such as speeding up access to roads, electricity and water. For the majority of villages away from the city and not having tourism sites, tourism does not seem to be of importance.

Villagers gave many suggestions of how their well-being could be improved. Promotion of local products and creation of new products are major needs for the villages in most areas. Both would help villagers because the market would not be limited to tourists but would include the general public. The proposal is in line with one of the government's top priorities, promoting commercial production across the country. Improving roads was another suggestion from all areas, as this is very important for tourism as well as for the general development of villages. Transport along rivers is popular with tourists, and some villages mentioned erosion problems and that better access from the river to the villages would make them more attractive. Villages located about 10 km from the city needed training in weaving to improve their skills. Two of the four villages in group D suggested that training in service provision would improve the life of local people by helping them to produce goods and services for the tourist market. There were other minor suggestions related to both tourism and general development issues.

### **3.3.7. Other Impacts**

Along with economic impacts, the tourism industry brings a multitude of other impacts, both positive and negative. The socio-cultural impacts of interactions and relations with tourists become apparent when tourism brings about changes in value systems and the behaviour of local people and thereby threatens indigenous identities. Such influences are difficult to measure and not always apparent, but the most significant negative impact concerns morality issues. Although not yet a big problem, STDs are on the increase. Mixing the local traditional culture—its dress codes and observance of the Buddhist calendar—with tourist attractions may also create interactions that are perceived as negative by some local people.

The quality of the environment, both natural and human, is essential to tourism. The environment may be harmed by depletion of natural resources, pollution and physical impacts of new infrastructure. Although tourism puts pressure on natural resources, the ability of Luang Prabang province to cope

with the present number of tourists seems good. We have not seen any water shortages, and land degradation caused by tourists is limited. However, we have observed pressure on local resources like food and other raw materials. Agriculture is to a high degree production for own use based on small plots. Littering and pollution from transport are growing problems as well as erosion of river banks.

### 3.3.8. Findings from the Tourist and Establishment Case Studies of Tourism-Related Businesses

#### 3.3.8.1. Findings from the Survey of Tourism-Related Businesses

In order to see the whole picture of impacts from tourism, the team conducted a survey (manager interview) of tourism-related businesses. The team interviewed the owners of 20 business entities related to tourism, including hotels, guest-houses, restaurants and travel agencies, to capture information from the production side.

**Characteristics of the Tourism Industry in Luang Prabang:** The survey revealed that businesses in the sector provide various kinds of goods and services, the common ones being accommodation, food and beverages and travel services. Handicraft sales are another popular activity. The surveyed establishments provided souvenirs, silverware production, weaving and posa production. Many of the handicraft skills are unique to the local people and related to the culture of Luang Prabang, and the expansion of tourism has contributed to the preservation of these unique qualities.

**Income/property benefits:** The tourism boom and consequent increase of the number of businesses has led to an increase in the demand for property. This is expected to have an impact on the price of rentals. The survey revealed that seven (of 20) establishments, mainly travel agencies, rented the premises for their operations. The average rent was USD1470 per year in 2005, compared to USD1240 five years earlier. The maximum rent was USD4200, compared with USD3000 in 2000. Because of such price trends, many local people lease out their properties and resettle in a non-tourism area.

There were different views on how much tourism really contributes to the changed livelihood of the people. One way to identify such relations is to examine how many of the inputs to tourism businesses are from Luang Prabang. It was found that many inputs are indeed sourced locally, especially food. The share of local food items is as high as 75 percent, and local vegetables and fruits represent about half of the inputs. However, other items such as furniture, décor and textiles, and locally made products take a much smaller share, and a large proportion of these products are imported from abroad (Table 3.28).

**Table 3.28: Source of Input/Materials, Percent**

Origin of Input	Furniture and décor	Textiles	Other	Food	Beverages	Vegetables	Fruits	Other
Imported	86	58	23	22	1	23	27	38
From in								
Luang Prabang	10	28	69	75	25	47	53	6
From other provinces	4	14	8	3	74	29	20	56
<b>Total (USD per year)</b>	<b>112,175</b>	<b>14,451</b>	<b>86,440</b>	<b>159,518</b>	<b>72,527</b>	<b>33,384</b>	<b>14,597</b>	<b>73,916</b>

Source: Establishment survey 2006

The main reason given for importing was the lack of availability of locally produced goods, price or quality. Half of the respondents said that they had to purchase inputs from other areas because they are not available in town or the supply is insufficient (Table 3.29). However, the value of locally supplied inputs was higher than those for imports (Table 3.30). This information suggests that Luang

Prabang province and its people do benefit from tourism because of tourism's expansion of the market for locally produced goods and services.

**Table 3.29: Reasons for Acquiring Inputs from Other Areas (number of respondents)**

Type of establishment	No Comment	Not available in Luang Prabang	Insufficient local supply	Low-quality products	Too expensive
Restaurant	0	5	0	0	0
Hotel	2	1	1	1	0
Handicraft	1	1	3	0	0
Tourist agency	1	3	0	0	1
<b>Total</b>	<b>4</b>	<b>10</b>	<b>4</b>	<b>1</b>	<b>1</b>

Source: Establishment survey 2006

**Table 3.30: Cost of Inputs, per Year, by Source<sup>6</sup>**

Source	Total value (USD)	Percent
Imported	206,640	35
Purchased in Luang Prabang	254,126	42
Purchased from other provinces	135,736	23
<b>Total</b>	<b>596,503</b>	<b>100</b>

Source: Establishment survey 2006

Employment benefit linkages: Another way to assess the impact of tourism is to examine the employment benefits. The establishments under our survey employed 417 employees, of whom about 59 percent were female and 96 percent from Luang Prabang. Most tourism employees had permanent jobs accounting for 87 percent as compared to 10 percent of temporary or part-time works. Tourism-related businesses thus mainly recruit local people and prefer or attract females. For instance, 80 percent of Luang Prabang employees working in the handicraft sector are female (Table 3.32). Local people work in all major areas.

**Table 3.31: Number of Current Employees at Surveyed Establishments**

	Luang Prabang people		Employees from other provinces		Foreign employees	
	Total	Female	Total	Female	Total	Female
Permanent staff	346	214	16	8	2	0
Temporary or part-time staff	42	17	0	0	0	0
Unpaid employee (including owner)	11	8	0	0	0	0
<b>Total</b>	<b>399</b>	<b>239</b>	<b>16</b>	<b>8</b>	<b>2</b>	<b>0</b>

Source: Establishment survey 2006

<sup>6</sup> The annual cost of food-related inputs is estimated from the weekly expenditure on food, beverages, vegetables, fruits and others.

**Table 3.32: Share of Employees in Various Jobs, by Origin (%)**

	Luang Prabang People		Employees from other provinces		Foreign employees	
	Total	Female	Total	Female	Total	Female
Restaurant	19	66	0	0	0	0
Hotel	33	61	12	50	0	0
Handicraft	30	81	38	100	0	0
Tourist agency	18	18	50	12	100	0
<b>Total</b>	<b>100</b>	<b>60</b>	<b>100</b>	<b>50</b>	<b>100</b>	<b>0</b>

Source: Establishment survey 2006

### 3.3.8.2. Findings of the Tourist Survey

A survey of tourists was also conducted. The survey team interviewed 100 tourists at Luang Prabang International Airport. All of them were international tourists; 64 percent were budget tourists (accommodation less than USD25/day) and 28 percent luxury tourists (accommodation more than USD45/day).

The tourists said that the most attractive features of Luang Prabang were the city's World Heritage status, beautiful scenery and richness of culture and tradition. The majority of the tourists learned about Luang Prabang from travel magazines or books and from friends (Table 3.33). This shows that word of mouth is as powerful as other means of advertising. The tourists were divided into two distinct groups. About half of them had visited Luang Prabang more than three times, while it was the first time for 47 percent. The city thus attracts a lot of new as well as returning tourists.

**Table 3.33: Sources of Information about Luang Prabang by Type of Tourist (number of responses)**

	Budget tourists	Comfort tourists	Luxury tourists	Total
Friends	37	2	11	<b>50</b>
Internet	12	0	10	<b>22</b>
Travel magazine/book	37	3	14	<b>54</b>
TV and radio	2	0	0	<b>2</b>
Travel agency	5	0	0	<b>5</b>
Other	4	1	2	<b>7</b>

Source: Tourist survey

There are differences among the kinds of tourists. Comfort tourists (accommodation USD25–45/day) appear to spend more days in Luang Prabang than others. For instance, the average length of stay was 4.5 days for budget tourists, 4.7 days for luxury tourists and 8.4 days for comfort tourists. In addition, comfort and luxury tourists often stay in hotels while most budget tourists stay in guest-houses. On average, expenditure per night for accommodation by luxury tourists is almost triple that of the comfort tourists and seven times higher than budget tourists. However, there is not much difference in terms of the type of transportation they use during their stay. The most popular transport is tuk-tuks, followed by rented bicycles. Fourteen percent of luxury tourists and five percent of budget tourists hire a car as their main mode of transport.

As expected, luxury tourists spend much more than the other groups. On average, each luxury tourist spends more than USD900 per visit, compared to USD595 for a comfort tourist and USD262 for a budget tourist. The expenditure patterns also vary significantly. A big proportion of expenditure by luxury tourists goes to accommodation and tour packages, while expenses of budget tourists are spread quite evenly among tour package, food and beverage, and accommodation (Table 3.34).

**Table 3.34: Expenditure per Visit, by Type of Tourist**

Expenditure item	Budget tourist		Comfort tourist		Luxury tourist		Total
	USD	%	USD	%	USD	%	
Tour package	64	24	15	2	303	33	<b>28</b>
Food & Beverage	63	24	27	5	72	8	<b>14</b>
Transportation	10	4	6	1	56	6	<b>5</b>
Entertainment	4	2	-	0	12	1	<b>1</b>
Handicrafts	13	5	11	2	21	2	<b>3</b>
Souvenirs	14	5	1	0	11	1	<b>3</b>
Local textiles	20	8	30	5	19	2	<b>4</b>
Local jewels	1	0	6	1	1	0	<b>0</b>
Entrance fees	12	5	4	1	5	1	<b>2</b>
Donations	2	1	6	1	20	2	<b>2</b>
Accommodation	58	22	289	48	404	44	<b>36</b>
Other	1	0	200	34	2	0	<b>2</b>
<b>Total</b>	<b>262</b>	<b>100</b>	<b>595</b>	<b>100</b>	<b>926</b>	<b>100</b>	<b>100</b>

Source: Tourist survey

Factors that encourage expenditure also differ between tourist categories. For luxury tourists, the fact that a product is hand made and made locally are major factors encouraging its purchase, while price is more important for budget tourists (Table 3.35). Cheating and unfair pricing are the biggest concerns for all tourists. Ninety-three percent of the sample responded positively about willingness to buy local products.

**Table 3.35: Factors Encouraging and Discouraging Tourist Spending, by Type of Tourist (number of responses)**

	Budget tourists	Comfort tourists	Luxury tourists	Total
<b>Encouraging factors</b>				
Meaning of items	7	2	3	<b>12</b>
Value added	7	0	3	<b>10</b>
Cheap price	18	0	3	<b>21</b>
Localism	12	0	6	<b>18</b>
Hand made	11	2	9	<b>22</b>
Other	2	0	1	<b>3</b>
<b>Discouraging factors</b>				
Expensive or unfair price	25	2	5	<b>32</b>
Imports	4	0	6	<b>10</b>
Cheating	16	1	9	<b>26</b>
Low quality	11	1	2	<b>14</b>
Other	1	0	2	<b>3</b>

Source: Tourist survey

The survey also examined perspectives of the tourists regarding ways that local people could be more involved in tourism. One way was to provide training and education to prepare them for the tourism industry. Local people should be encouraged to participate in tourism-related activities such as tuk-tuks and providing home stays. Organisations could assist and encourage the participation of local people by promoting small businesses, marketing their products, making small loans and giving advice on how to start businesses.

The tourists also shared their opinions on how tourism in Luang Prabang could be improved.<sup>7</sup> In terms of infrastructure, it was suggested that more lights, sidewalks and street signs should be provided and that airport facilities be upgraded. Banking and communication facilities also needed attention, including more currency exchanges and ATMs. Needs for more marketing of tourism were mentioned, such as giving away free maps, organising more trade fairs, providing more information about history and culture, more choice of tours and more local handicraft shops and local food stores. There should be an organisation supervising the pricing of hotels, laundry services, entrance fees, transportation and other fees to prevent tourists from being cheated.

### **3.3.9. Tourism Development Constraints and Opportunities**

#### **3.3.9.1. Constraints**

Constraints on tourism development in Luang Prabang province that need to be addressed are mainly public infrastructure weaknesses, some policy and regulatory barriers, poor access to potential tourism sites, limited investments in tourism infrastructure and labour skills.

*General infrastructure:* The total length of the road network in Luang Prabang is 1473 km (2004), of which only about 400 km are paved. Over 370 km are earth roads that can be used only during the dry season. There is an inadequate road network to link the provincial centre with rural areas and tourism sites.

*Electricity:* The electricity network has not reached rural areas, only district and provincial capitals. According to the ADB, only 14 percent of villages or 25 percent of households in Luang Prabang had access to electricity in 2002.

*Visa policy:* Visa on arrival is obtainable at Luang Prabang international border gate. However, the visa is valid for only 14 days and not extendable. Hence, there is a relatively short time for tourists to visit all sites, especially remote areas where most of the poor live.

*Labour skills:* The number of qualified staff in the tourism industry is limited. Many employees provide relatively low levels of service and can not speak English.

*Guides and information for tourists:* There are insufficient information materials such as tourism maps and brochures.

*Capacity of the poor to absorb benefits:* The poor have very limited capacity to absorb benefits from tourism because they have limited agricultural land, investment capital and skills. In addition, most poor live in remote areas, far from developed areas. Low capacity to supply agricultural produce has led to high prices.

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<sup>7</sup> These views were expressed only by some tourists but are still important as a source of information and suggestions for improvement.



### *3.3.9.2. Potential and opportunities*

Key tourism potentials and opportunities of Luang Prabang are:

- It is the most internationally visible tourist destination in Laos and has World Heritage status.
- It has internationally recognised historic and religious sites.
- Tourism services are relatively well developed.
- It is the major stopover/transit point for the rest of the northern provinces.
- There are river boat tours along the Mekong.
- There are scenic tours to caves (Pak Ou), waterfalls (Khuang Si), and scenic areas.
- There are international flights to Bangkok, Chiang Mai, Hanoi and Siem Reap and access along the Mekong.
- Ethnic diversity provides opportunities for village visits.
- Craft villages (textiles, rice wine etc.) receive visitors.
- There is an attractive landscape for eco-tourism.
- Tourism is given first priority under the socio-economic development programme of the province.
- Luang Prabang's location in the centre of northern Laos makes it important to develop tourist circuits with other provinces in the north as well as links to the east (Vietnam).



# 3.4. Conclusions and Policy Recommendations

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## 3.4.1 Conclusions

Tourism has become an important sector of the Lao economy. It has maintained that position over the past decade despite high overall economic growth. The government and provincial authorities have promoted tourism because it contributes to the national economy, creates jobs and generates income for the population. Statistical data on economic growth, foreign exchange earnings and employment clearly indicate the importance of tourism. The figures also show that there has been a strong recovery in arrivals and earnings after the drop in 2003. From the case studies in Luang Prabang, the following main conclusions can be drawn.

### 3.4.1.1. *Economic Aspects and People's Livelihoods*

The primary motivation for the country and a region like Luang Prabang to promote itself as a tourism destination—expected economic improvements—is well founded. Diversification in a local economy is a healthy thing, and becoming too dependent for economic development on one industry can have negative impacts on that industry as well as on the people engaged in it. Although Laos has embraced tourism as a means to boost economic development, its overall economy is far from becoming tourism-dependent. In the city of Luang Prabang, the surveys showed that almost three out of 10 people rely on tourism as their main source of income. Work in services is by far the main occupation in the city, and in some villages outside the city, it is close to agriculture. Another factor observed is that prices of locally produced foods have surged as more tourists arrive. This is an indication that local producers may have problems meeting the demand.

Arrivals from China have just started. The prospect of continued growth of the local tourism industry thus looks good. With a growing number of regional visitors dominated by Chinese, the demand for tourism services may change, but what direction this will take is not clear. At present, budget tourists are the majority among international visitors. They seem to favour local supply and to head to remote areas in greater numbers than comfort or luxury tourists. Even with a greater influx of Chinese tourists, it is realistic to assume that villages outside the city will receive only a small fraction of tourists in the future.

Twenty-five percent of the provincial budget was devoted to tourism in 2004, while about 14 percent of the total labour force were engaged directly in the tourism industry, and in the city of Luang Prabang almost 30 percent. Indirect dependence (food suppliers, construction workers etc.) is also high. Natural disasters or changing tourism patterns can have negative effects on a local tourism sector like Luang Prabang. City households seem to get a decent reward from their efforts partly due to the fact that three out of five people are working and students can also earn some money from casual work. The surveys also indicated that not all households in Luang Prabang that are directly engaged in tourism are prosperous. Tough competition and possible overcapacity in some businesses are issues that seem to face some households. Country households face harder times. Farming is the main activity outside the city. The cash income farmers can get from their land is quite small due to small plots per household. They have to look for other ways to wring a living from their land. Expanding crops to fruits and vegetables is one way that seems to have been successful. It requires, however, access to irrigation. Selling agricultural produce in markets is another possibility. Migrating to the city for jobs in the tourism industry is also an option used by many.

### ***3.4.1.2. Poverty Impacts***

It is our assessment that tourism growth has contributed to the rapid poverty reduction in the country by providing employment and business opportunities. It is worth noting that the poverty incidence in Luang Prabang, with its tourism boom, is falling faster than the national average. At present fewer than one in four falls below the poverty line in the province. The incidence of poverty is low particularly in the city and in remote places with access to a tourism site, while it is quite high in some other districts. The data are not conclusive. Interviews with households seem to indicate that there could be pockets of poverty among city households engaged in the tourism industry.

### ***3.4.1.3. Distribution of Benefits, Tourism Leakages***

An important question for the economy of Luang Prabang is whether there is large-scale transfer (leakage) of tourism income out of the province and exclusion of local businesses and products. Such transfers occur, for instance, when tourists demand standards of equipment, food and other products that the host area cannot supply. Or local businesses can have their chances to earn income from tourists severely reduced by “all-inclusive” vacation packages with not much opportunity left for local people to profit—“enclave tourism”.

The findings are that leakage is relatively small and that a large part of the current costs of the tourism establishment are spent locally, as the case study of Luang Prabang indicated. Tourism thus has major impacts on other industries such as agriculture (food supplies), handicraft etc. Tourists in Laos also tend to prefer guest-houses, use local transport and spend money in ways that benefit small to medium enterprises. There are low thresholds for entry to some business activities, such as noodle soup restaurants.

### ***3.4.1.4. Distribution of Benefits to the Poor***

Tourism has both positive and negative consequences. The positive impacts on national and local economy are well grounded. An important issue is how costs and benefits are distributed among different groups. It is often perceived that the rich are more able to benefit from tourism than the poor and that rich countries are more able to profit from tourism than poor ones. Rich people also benefit indirectly through rising property prices.

There is evidence that tourism benefits the poor, but people not living close to tourism sites do not have the same possibilities. However, in areas far from tourism centres, local people are also engaged in tourism activities even if not as much. The poverty incidence is lower in tourism centres. A positive factor for the poor is also that tourism has made it possible to migrate to the centres to find jobs. Improving roads, water and sewage systems, electricity and public transport networks would give people in more remote areas better opportunities to access city markets as well as to receive more tourists. Such a development would also improve the quality of life of local residents.

A conclusion is that tourism has lifted many people out of poverty and that money generated by tourists also trickles down to the poor. Local revenues from tourists, such as money earned through informal employment as street vendors, informal guides and drivers, are not easily quantified. This money is returned to the local economy and has a great multiplier effect.

### ***3.4.1.5. Tourism Impacts on Culture and Environment***

Among other consequences of expanding tourism are negative changes in social and cultural behaviour, such as not wearing traditional clothing and working in entertainment facilities that are questionable according to local moral standards.

Luang Prabang can benefit from a good environment. Although tourism entails pollution and puts pressure on local natural resources, the province has the ability to cope with these impacts. Water resources are good and land degradation is limited. Erosions of river banks is a problem, and the ability of local agriculture to deliver produce to a growing tourism industry may be a problem in the future.

### **3.4.2 Recommendations for Pro-Poor Tourism**

Key questions in promoting pro-poor tourism development in Luang Prabang are:

- (i) how to increase the number of tourists visiting remote areas where the most severe poverty exists; and
- (ii) how to ensure that poor people benefit from tourism.

Pro-poor tourism must focus on impacts that help to ensure more equitable distribution of the impacts of tourism, while minimising negative impacts. To answer these questions, the study team proposes the following recommendations based on findings and observations from the case studies.

#### ***3.4.2.1. Recommendations for Short-Term Pro-Poor Tourism Development***

##### *Tourism Guidance*

There is a need for more marketing tools to promote tourism such as free maps, more trade fairs, more information about history and culture, more tour choices and more local handicraft shops and local food stores. There should be an organisation supervising the pricing of hotels, laundry services, entrance fees, transportation and other fees to prevent tourists from being cheated.

##### *Financial Services*

Banks should provide more exchange and ATM services in more places and extend working hour until 22:00, in particular at or near night markets in Luang Prabang.

##### *Infrastructure Improvement*

More lights, sidewalks and street signs should be provided on the streets, and airport facilities need to be upgraded.

### *Sanitation Issues*

Villages in the studied areas are relatively polluted, in particular by dust and sewage from villagers and from some tourists. It is important that provincial authorities introduce a sanitation programme, in particular training and help to provide sanitation facilities.

### *Promote Basic Education and Vocational Training*

Organising basic education and vocational training for the local people could help them improve their ability to produce items of better quality and niche products and to provide better services for tourists. The training would have to include basic English, but also Chinese and Japanese.

### *Quality Control of Local Products and Other Tourism Inputs*

Promotion of local products and creation of new products to increase the share of locally produced goods and services are critical to strengthening backward linkages from tourism to other sectors such as agriculture, handicrafts and small industries. Such strengthened linkages should be important elements of efforts to increase pro-poor impacts of tourism. For example, the provincial governor may facilitate dialogues between tourism and agriculture to identify options for improving product variety, quality and quality control.

### *Information for Visitors*

Developing and providing clear visitors' codes and information would increase the awareness of tourists about possible negative impacts of their behaviour on the local community and environment, and would also help foster mutual understanding between tourists and local people and mitigate conflicts caused by cultural differences.

### *Length of Stay*

Most tourist stays are very short. There is a need to develop and raise awareness of varied tourism options for up-market tourists, and to develop transport links to varied tourism sites.

### *Awareness of Tourism Risks*

Provincial authorities should work with NGOs and tourism operators and related service providers to raise awareness about the need to protect environmental, cultural and historical resources and how to prevent STD, in particular HIV/AIDS. There is also a need to identify options for raising industry funding for such measures.

## ***3.4.2.2. Recommendation for a Medium- and Long-Term Pro-Poor Tourism Strategy***

### *Strategy Framework*

Government policies, institutional arrangements and investment strategies can have a significant impact on the distribution of economic outcomes of tourism. Tourism strategies should be directed at: (i) providing increased economic opportunities to the poor: this will often mean addressing

constraints on tourism development in more isolated areas; (ii) addressing potential negative social impacts of tourism; and (iii) developing linkages between the tourism industry, local communities and the government to address barriers to the development of local tourism potential.

### *Infrastructure Development*

Tourists generally prefer to visit sites with comfortable infrastructure, in particular roads, transportation and telecommunications. However, both the quantity and quality of current infrastructure between the cities and the countryside in Luang Prabang province are still less developed than in neighbouring countries. Many rural and remote areas are still not accessible in the rainy season. It is necessary to improve and develop the infrastructure of rural areas, so that tourists can go to more places in the countryside, and to give rural people better access to markets to sell their products or find jobs.

### *Identify and Promote Appropriate Niche Markets*

Provincial authorities should work with tourism operators to identify niche markets that: (a) increase the prestige of the province, (b) are environmentally, socially and culturally sustainable and (c) are more likely to achieve pro-poor outcomes. Some niche markets are already apparent; others may require more creative cooperation with the tourism industry to develop. One important niche is eco-tourism. Studies have estimated that “even in its infancy, nature and culture based tourism already account for half of the gross value of country’s top earners of foreign exchange—tourism”.<sup>8</sup> Luang Prabang authorities need to work together to develop guidelines to protect this potentially important niche market, and to develop materials to promote these markets.

### *Improve Private-Public Cooperation*

Provincial private-public tourism councils should be established to advise on regulatory improvements, tourism promotion and visitor information services, and to identify and address institutional barriers to tourism. Annual meetings between provincial leaders, tourism industry representatives and relevant NGOs should be held to address priority issues and make recommendations on improving services provided by the Provincial Tourism Authority.

### *Encourage Cooperation with the Private Sector in Tourism Promotion*

Private tourist operators are best placed to develop tourism promotion materials, but there will often be a need for cooperative efforts. Tourism authorities could help by organising promotional events, providing and disseminating information and (via cooperation) developing information centres, signposts and basic tourist facilities such as toilets. The government and the private sector should work together to identify measures to fund tourism promotion. More immediately, tourism offices should cooperate in contacting and providing concrete information to the compilers of major guidebooks to encourage them to cover the region better.

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<sup>8</sup> The SUNV/STEA (2002), Ecotourism Report for Lao PDR describes eco-tourism as “small group travel that produces equitable socio-economic benefits for local people, contributes to the conservation and protection of the cultural and natural heritage and seeks to minimize the negative impacts arising from visiting such areas.”

### *Link Infrastructure Planning with Tourism Development*

Several tourism operators stressed the need for greater awareness of the potential economic benefits from tourism when planning infrastructure. They expressed a need for more rest stops/viewing points to be established on national roads, possibly with water and toilet facilities (local communities might be paid to maintain these facilities), and for greater thought to the development of access roads to potential tourism sites. Tourism operators noted the need for a package of infrastructure (transport, power, water supply, sanitation and telecommunications) to promote tourism in many areas. They cited a need for a more coordinated development of such infrastructure.

### *Cooperate to Develop Tourism with Neighbouring Provinces*

Improve tourism cooperation between neighbouring provinces, and between the tourism industry in the sub-regional provinces and in neighbouring countries to promote sub-regional tourism. This is important because there are major externalities in promoting tourism. For example, promoting increased tourism to Oudomxay will make it easier for Luang Prabang and other provinces to attract some of those tourists. Similarly, the growth of tourism in northern Laos could have quite major benefits to tourism in other provinces. Joint promotion and facilitation of tourism to the north make strong economic sense

### *Cooperate to Improve Information Flows*

A lack of market information and communication problems remain major constraints on tourism development. Medium-term investments in education and infrastructure are needed to address these constraints, but more immediate results could be achieved by twinning arrangements that encourage cooperation in tourism marketing, communication and accessing information technology.

### *Community-Based Tourism (CBT) Development*

A study in CBT development in Laos should be considered to learn from the experiences of CBT in neighbouring countries such as Vietnam and Thailand. The poor can maximise their benefits from tourism by creating a sites network and services among the villages with tourism potential and supply chains among villages without tourism sites by creating related activities, such as visits to traditional villages with various architectures and styles, handicraft with unique design and other cultural attractions.

### *Investment Budget*

Initiate, create and find financial sources to operate an investment budget to develop and promote new tourism sites, provide funding for necessary infrastructure such as road and air transportation networks, increase and raise the standard of tourism facilities and meet the needs of the education sector.



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# Pro-Poor Tourism Development in Thailand

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# 4.1. Introduction

## 4.1.1. Economic Growth and Poverty Reduction

Thailand as a partner for global development has pledged support to achieve eight Millennium Development Goals since September 2000. It is expected that economic growth will be translated into improvements in poverty reduction, rural development, health care, education and gender equality. Responsible for goal attainment, the Thai government incorporated several related strategies into its national plan. To reduce poverty, the government has emphasised improving income distribution among the people. This is consistent with the literature which suggests that economic growth alone is a necessary but not sufficient condition for enhancing poverty reduction. Policies related with the pattern, sources of growth and the method to improve the redistribution of income and assets are also significant for the reduction in poverty condition of the people (Kakwani, 1993; Kakwani and Pernia, 2002; Osmani, 2002).

Thailand has been developed based on the directions under several five-year National Economic and Social Development Plans since 1960. During the past 46 years, Thailand experienced not only high economic growth in several years, but also hardship in its macroeconomic imbalances for certain periods. After the recent crisis in 1997, several structural adjustments have been undertaken in the economy. The government started to pay greater attention to development at the grassroots level.

Prior to the 1997 crisis, the rate of economic growth in Thailand was on average relatively high, while the poverty of the population was declining. Based on the statistics from the National Economic and Social Development Board, the poverty incidence measured by head-count ratio dropped from 57 percent in 1962 to 27.2 percent in 1990.

Table 4.1 further suggests that during the three years before the economic crisis in 1997, the growth in real GDP and real per capita GDP was fairly high above 4.5 percent, while there was an improvement in poverty condition as suggested by the decline in all the poverty measures. Yet the economic crisis during 1997-1998 reversed the declining trend of poverty condition. In 1998, Thailand experienced a negative per capita GDP growth of 10.5 percent and showed an increase in the number of the poor. The poverty gap ratio was widened too. However, after recovering from the crisis, the economy again grew at 5.3 percent in 2002. The poverty incidence measures also showed similar favorable improvements.

*Table 4.1: Economic growth and poverty incidence*

	Real GDP Growth	Real per capital GDP growth	Poverty Incidence (Income-based definition)			
			Headcount ratio	Poverty gap ratio	Severity of poverty index	Number of the poor (in millions)
1994	8.99	7.7	16.3	4.3	1.7	9.7
1996	5.9	4.8	11.4	2.8	1.1	6.8
1998	-10.5	-11.4	13.0	3.3	1.2	7.9
2000	4.75	4.03	14.2	4.1	1.6	8.9
2002	5.3	4.5	9.8	2.4	0.9	6.2

*Source: National Economic and Social Development Board, NESDB*

Overall, the evidence suggests that the high economic growth may help to raise the economic well-being of the Thai people. The recent study by Krongkaew et al (2006) also shows a similar result, suggesting that the economic growth raised the welfare share of the poorest ninth and tenth deciles of the population. In addition, they further measure the pro-poor index and suggest that the economic growth during 1988 to 2002 has not always been strictly pro-poor. This depends largely on how to make improvements in income distribution. Economic growth should also create employment opportunities and earnings. The role of employment is therefore important in serving as the link between growth and poverty alleviation.

#### 4.1.2. Tourism and Economic Growth

An overview of how economic growth is important to the well-being of people was provided in the previous section. In fact, there are a number of strategies used by government to produce economic growth, and tourism may be considered as an important welfare-improving tool for a country. In Thailand, tourism has been taken as part of its broad development strategies for decades, and used as a major source of generating foreign exchange revenues for the economy, which thereby contributes to overall economic growth. Furthermore, because tourism is a labour-intensive activity, it is expected that tourism should create a broader distribution of economic benefits – both direct and indirect – in an economy.

Tourism is important to the Thai economy. It is estimated that total receipts from foreign tourists' expenditures were THB 384 billion in 2004, or about 24.16 percent increase from 2003 (Table 4.2). Over the period 1996-2004, average annual growth rate of total incomes earned from foreign tourists is about 7.24 percent. The number of foreign tourists visiting Thailand expanded more than 66 percent from 1996, marking a relatively good direction for the tourism sector. Even when the economic crisis broke out in 1997, there was no sign of slump in the sector. Instead, it has continuously generated revenues for the economy after the crisis, except in 2003 when there was the outbreak of SARS.

*Table 4.2: Total expenditures of international tourists*

Year	International tourists						
	Tourist		Average length of stay (Days)	Average Expenditure		Revenue	
	Number (Million)	Change (%)		/person/day (THB)	Change (%)	Million (THB)	Change (%)
1996	7.19	3.46	8.23	3,706	0.34	219,364	14.99
1997	7.22	0.41	8.33	3,672	-0.92	220,754	0.63
1998	7.76	7.53	8.4	3,713	1.12	242,177	9.7
1999	8.58	10.5	7.96	3,705	-0.23	253,018	4.48
2000	9.51	10.82	7.77	3,861	4.23	285,272	12.75
2001	10.06	5.82	7.93	3,748	-2.93	299,047	4.83
2002	10.8	7.33	7.98	3,754	0.16	323,484	8.17
2003	10	-7.36	8.19	3,774	0.55	309,269	-4.39
2004	12	19.95	8	4,000	5.97	384,000	24.16

*Source: Tourism Authority of Thailand*

Table 4.3 further shows that the role of the service sector is relatively important compared with industry and agriculture. The value-added in the service sector shares relatively large portion of real GDP. Also, the ratio of deflated tourism revenues from foreign tourists to real GDP is growing gradually. As a part of the service sector, tourism can make extensive contribution to the overall economy. The reason is that tourism expansion can lead to the expansion in other linking service sectors like hotels and restaurants, transportation, and retail trades. However, using gross tourism receipts can overestimate the importance of tourism for the following reasons: a) the calculation does not allow for controlling the proportion of tourist expenditures leaking out of the economy, b) the gross receipt figure tends to include inputs and taxes on products whereas these are not included in the value-added based GDP.

In addition, the expansion in tourism and its related sectors could also create employment opportunities for the people. Klongkumnuankarn (2005) illustrates that tourism created employment directly and indirectly around 3.3 million jobs, or around 8.4 percent of total employment in Thailand during 2000-2004. Overall, tourism may play a significant role in terms of both income generation and employment opportunities for the people.

**Table 4.3: Share of GDP by major sectors**

	Real GDP (billion THB)	Real sectoral value-added (as a percent of real GDP)			Deflated tourism revenues (as a percent of real GDP)
		Agriculture	Industry	Service	
1996	3,115	9.27	43.42	47.30	4.76
1997	3,073	9.34	43.25	47.41	4.66
1998	2,750	10.28	42.05	47.67	5.23
1999	2,872	10.07	44.12	45.81	5.46
2000	3,008	10.30	44.35	45.34	5.79
2001	3,074	10.41	44.13	45.45	5.83
2002	3,237	9.95	44.90	45.15	5.93
2003	3,465	10.36	45.95	43.69	5.22
2004	3,679	9.29	46.73	43.98	5.90

*Source: National Economic and Social Development Board, and Tourism Authority of Thailand*

### 4.1.3. Tourism and Poverty Reduction

Although the number of foreign tourists visiting Thailand has expanded tremendously during the past 30 years, the tourist destinations visited by the majority of foreign tourists are normally concentrated only in major cities with well-developed infrastructure and shopping areas. Such forms of mass tourism are less likely to create favorable distribution impacts on the low-income group of people whose residential areas are far away from urban locations.

Not until recently, the government started to promote tourism development, better income distribution and cooperation among the people in the communities to foster sustainable development. The government and many strong community leaders have developed several alternative forms of tourism for the benefits of the local communities, where the people can use their natural and cultural endowments to create economic value without harming them. However, there have been so far no explicit pro-poor strategies that relate tourism as a tool to reduce poverty in Thailand. Although alternative tourism activities may help to create income and employment for the people, it is not necessary that they create net positive benefits to the poor. A number of studies including Thitipan

(2003) and Khaosa-ard (2004) instead focus on whether a particular type of tourism has influential impacts on income distribution within communities. In general, Thitipan (2003) shows that income inequality in a community-based tourism village is relatively higher than in non-tourism village. Using the different measure of inequality, Khaosa-ard et al. (2004) come up with a similar conclusion.

In this study, we attempt to study the effects of tourism on income generation and employment opportunities in two communities with successful tourism initiatives, whose establishment objectives are most likely in line with pro-poor strategies, except that net benefits from tourism are not necessarily distributed to the poor. The rest of the paper proceeds as follows. Section 2 provides an overview of tourism strategies and tourism development in Thailand. Section 3 describes the tourism industry in Chiang Mai. Section 4 presents an analysis of tourism impacts in terms of income and employment in the successful eco-tourism project of Mae Kompong in Chiang Mai. To further our understanding about the characteristics of successful tourism project, this study analyses another eco-tourism project of Plai Phong Phang in Samut Songkhram in Section 5. Section 6 concludes the paper and provides policy recommendation.



## 4.2. Overview of Tourism Development

### 4.2.1. History of Tourism Development

The tourism industry has long been recognized as an important industry in Thailand. Although the history of tourism in Thailand goes back to the late nineteenth century, tourism activities were seriously promoted in the mid 1970s. As Thailand encountered a trade balance deficit during the early 1970s to the mid-1980s, the government had been busy bringing the deficit into balance. And tourism was one of the important tools used by the government to improve the balance.

Thus, at the initial stage of tourism development, the government's primary concern was how to raise foreign exchange revenues from tourism. It therefore developed tourism marketing approach that encouraged mass tourism. Most tourist attractions were nature based and developed in major cities like Bangkok, Chon Buri, Chiang Mai, Phuket, and Songkhla, where access was easy and convenient. Yet in Thailand as in many other countries, the government had no proper planning for tourism development during this early stage of development.

Although the government realised these problems, it still emphasised the marketing promotion of mass tourism. Among a variety of marketing strategies, event-based marketing strategy was perceived as an important strategy that helped to attract more foreign tourists into the country. In 1987, Tourism Authority of Thailand (TAT) announced the "Visit Thailand Year" campaign when Thailand commemorated the auspicious 60th birthday anniversary of His Majesty the King. In 1987, Thailand received 3.5 million visitors, accounting for 23.59 percent growth over the previous year. Similar trend was found in 1988. There was a 21.47 percent increase in the number of tourists. Such successful campaign promotion therefore proved to be a turning point that made Thailand to emphasise more on event-based tourism. Over the "Golden Decade" from 1987 to 1996, tourism had contributed substantially to the Thai economic growth. From this success, neighboring countries promoted their tourism in a very similar way. For example, Malaysia, Indonesia, and Singapore announced "Tourism Year" plans in 1990, 1991, and 1996, respectively.<sup>1</sup>

As the World Summit on environment and development in 1992 helped the word "sustainable development" gain greater attention, many countries started to take into account more about how to keep the sustainable balance of natural resources without being adversely affected from tourism expansion. At the international front, many alternate forms of tourism arose, ranging from eco-tourism and community-based tourism to adventure tourism.

In Thailand, along with this world trend of Green Global Environment, the degradation in nature and environment in various tourist destinations even confirmed that the sustainability in tourism becomes an important issue for the country. Many NGOs and academics have warned repeatedly about the negative aspects of mass tourism promotion on the environment, and also pressured the government to develop tourism-related policies toward more sustainable tourism development.

Strongly believing that the western concept of eco-tourism can minimise the negative impacts of tourism activity while conserving natural and cultural heritage, the government turned to focus more on eco-tourism development. However, it still aimed at quantity rather than quality. For example, the Royal Forest Department attempted to open up national parks and declared 2000 as the year of Visit National Park. Although the department wished to promote sustainable eco-tourism, it focused on quantity since it aimed at attracting more visitors to the parks.

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<sup>1</sup> Japanese Tourism and the Development of Thailand. Tourism Research.

## 4.2.2. History of Tourism Policies during 1977-2001

Along with export-oriented strategies for industrial development, tourism started to make more contribution to Thailand's economic growth during the export-oriented industrialization period. The expansion of the tourism industry so far has been considered an effective means of creating job opportunities, generating revenues and solving the balance-of-trade problem. The first National Tourism Development plan was initially prepared in 1976. It aimed at the development of tourism areas, facilities, and infrastructure, especially in provinces with high tourism potential such as Bangkok, Chon Buri, Songkhla, and Chiang Mai. Subsequently, tourism-related development strategies were put into the country's National Economic and Social Development Plan (NESDP). They were first integrated into the Fourth National Economic and Social Development Plan (1977-1981). Currently, the direction on overall economic development is under the 9th National Economic and Social Development Plan (2002-2006). Based on all the plans, from the fourth to the ninth NESDP, tourism planning in Thailand has been centered on mass tourism promotion, with the goal to increase number of foreign tourists and foreign exchange earnings (See summary of the main tourism-related development strategies in the appendix).

At the early stage of tourism development in Thailand, the government started the development of this service sector by emphasising growth-oriented mass tourism promotion. Many attempts were made to develop new attractions and facilities for its existing and new markets. However, the tourism goals placed too much emphasis on policies that stressed quantity rather than on sustainable development, mounting to public criticism about the deterioration of environment and culture.

As the degradation in environmental quality raised serious doubts about the sustainability of tourism, policy-makers therefore formulated a policy to take account of how to improve the quality of tourism in Thailand. The Fifth NESDP was the turning point in which the government started to consider more about sustainable tourism development. The policies concerning preservation and conservation of tourism resources were first incorporated into this 5th NESDP. Nonetheless, the government still remained committed to promoting mass tourism as its main strategy.

In the 6th NESDP (1987-1991), the government paid more attention on the value of environmental and cultural conservation by allocating more budget for restoration and maintenance of tourist destinations. Similarly, the 7th NESDP plan (1992-1996) also focused on raising the standard and quality of Thai tourism. Following the principles laid down in the earlier two national development plans, the 8th NESDP (1997-2001) continued the development strategies for sustainable tourism.

Under all these three development plans, several tourism development projects had been funded by Overseas Economic Cooperation Fund (OECF) of Japan. Loans from OECF were used to finance three phases of tourism development in Thailand. The first phase mainly supported infrastructure development and conservation of tourist sites, followed by the restoration and preservation of deteriorated tourism areas in the second phase. Lastly, the third phase aimed at human resource development and environmental improvement in the region. The 8th NESDP also marked an important step toward sustainable tourism development, and eco-tourism was considered an alternative tourism strategy toward sustainability. In 1997, the National Ecotourism Council was set up for the first time to oversee the development of National Eco-tourism Policy and Action Plan, aiming at developing sustainable tourism industry, maintaining natural and social tourism resources, and fostering self-reliance of local communities.

Overall, based on all these five national plans, each plan reflected the shifts in objectives, strategies and actions in the development of the tourism industry in Thailand. Although Thailand remains focused on mass tourism to generate of foreign exchange earnings, there have been a number of attempts

made toward the sustainability of the tourism industry in order to alleviate negative impacts caused by irresponsible tourists and tourism-related services providers. In the following section, the most recent policies related to tourism development are briefly discussed to show the industry's development direction.

### 4.2.3. Current tourism strategies in Thailand

Realising the economic importance of tourism, the Thai government formulated several strategies specific to tourism development under the Ninth National Economic and Social Development Plan (2002-2006). In addition to this national plan that provides policy direction for the entire economy, there are sub-plans formulated by government agencies. These plans include Thailand Tourism Strategies (2004-2008), Thailand Tourism Development Strategies (2004-2006), and the Action Plan (2005-2008) of the Ministry of Tourism and Sports. All these plans contain an implicit pro-poor aspect in terms of improvement in income distribution, but none of them explicitly indicate how income should or could be distributed to the poor. To provide an overview of tourism strategies in Thailand, this section starts with a summary of tourism-related strategies in the Ninth National Plan, followed by Thailand Tourism Strategies, and Thailand Tourism Development Strategies.

#### 4.2.3.1. *The Ninth National Economic and Social Development Plan (2002-2006)*

The Ninth National Economic and Social Development Plan specifies the tourism sector as one of the prospective sectors that can be developed further to increase the country's overall competitiveness so that Thailand will become an economic hub in the Southeast Asia region. Among its seven main strategies, the following three main strategies are related to tourism sector.

- 1) *Restructuring for sustainable rural and urban development:* To establish linkages between rural and urban development in order that economic and social opportunities are distributed equitably. Grassroots economies should be strengthened to provide sustainable incomes to rural people.
- 2) *Managing natural resources and environment:* To preserve and rehabilitate natural resources in order that eco-system balance is maintained and better use of land is promoted, and to rehabilitate and preserve community surroundings, art and culture together with tourist attractions toward sustainable tourism development.
- 3) *Upgrading national competitiveness:* To develop tourism and other related industries in order to create employment opportunities and improve income distribution in local communities. Local participation in the development of quality tourist attractions and tourism networks is also encouraged.

#### 4.2.3.2. *Thailand Tourism Strategies (2004-2008)*

The Thailand Tourism Strategies (2004-2008), under the Ministry of Tourism and Sports, aim at building sustainable development in the tourism sector, better income distribution and community development. The strategy consists of three sub-strategies as follows:

- 1) *Enhancing international competitiveness in tourism sector:* To use aggressive marketing strategies, to promote Thailand to become a gateway that links neighboring countries together, and to develop information technology system used for marketing and management.

- 2) *Developing quality tourism products and services:* To build, develop, and rehabilitate tourism attractions, to establish the linkage between tourism sites at both the provincial and regional levels, to promote local participation in tourism management, to raise tourism product and service standards, to improve accessibility, safety and basic infrastructure.
- 3) *Developing an integrated management system:* To increase the competency of the Ministry of Tourism and Sports in implementation, to promote the efficiency of integrated management in public and private sectors as well as the communities, and to reform rules and regulations related to tourism.

#### 4.2.3.3. Thailand Tourism Development Strategies (2004-2006)

The Thailand Tourism Development Strategies are designed as a basis for the Ministry of Tourism and Sports in the development of sustainable tourism, so that the tourism industry generates more foreign exchange earnings from foreign tourists and stimulate the flow of funds in the local economy. Four main strategies are as follows:

- 1) *Strategic positioning:* To promote and market Thailand as a tourism brand, and to assess the potential of each province for tourism development.
- 2) *Promoting tourism marketing:* To emphasise public relations, to improve the brand image of Thailand, to promote world event marketing, to develop new marketing strategies, and to improve information services for tourists.
- 3) *Developing tourism products and services:* To emphasise the rehabilitation and restoration of tourism sites, to reform tourism-related laws and regulations, to raise product and service standards, facilities and safety for the tourists, and to build a comprehensive tourism database.
- 4) *Promoting structural development in the tourism industry:* To develop intra- and inter-regional tourism linkages, to increase international tourism cooperation, to support the exploration and development of new tourism attractions (such as One Tambon One Product, OTOP), to promote investment of small and medium business enterprises (SMEs) in the tourism industry, to promote and develop the integrated management at both the government and local administration levels.

Overall, all the strategies briefly described above have an economic objective of driving tourism activities to generate substantial and sustainable earnings for the economy. Some strategies concern the development of communities, and focus on the way to establish linkages between tourism and local communities and to improve income distribution. However, none of them explicitly indicate how income will be favorably distributed to the poor in the communities.

## 4.3. Tourism Industry in Chiang Mai

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### 4.3.1. Background

Chiang Mai is the principal city in the northern region. Chiang Mai has a number of advantages in terms of geological and geographical aspects. Specifically, what makes Chiang Mai a distinctive tourist destination is its diversity of tourism resources, namely nature, culture, architecture and history. Owing to its uniqueness in many aspects, Chiang Mai has attracted a large number of domestic and foreign tourists and generated a significant portion of total foreign exchange earnings. In 2005, it ranks third and fourth in terms of number of foreign tourists (1,786,753 persons) and total income from foreign tourists (THB 243,408 million), respectively. During the early 2000s, the income earned from foreign tourists was a major source of income and contributed largely to its economy. Compared with two other sectors (i.e., agriculture and industry), the service sector plays the most important role in the economy. The value-added of service sector shares in 2005 was 66.41 percent of its Gross Provincial Product (GPP), followed by industry (20.23 percent) and agriculture (13.36 percent). The tourism industry as part of the service sector is fairly important compared with the three sectors, with tourist income share of GPP was 18.26 percent in 2005.

### 4.3.2. Characteristics of Tourism Industry in Chiang Mai

This section focuses on the structure of the tourism industry in Chiang Mai by looking at major providers/suppliers, including accommodation operators and travel agencies, and tourist characteristics. We also study the linkages of business activities to see how they make direct contributions to the local economy.

#### 4.3.2.1. Hotels in Chiang Mai

There are three main types of accommodation, including hotels, guesthouses, and resorts in Thailand. In Chiang Mai, there were 99 hotels with a capacity of 12,405 rooms, 100 guesthouses with a capacity of 2,137 rooms, together with 72 resorts with a capacity of 2,131 rooms in 2005. The total accommodations in Chiang Mai were therefore 16,673 rooms, about an 18.2 percent increase from the previous year. The hotels, especially in the higher class hotels, had a high occupancy rate, ranging between 56 and 68 percent, while the occupancy rate for guesthouse was relatively low, just about 14.85 percent.

Different from the classification of Tourism Authority of Thailand (TAT), this study categorizes the providers of accommodation into 3 groups – low-to medium end hotels (with average room rate below THB 1,000), medium-to-high end hotels (with average room rate above THB 1,000) and guesthouses. In order to examine how hotels and guesthouses contribute to local communities in Chiang Mai, we distributed about 300 questionnaires to these operators. The overall response rate was about 19 percent, or 58 useful returned questionnaires. Our sample accounts for 21.4 percent of all operators and 35 percent of all rooms in Chiang Mai in 2005. In the sample, hotels and resorts account for 71 percent, and 29 percent for guesthouses. The majority of surveyed establishments were wholly owned by Thais (90 percent) and a mixture of Thais and foreigners (10 percent). Average capacity of the surveyed accommodation provider was 100 rooms. The occupancy rate during peak season was on average 66 percent, although the low season rate could fall to 32 percent. Their average room rate is

about THB 1,611, although the rates are significantly lower in guesthouses. To analyse the economic contribution of accommodation providers, we focus on employment and income aspects.

#### 4.3.2.1.1. Employment

Based on the survey of 58 accommodation operators, there are 3,510 persons directly employed in hotels and guesthouses (Table 4.4). Classifying employment into local and non-local employment, we observe that about 80.5 percent of all employees are from local areas, while 19.5 percent are from non-local areas, including foreigners. Hotels make the largest contribution in creating employment opportunities for the people. Whereas the employment generated by hotels accounted for 97 percent of all employees, guesthouses accounted for only the negligible 3 percent. More importantly for the medium-to-high class hotels only, their employment accounts for nearly 81 percent of total employees, mostly local people.

**Table 4.4: Employment by type of accommodation operators**

Type of operators	No. firms	Number of rooms		% of total employment		Total employment	
		Average	Total	Local	Non-Local	No. persons	%
Medium to high-end	21	158	3,309	78.13	21.87	2,808	81
Low to medium-end	20	104	2,088	94.63	5.37	559	16
Guesthouse	17	22	376	67.31	32.69	104	3
All	58	100	5,773	80.47	19.53	3,471	100

*Source: TDRI Survey (2006) in Chiang Mai*

#### 4.3.2.1.2. Income

With a wide range of different jobs and activities available in the sector, the hotel and accommodation sector plays an important function in providing an entry point for people into the labour market and also business opportunities in the product market. To investigate income effects in this sector, this study concentrates on income distribution to factor owners, including employees and suppliers of goods and services essential to accommodation operations.

In this study, the employment in the hotel and accommodation sector is classified into two groups whether the staff are local or non-local. By categorizing this way, we can figure out the extent to which direct income benefits are left in a community or leak out to non-local communities. Table 4.5 basically suggests that medium-to-high class hotels in aggregate generate a large amount of monthly wage income for people, compared with other types of accommodation. Guesthouses have only a small income impact in the labour market, probably because most of them are small in size with limited room capacity, employ only a small fraction of employees relative to other larger-scale operators, and offer a lower average wage rate. From the survey, average monthly wage per employee in guesthouses (below THB 5,900) is lower relative to hotels (above THB 7,510). More importantly, as these operators also use non-local staff, this therefore causes a leakage of income benefits to other communities. On average, approximately 26 percent of average total monthly wage expenses are paid to non-local staff, leaving about 74 percent within the area. Overall, larger-scale accommodation providers play a wider range of roles in terms of the magnitude of wage income generated for people and its coverage.

**Table 4.5: Estimated monthly salaries paid by type of operators**

Type of operators	No. firms	Average monthly wages (THB)					
		Local	%	Non-local	%	All	%
Medium to high-end	8	682,310	71.57	271,004	28.43	953,313	100.00
Low to medium-end	2	148,474	91.37	14,025	8.63	162,499	100.00
Guesthouse	16	23,769	78.30	6,586	21.70	30,355	100.00
All	38	264,546	74.19	92,044	25.81	356,590	100.00

Source: TDRI Survey (2006) in Chiang Mai

In terms of local sourcing, we concentrate on the magnitude and the share of money spent on goods and services to see how much income leaks out to the suppliers of non-local communities. Overall, all the 14 operators on average spent approximately THB 0.43 million a month on foods and beverages (F&Bs), and other daily use products (Table 4.6). Out of this number, it appears that most operators depended heavily on local sources, about 84 percent of total monthly spending on F&Bs, rather than buying from other regions and foreign countries. This implies that most of the direct revenue benefits remain with local suppliers.

Table 4.6 also suggests that the upper class hotels are playing a very important income distributing role to the suppliers of goods and services. On average, they spent more than THB 0.54 million on foods and beverages, which were mostly supplied from local sources. However, for high-class hotels, a certain proportion of spending falls into the hands of foreign producers. This happens because most high-class hotels have to use some imported goods to serve their customers. Most imported items are alcoholic drinks, followed by fresh food materials (Details in Table A2 in appendix). For local sourcing, fresh goods share the largest proportion of the total monthly expenses, accounting for 48.3 percent. The reason that many operators use local sources of certain products is that the operators think that local goods are cheap, easy to find and fresh from their sources, especially for meat, vegetables and fruits. Nevertheless, certain goods have low quality.

**Table 4.6: Estimated monthly expenses on food and beverages by source of products and type of operators**

Type of operators	Average monthly expenses on foods/ beverages/Others	Source (%)		
		Local	Non-local	Import
Medium to high-end	536,311.82	83.05	11.74	5.21
Low to medium-end	38,650.00	100.00	0.00	0.00
Guesthouse	12,000.00	62.86	37.14	0.00
All (14 operators)	427,766.43	84.03	11.88	4.09

Source: TDRI Survey (2006) in Chiang Mai

All the evidence suggests that most direct impacts from accommodation operations, in terms of income distribution and employment benefits, stay local. In other words, the majority of local people, who work for or provide inputs to hotels and guesthouses, could enjoy the economic benefits generated from tourism sector. Moreover, a group of upper class hotels is more likely to create much broader income and employment opportunities for the people in the area.

#### 4.3.2.2. Travel Agencies and Tour Guides

There are about 585 travel agencies and 3,469 tour guides registered in Chiang Mai, or about 69 percent of all travel agencies and 65 percent of all tour guides registered in the northern region of Thailand. For travel agencies, some are large and well-known, and vertically integrated and operate at more than one level in the market. Many are small and independent, while others are in niche parts of the market that focuses in eco-tourism, cultural tourism, or community-based tourism. Their main tasks are to provide information about attractions, accommodation and transportation to customers, to offer package tours to popular tourism destinations, and to sell travel products/services to individual consumers. Travel agencies are normally working hand in hand with local guides because they have good knowledge about the way of life and culture of the people, together with particular characteristics of tourist attractions in the area, so they have the ability to fulfill the desire of tourists to explore the surrounding area. Most of all, they can speak foreign languages so this reduces the barriers to understanding more about history and culture.

#### 4.3.2.3. Tourist Characteristics

This section initially provides an overview of information about tourists visiting Chiang Mai in 2005. Table A3 in the Appendix shows that domestic tourists share a very similar proportion with foreign tourists in the Chiang Mai tourism market. Visiting Chiang Mai can be done through a number of ways ranging from air transport as the most convenient way, to railway. The most common means of transport used by tourists are air transport and cars, accounting for almost 62 percent of total number of tourists. Interestingly, the majority of foreign tourists were interested in culture, eco-tourism, and adventure.

To study the characteristics of tourists that may be attributable to pro-poor development in a community, we conducted a survey of 95 foreign tourists in Chiang Mai. Their general socio-economic information is provided in Table A4 in the appendix. In general, the sample includes males which account for 56.84 percent. Most of the tourists are between 25-44 years old (64 percent), hold bachelor's degree or higher (66 percent), are students (35 percent) and professionals (35 percent), and have an average annual income between THB 0.8-1.6 million (26.37 percent). The latter point is consistent with what we learned from interviewing the operators of hotels and other accommodations. They suggest that high-income level groups of tourists share the largest part of their customers.

Our sample foreign tourists share similar pattern concerning the tourism activities during their stay in Chiang Mai. Among the six most popular tourism activities undertaken by the tourists, city sightseeing was the first important activity frequently made by the tourists, natural sightseeing, cultural tourism and sightseeing to ancient ruins and historical sites were among the most favorite activities (Table 4.7).

*Table 4.7: Types of tourism activities undertaken by foreign tourists*

	Proportion of total sample	Proportion of cultural and eco-tourists
City sightseeing	93.68	91.67
Natural sightseeing	80.00	72.22
Shopping	71.58	63.89
Museum/Architecture	66.32	69.44
Cultural and religious	60.00	55.56
Spa and massage	50.53	36.11

Source: TDRI Survey (2006) in Chiang Mai



This is unsurprising because Chiang Mai as a hub of tourism destinations in the northern region is rich in its history, culture, and natural environment that can help to attract tourists from various parts of the world. The result also coincided with the opinion survey concerning the reasons that influence the choice of tourist destination. The destinations unique in terms of culture, tradition, history, and nature are among the most important factors that can influence the tourists' decision-making in the selection of destinations (Table 4.8).

**Table 4.8: Influential factors in the selection of tourist destinations in Thailand**

	General tourists*	Cultural and eco-tourists	Homestay based tourists*
Culture and tradition	4.00	4.58	4.1
Historical places	3.77	4.47	3.8
Mountain/Waterfall	3.20	3.69	2.4
Opportunities to buy Thai products	4.04	4.17	4.7
Local foods with local contents	3.85	4.06	4.8
Opportunities to be with local people	3.18	3.61	4.5

\* The figures are weighted scores based on the 5-point likert scale. Source: TDRI Survey (2006) in Chiang Mai

To learn more about the pattern of tourist spending, we categorize tourists into two main groups – cultural/eco-tourists and non-cultural/non-eco-tourists. Interestingly, the magnitude of spending differs between these two groups of tourists (Table 4.9). On average, the cultural/eco-tourists spend about 5.7 percent more than the non-cultural/non-eco-tourists. Nonetheless, irrespective of the types of tourists, we find similar spending patterns in these two groups. Specifically, the largest part of their spending was on shopping and souvenirs, followed by tour activities, accommodation, and then on foods and beverages. The latter group of tourists spent about THB 1,660 a day on shopping and souvenirs, slightly above THB 1,556 a day of the former group. For the cultural/eco-tourists, their largest components of spending were on tour activities, accommodation, foods and beverages, local guiding and transportation services. As most tour activities, accommodation, local guiding and transportation services are owned or operated by Thai people, the cultural and eco-tourists are more likely to create higher income and employment impacts in local communities.

**Table 4.9: Types of tourism activities undertaken by foreign tourists**

	Proportion of total sample	%	Proportion of cultural and eco-tourists	%	Proportion of non-cultural and eco-tourists	%
Accommodation	703.69	18.25	724.55	18.25	691.18	18.41
Food and beverage	403.48	11.07	439.39	11.07	382.32	10.18
Shopping and souvenir	1,621.06	39.20	1,556.39	39.20	1,659.86	44.20
Tour activities	796.73	21.12	838.74	21.12	771.53	20.54
Local guides	31.36	1.65	65.45	1.65	10.91	0.29
Local transportation	277.92	8.60	341.32	8.60	239.88	6.39
Total	3,836.18	100.00	3,970.88	100.00	3,755.36	100.00

Overall, this section generally shows that tourism to some extent can create economic benefits – income and employment opportunities – on the supply side of tourism sector. In particular, the suppliers of factor inputs, such as wage employees in the accommodation operations, suppliers of fresh foods and other goods, and tourism-related activities (e.g., tour guiding services), would benefit from tourism expansion. On the demand side, the characteristics of tourists also play a very important role in shaping the magnitude and pattern of economic benefits to be distributed to local communities. It is found that the cultural or eco-tourists with good education and high income are likely to generate greater benefits for the people.

To further analyse the income distribution effects of tourism on local people, we evaluate two successful eco-tourism destinations, one for Mae Kompong in Chiang Mai and another for Plai Phong Phang in Samut Songkhram, in the following sections. Both destinations offer homestay services, natural and cultural activities to tourists in different aspects. One of the main objectives for Analysing these two case studies is to show how local people can benefit from community-based tourism, and to see whether tourism management matters for tourism development toward sustainability.

# 4.4. Eco-community-Based Tourism in Mae Kompong Village

## 4.4.1. Background of Mae Kompong Village

### 4.4.1.1. General information

Mae Kompong has been developed to provide a form of ecotourism by using the existing cultural and natural endowment in the area. The village was established about 200 years ago and is located in a valley in Huay Keaw sub-district, Mae On district, some 50 kilometers away from the center of Chiang Mai. It has been nestled in its mountainous location for 200 years with plenty of forest and a few river streams, about 1,300 meters above sea level. Villages adjacent to Mae Kompong are Mae Roum village to the north, Mae Lai village to the south, Tarn Thong village to the west and Chae Son National Park in Lampang province to the east. The village is also not far from other tourist attractions such as Muang On cave, San Kamphaeng hot spring, and Bo Sang, village well-known for hand-made umbrellas.

Apart from its specific geographical characteristics, Mae Kompong village contains an interesting demographic composition of village characteristics. In this small village, there are 128 households with the total population of 418, living in six sub-villages: Pang Nok (30 households), Pang Klang (19 households), Pang Kon (19 households), Pang Nai 1 (9 households), Pang Nai 2 (36 households), and Pang Ton (15 households). The majority of the villagers (50 percent) are aged between 20 and 49 years. Since the establishment of the village, Mae Kompong villagers' livelihood has been specially based on tea plantation as their main occupation. Nowadays, other agricultural activities, such as coffee planting and fruit planting, are gaining more importance. In addition, most houses are made of wood and still remain the same as when originally built.

Mae Kompong village started its homestay services in 2002 and has been managed by the Electricity Cooperative of Mae Kompong, in which all households in the village are members. Mae Kompong village is one of 43 communities in the north that provide homestay services to tourists.<sup>2</sup> Each community has its own uniqueness of culture, ways of living, and natural endowment. Mae Kompong village currently manages to provide 15 homes for homestay services, and is regarded as one of the successful community-based tourism models in Thailand. Mae Kompong homestay received the certificate of Thailand homestay standard granted by the Ministry of Tourism and Sports and was selected to be a prototype of homestay in the Northern region of Thailand.

Mae Kompong homestay community shares many interesting features concerning management style and benefit-sharing rules. Both appear to provide a good example of how to optimally develop tourism in a community so that local people get maximum benefits, suffer minimum losses, and participate more actively for the development of the community.

### 4.4.1.2. Development of the Eco-Community-Based Tourism in Mae Kompong village

Prior to the launch of homestay project in the village, there were already a few tourists visiting to experience natural environment around Mae Kompong, which has inherited wonderful geography,

<sup>2</sup> Based on the data from <http://www.homestayfanclub.com>, there are 123 homestay service communities throughout Thailand: 43 communities in the north, 26 in the northeast, 25 in the east, 18 in the central, and 11 in the south.

plenty of natural resources, and nice climate. Although Mae Kompong village had potential to become a popular tourist destination, the village was not yet ready at that time for mass tourist visits and tourism impacts, particularly negative environmental issues such as exploitation of natural resources and waste. Recognizing the impacts from tourism, a group of villagers initiated a study group to make a tourism management plan to mitigate the impacts from being engaged more in tourism business.

The eco-tourism management of Mae Kompong then started in 2002. It was in collaboration between experts from the public sector and nine local researchers acting as the village's committee. With the allocation of some budget from the government, this pioneering group could have funds to develop the local community and to tackle on-going problems. The project was firstly initiated to identify appropriate tourism management and tourism activities that were suitable for the villagers' ways of living. It was also expected to foster local community participation in managing and preserving natural resources and culture within the context of achieving maximum and sustainable benefits for the community, while enjoying additional income from providing homestay services or other tourism related activities.

The participating households learned how to use existing beautiful nature, traditional ways of living, and inherited tradition and symbolic culture to educate tourists and earn supplement income from tourism. The purpose of this homestay project was to give tourists an opportunity to relax and enjoy the unspoiled beautiful nature of Mae Kompong, rather than to make them enjoy artificially made items.

#### ***4.4.1.3. Tourism Development of Mae Kompong Homestay Project***

##### **4.4.1.3.1. Development and Benefit Sharing Rule**

The development of eco-tourism in Mae Kompong consisted of two phases, which include the build-up of mutual understanding among villagers, and the preparation and development of tourist attractions. Firstly, all villagers learned the concept of eco-tourism, the benefits and costs of homestay-based tourism as the secondary source of income, and the importance of participatory and cooperative effort among the villagers for sustainable tourism development that optimizes benefit and cost. While providing homestay service as a secondary occupation, the villagers could still maintain their main agricultural activities without interrupting their traditional way of living.

Secondly, the study group analysed the strengths the villagers have from natural endowment. They determined and prepared for types of tourism to fit with natural and cultural resources they had. In terms of natural resources, there were forests, wild plants and animals, herbs, and waterfall. For cultural aspect, the villagers had traditional ceremonies and dances. In addition to self-preparatory study, the government played an important role in providing training and capacity building for skill development on Thai massaging, management, and services.

Based on the study of these two phases, the pioneering group of tourism development in Mae Kompong came up with three forms of tour packages:

- a) One-day trip: The major targets of this program are both domestic and foreign tourists who visit the village without prior inquiry and do not want to stay overnight. Main activities for the packages are visiting the waterfall and short hiking in the forest.
- b) Study trip: This program targets students, private and government agencies, and other villagers who want to learn how tourism, environment, and village funds are managed under the homestay program, and who want to be involved in activities such as tea growing and traditional herbal medicines, specific to Mae Kompong village.

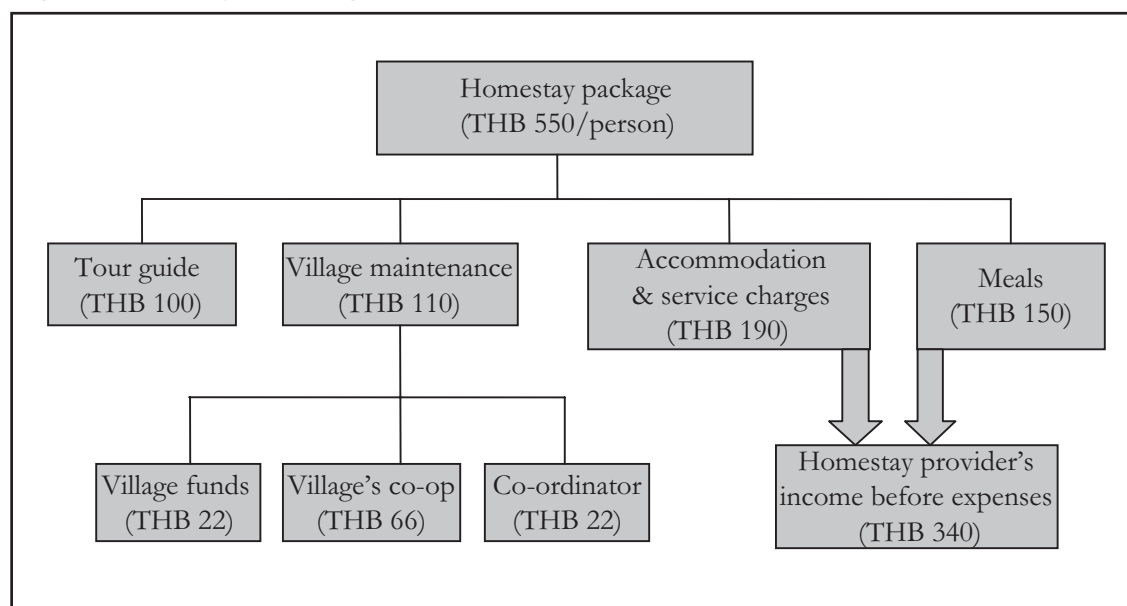
- c) Homestay: This program targets tourists who want to stay overnight and make a reservation in advance either directly through the village’s homestay office or indirectly through tour agencies. There are two main tour packages offering to tourists, 1-night accommodation and 2-night accommodation. This homestay package suits tourists who are interested in learning the culture and way of living of the local community. The packages also offer various nature-based activities such as hiking, observing wild animals and wild orchids, and visiting herbal, tea, and coffee planting areas.

The Mae Kompong tourism project is currently managed by the Mae Kompong tourism committee. The committee is comprised of nine members: one president, one vice president, one secretary, one treasurer, and five regular members. The committee is responsible for setting rules and regulations to support the sustainability use of natural resources, safety, and cultural conservation for all villagers, and for transparent and accountable benefit sharing among participating villagers.

To promote uniform benefit sharing, the committee has used unified pricing rules, as shown in Table A5 in the appendix. They are designed to exclude price competition among service providers and prevent the tourists from being cheated. Benefit sharing rules aim at promoting equitable benefit distribution among relevant villagers, and distributing some benefits in the form of dividends to all villagers through the village’s cooperative.

With clear benefit sharing rules, the beneficiaries will be ensured what they will earn from this secondary source of income. There are two major types of beneficiaries – direct and indirect – in the benefit-sharing scheme. Homestay service providers and tour guides are direct beneficiaries, while other villagers are the indirect beneficiaries through the village’s cooperative membership.

**Figure 4.1: Benefit sharing scheme**



To gain a better understanding about how benefits are shared, this study selects the sharing scheme for income earned from the popular one-night package with 3 meals as an example (Figure 4.1). The package costs THB 550 per person. The receipt of THB 550 will be distributed to participating service providers (80 percent) and charged for village maintenance (20 percent). The participating service providers include tour guide (THB 100), accommodation and service providers (THB 190), others for food preparation (THB 150). The accommodation and service providers normally receive THB 200 in total, yet it is regulated that 5 percent of this total must be put into the village fund for maintenance. They therefore get only THB 190 as total income before expenses. The remaining 20 percent (THB 110) is regarded as a maintenance fund. Out of THB 110, a sum of THB 22 (20 percent) is paid to the

coordinator, another THB 22 (20 percent) contributed into village fund, and the remaining THB 66 (60 percent) put into the village's cooperative. At the end of each year, the profits of the cooperative are equally distributed to all villagers. Overall, for this 1-night accommodation package, THB 440 will go to tourism-related service providers, and THB 110 will benefit the local community as a whole because it will be used for further development of the village and local tourism, and also redistributed to all villagers in the form of dividends.

#### 4.4.1.3.2. Marketing Strategies

Good marketing strategies are clearly the key to the success of the Mae Kompong homestay project. Recognizing that homestay and eco-tourism markets are specific to small groups of tourists, the Mae Kompong tourism committee focuses on the quality not the quantity of tourists. The committee thus relies more on its own marketing strategies by utilizing advertising tools. The village distributes brochures (both Thai and English versions) to the regional office of the Tourism Authority of Thailand, hotels, and important tourist destinations. The group also plans to create its own website to facilitate broader information access by both domestic and foreign tourists. This therefore encourages the majority of tourists to visit the village through direct contact with Mae Kompong rather than through tour agencies. The tourists mostly obtain information from a variety of media like newspaper, magazines, radio, television, advertisement and more importantly by words of mouth.

#### 4.4.1.4. Infrastructure

##### 4.4.1.4.1. Tourist Attractions

There are several types of attractions in Mae Kompong village as the followings:

- a) Nature: As Mae Kompong is located in the mountainous area, the village possesses many unique natural characteristics, such as plenty of exotic plants in the evergreen forest, wild animals, wild orchids with unique shape and fascinating scent called "Aeung orchid", beautiful cascading waterfalls, and mountain streams.
- b) Culture: The villagers have inherited traditional Thai dance and folk music. For the villagers, it is perceived that singing traditional music brings them good luck. They therefore use traditional songs to greet each other and tourists. Besides, there is a Thai traditional blessing ceremony, called "Bai Sri Soo Kwan". This string tying ritual is normally done by village elders.
- c) Crafting: There are a lot of handicrafts, such as baskets, hats, and furniture made from bamboo. Local villagers also do traditional knife crafting, reflecting the livelihood of ancient people. The knife crafters use traditional wisdom in order to make a durable handmade knife.
- d) Agriculture: The villagers grow tea and local Arabica coffee in the surrounding hills. Anyone can learn about the fermented tea leaves process, the usage of Thai herbs, especially "Miang" (tea leaves). In addition, the villagers make use of and apply local herbs into the Thai traditional massage as an alternative form of relaxation.

##### 4.4.1.4.2. Accessibility

The road to Mae Kompong is to some extent convenient for visitors, thanks to the development of paved concrete roads that make it easier to come by cars or motorcycles. However, as the four kilometer long route that climbs up the mountain to Mae Kompong is just a two lane road, one lane each way, it is

not convenient for bus or coach. At present, there is still no bus to the village. Visitors have to hire mini-bus by paying about THB 500 or more per day if they want to climb up to visit the village.

#### 4.4.1.4.3. Accommodation

Mae Kompong community is small and constrained by its geography that limits tourism expansion. Geographically, the village is sitting in the valley of the mountain. Most of the houses are situated on both sides of the road along the mountainside. Therefore, there is low possibility to increase accommodations for tourists. Excessive construction of houses in the future will make the village too crowded.

#### 4.4.1.4.4. Public Utilities

The village makes use of electricity and water resources developed by the community. The community set up an electricity cooperative that has managed hydro-electric power for the villagers of Mae Kompong since 1983. For water, the villagers can easily get access to water supply because Mae Kompong village is located not far from water sources from the mountain.

### 4.4.2. Economic Activities

The primary occupation of the Mae Kompong community is farming. The majority of the villagers (97 percent) grow tea trees and make fermented tea leaves (Techaerawan, 2001). The villagers have secondary sources of income from coffee and banana plantations, or from the collection of wild plants and products, or from processed fruits and vegetables. At present, the local administration encourages the villagers to grow orchids and herbs for additional income.

Based on the survey of Farmers Restoration and Development Fund (FRD), all households earned income from more than one source of income. The major sources of income include agriculture, labour services, trading, and tourism-related activities. Agriculture is the largest source of income for the villagers in Mae Kompong village, followed by income from working as hired labours and from trading. Tourism related activities rank fourth. More specifically, fifty-five households, or about 80 percent of all surveyed households receive income from agricultural activities, while about 52 percent of households earn wages from providing labour services. Average income from agricultural activities, hired labours and trading are about THB 21,669, THB 15,788, and THB 7,115, respectively. The first three most important sources of income share almost 91 percent of average total income (Table 4.10).

**Table 4.10: Annual income by sources (Unit: THB)**

Sources of income	Mean	S.D.	Min	Max
Agriculture (55)	21,669	18,036	0	60,000
Handicrafting/Processing (4)	823	4,357	0	30,000
Trading (15)	7,115	24,520	0	160,000
Homestay & related services (10)	1,934	6,390	0	30,000
Wage employment (36)	15,788	24,572	0	90,000
Remittance from family members (2)	323	1,880	0	12,000
Other sources (11)	1,509	4,443	0	25,000
Total annual income (69)	49,161	36,124	0	231,000

*Source: Farmers Restoration and Development Fund (FRD) survey. Note: Figures in parenthesis show the number of households with a particular source of income.*

Overall, the economic activities of the villagers do not change much. Consistent with earlier studies, agriculture still plays an important role as the most important source of income for the community in Mae Kompong village. Even without engaging in tourism-related activities, they still earn their main income from agriculture. Although the contribution of homestay services to total income of participating households is small, it provides additional income to the households. The evidence is consistent with the spirit and intent of the development of Mae Kompong homestay project. Specifically, tourism is neither the main source of income nor the primary occupation, but rather a secondary source of income and a secondary occupation.

#### **4.4.3. Economic Benefits**

In general, tourism might generate both benefits and costs to the community in term of economic, social, and environmental aspects. This section focuses on economic benefits of tourism in terms of income and employment aspects. Economically, tourism can create economic benefits in the form of direct and secondary effects of tourism spending for a community. Individuals or businesses that are directly involved with tourism business will receive immediate impacts from tourism. In addition, other sectors, such as agricultural, industrial, and trading sectors in the community, could also indirectly benefit from higher demand for their products generated from tourism expansion in the community. Thus, total economic benefit of tourism depends very much on the initial amount of tourist expenditures which flow into the economy and on the extent to which subsequent rounds of spending are generated within the economy.

To measure total economic benefit requires a comprehensive dataset on changes in income and employment in the tourism sector itself and in other sectors that are caused by changes in tourist expenditures. Due to data unavailability, this study focuses on the direct economic impacts only, both income and employment impacts, and on leakages of direct economic benefits, which, to some extent, could give us an idea of the extent of indirect benefits.

##### ***4.4.3.1. Income Linkage***

The direct income of a person engaging in tourism business in Mae Kompong is the income received from providing homestay and other tourism-related services, including tour guide, traditional dance, and traditional music. Income from providing homestay accommodation and guiding service is determined as a product of number of tourists and length of stay. For the providers of traditional performing arts like dance and music, their income depends on the number of shows and performers playing in the shows. Receipts from these activities will be equally distributed among the performers. As each performer's income diminishes according to the number of persons performing in each show, the income from such tourism-related services per household is small relative to the income from those providing homestay accommodations.

We then measure income linkage by using TDRI survey of homestay operators and the FRD Fund survey of 69 households in Mae Kompong village that provides a rich source of information about household income. Due to a very small portion of income from other related activities and the way the TDRI questionnaire for the homestay providers is constructed, when the homestay providers fill out the questionnaire, they normally ignore this insignificant source of income. Therefore, the information about income from homestay related activities are excluded from the results of the TDRI survey.



By cascading total income by major economic activities (agricultural activities, non-agricultural/non-homestay activities, and homestay services), Table 4.11 confirms that income from homestay is not a major part of the homestay providers' total income, compared with that of agricultural and non-agricultural activities. The homestay generates an average monthly income of just about THB 2,356, while the agricultural activities and non-agricultural activities generate average monthly income of THB 8,057 and THB 5,016 respectively. The more detailed decomposition of income by activities in Table A6 in the appendix confirms that agriculture is the primary source of income for homestay providers. Six out of ten households participating in the program grow tea plants. Homestay does not provide a major source of income to these households. Among the homestay providers, the income from homestay mostly shares second place and its share does not exceed 35 percent of the total income.

**Table 4.11: Income by groups of activities**

Activities	No. of households	Monthly income (THB)			
		Mean	Median	Minimum	Maximum
Agricultural	6	8,057	10,470	1,350	14,000
Non - Agricultural (Excluding homestay and related services)	7	5,016	3,036	2,250	14,450
Homestay	10	2,356	2,000	750	6,000

*Source: TDR survey of homestay providers in Mae Kompong village (2005)*

Based on the program's benefit-sharing scheme and average cost structure of ten homestay operators, we analyse whether they currently have recovered their investment. Assuming a scenario in which total annual net benefits of each operator in the earlier years equal their net benefit in 2005, we realise that this could underestimate (overestimate) the results, especially when the numbers of tourists who stayed at their houses were much higher (lower) in the earlier years. Despite the under/over-estimation problems, this result is still informative. We learned from their initial investment that less than THB 60,000 is used to improve its residential conditions. Due to relatively low initial cost, the net present value shows that most of the homestay households have already recovered their investment (Table 4.12). According to this result, based on our assumption, there are at present eight households that have already recovered their investment cost, which was relatively low. Their initial investment ranged between THB 3,500 and THB 20,000. Table 4.12 further shows that 10 households earned roughly the net annual benefits (after the deduction of related expenses) from providing homestay accommodation of THB 22,686 in 2005.

**Table 4.12: Net Present Value of the Mae Kompong Homestay Project (THB)**

	Mean	Median	Min.	Max.
Initial investment cost	15,300	11,500	3,500	55,000
Net tourism benefit (Revenue-Expenses)	22,686	20,900	4,200	43,200
Number of years	5	5	2	7
Net present value(Discounted net benefit – Initial cost)	72,989	35,564	-7,062	196,260

*Note: There are 10 participating households that provide average cost structure of homestay services.*

#### 4.4.3.2. Employment Linkage

Regarding impacts of tourism on employment, Mae Kompong villagers benefit from tourism due to additional employment, particularly in the tourism sector. According to the survey, there are other tourism activities created to support homestay service. These include tour guides, taxi drivers,

traditional dancing, singing, and massaging. Based on the survey of 69 households in Mae Kompong, tourism creates employment opportunities for at least 18 households: 9 for homestay service (there are current 15 homestay providers in the village), and 9 for other tourism-related services. Among the nine homestay households, three of them also provide tour guide or taxi services. All other nine non-homestay households engage in only one particular tourism activity: one household in tour guide activity and the other eight households for traditional singing, dancing, and massaging. Overall, there are 15 households engaging in only one tourism activity. Also, the number of households benefiting from tourism accounts for about 14 percent of all households from the survey. However, due to limited household data, we cannot estimate the total employment in the tourism sector of Mae Kompong village.

#### 4.4.3.3. Leakage of Economic Benefits

Concerning the direct economic benefit, there is no income and employment leakage, since all tourism providers are local people and the income go directly to either the service providers or the community, in forms of the dividend from the co-op. All of the economic benefits stay within the community. Nonetheless, it should be clear that all the indirect benefits from tourism can leak out from the community through buying goods or employing workers from outside the villages

In Mae Kompong village, since all employees employed in the tourism sector are from the local community, there is no employment leakage. Thus, we will focus on the income leakage only. We use the TDRI survey to examine the extent of income leaking out to outside communities by looking at the monthly cost of food, beverages, and daily products used in the program and the sources of products.

The results in Table 4.13 are worth noting. Approximately 98 percent of the homestay expenditures leak out to non-local communities, leaving only 2 percent to the Mae Kompong community. In terms of value, other sectors in the community indirectly receive additional income of merely THB 26 per month, while other communities receive about THB 1,136 per month. Quite surprisingly, there is no leakage to foreigners. One of the main reasons is that the Mae Kompong homestay does not serve any alcohol beverages, which are probably the main leaking channel to foreign countries. The results also imply that there is still some room for Mae Kompong village to absorb more benefits within the community.

**Table 4.13: Leakages of indirect income linkages**

Type	Average monthly value (THB)	Average monthly value by source (THB)		
		Local	Non – local(domestic)	Import
Food:				
- Fresh	658	26	632	0
- Dried	182	0	182	0
- Fruits	168	0	168	0
Beverages:				
- Alcohol	0	0	0	0
- Non-alcohol	55	0	55	0
- Drinking water	63	0	63	0
Daily products	59.5	0	59.5	0
Total	1,135.5 (100)	26 (2.3)	1,109.5 (97.7)	0 (0)

Source: TDRI survey of homestay providers in Mae Kompong village (2005)

#### 4.4.4. Tourism and Income Inequality

How tourism affects income distribution in a community is an important issue. Although there is no theoretical framework explicitly explaining the relationship between tourism and income inequality, it is conceptually convincing that tourism could lead to income inequality under some specific conditions. Previous studies like Khaosa-ard (2005) suggest that a community with many tourism activities faces more severe income inequality problems than the one with few tourism activities. And it is more likely that income inequality occurs in a community where power, knowledge and decision making are concentrated in the hands of very few players. The income from tourism also needs to be large enough, relative to other sources of income, to affect income distribution in the community. Nevertheless, empirical evidence about income inequality in the tourism sector is still scarce and inconclusive.

For both Mae Kompong and Plai Phong Phang cases, this study addresses two important questions: 1) What occupation is the main contributor to total income inequality?, 2) Are there differences between within-group inequality and between-group inequality? The methods proposed by Shorrocks (1982a, 1984) are used to answer the questions above (See Appendices II).

##### 4.4.4.1. Inequality in Mae Kompong Village

To provide a broad understanding about how inequality is affected by tourism, this study initially compares Gini coefficient index of Muang district with that of Mae-On district where Mae Kompong is located. Muang district has relatively higher level of tourism development. The former constitutes the largest share of tourism in Chiang Mai because of more complete infrastructure and attractions, while the latter is constrained by limited access and facilities. Table 4.14 suggests that the problem of income inequality in the Muang district is less severe than that of Mae-on district. This is because the Gini coefficient index of the Muang district (36.04) is much lower than that of Mae-On district (38.96). However, the conclusion drawn from the analysis should be used with caution because the method does not control influential factors specific to each area's characteristics, such as economic development, types and quality of attractions. Mingsarn (2005) also faces a similar problem.

*Table 4.14: Comparisons of average income and income distribution*

	Average monthly income	Gini coefficient index
Chiang Mai (2002)*	4,374	41.00
- Muang district (2002)*	5,538	36.04
- Mae-On district (2002)*	2,668	38.96
Mae Kampong village (2006)**	4,093	36.09
All homestay and related service providers (2006)**	3,712	35.59
Non-homestay-related service providers (2006)**	5,741	35.29

*Source: \* National Statistic Office (2002); \*\* Authors' calculation based on the data from FRD Fund survey*

Knowing that the overall Gini coefficient index of Mae Kompong village is 36.09, another interesting question is whether the income inequality of all homestay and related households is higher than that of non-homestay-related households. The Gini coefficient index of the former group is 35.59, while that of the latter group is 35.29. Thus, the income inequality is a little bit more severe in the case of all homestay and related households than in the case of the non-homestay-related households.

#### 4.4.4.2. Inequality Decomposition by Factor Components

In this section, we follow the method of Shorrocks (1982a) to decompose income inequality by factor components (See Appendix II). Table 4.6 shows income inequality decomposition by income components, calculated from the survey of 69 households in Mae Kompong village.

From Table 4.15, the two dominant contributions to the total income inequality are incomes from trading and wage employment, which accounts for approximately 45 and 31 percent, respectively, of the total inequality. Remittance from family members is the least important contribution to the total inequality. It is interesting that the income from homestay and related services, accounting for roughly five percent of the total inequality, is an insignificant contribution to the total inequality. Therefore, the conjecture that tourism could lead to higher inequality in the community is not strongly supported because the evidence from Mae Kompong village shows very small contribution of tourism income to total inequality.

*Table 4.15: Inequality decomposition by sources of income*

Sources of income	Proportionate Contribution ×100	Mean Factor Share
Agriculture	10.07	44.08
Handicraft/processing	6.2	0.02
Trading	45.01	14.47
Homestay and related services	5.22	3.93
Wage employment	30.7	32.11
Remittance from family members	0.3	0.66
Others	2.5	3.07
Total	100	100
Sample Size	69	

Source: *Farmers Restoration and Development Fund (FRD) survey*

#### 4.4.5. Well-being

In earlier sections, the study shows that eco-tourism development in Mae Kompong can, to some extent, improve economic well-being of the villagers, because some have better employment opportunities and also earn additional income from engaging in the homestay project. As a consequence of tourism, earnings level is likely to be positively affected.

In non-monetary terms, the local people of Mae Kompong think that the homestay project has created a number of benefits for them. Table A7 in the appendix suggests that the locals have a chance to know and interrelate with other people, not only among those in the community but also visitors coming to the village. The project is likely to develop cohesiveness within the community as well as within the family. This happens because the project aims at creating local participation at the community level, so all villagers (both participating and non-participating) are more open to express and share their idea and opinion with others, leading to better understanding among the people. Within the family, the mutual understanding among the members is important; otherwise, the homestay service will not be run smoothly. The project is therefore an important mechanism toward more cooperative effort among all the concerned parties.

# 4.5. Eco-Tourism Village of Plai Phong Phang

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## 4.5.1. General Background of Plai Phong Phang Village

### 4.5.1.1. General information

Plai Phong Phang is a village in Ampawa District, Samut Songkhram province. Covering a total area of 416.71 square kilometers, the province has a long coastline of about 23 kilometers and 336 canals. With an area of about 14.5 square kilometers, Plai Phong Phang village is a low area comprised of seven main canals: Klong Kokhet, Klong Phongphang, Klong Prachachuen, Klong Kaek, Klong Kudlek, Klong Bang Khae, and Klong Cholaprathan. Most of the houses in the village are located along the canals, which have been an important channel of transportation for the villagers. There are 1,321 households with the total population of 8,635 people; 52 percent of the total population is female, and 48 percent of the total population is male. The majority of the villagers earn their livings from agricultural activities, such as growing coconut trees and tropical fruits, climbing the coconut tress, making and processing of coconut saps, peeling coconut skins, fishing and raising livestock.

Plai Phong Phang village has unique livelihoods, culture, and architecture. There are many ancient wooden Thai-style houses. The villagers' lifestyle is very relaxing, which is hard to experience in the city. Therefore, tourists can take a break from the hustling and bustling city lifestyle by resting in the peaceful and naturally rich village. The tourists can stay overnight in the Thai-style houses with the owners and have opportunities to observe the livelihood and to learn the local culture and enjoy the friendliness of the local people. The Plai Phong Phang village is one of 18 communities currently providing homestay services in the central region of Thailand.

### 4.5.1.2. Tourism Development of Plai Phong Phang Homestay Project

#### 4.5.1.2.1. Development and Benefit Sharing Rule

Long before the Plai Phong Phang villagers developed their eco-community-based tourism, the village was not a popular tourist destination but a typically small agricultural village. However, the village had potential to be developed as a tourist attraction due to its rich natural resources, relaxing atmosphere, and unique ancient Thai-style houses. Beside the beautiful architecture of Thai-style houses, the canals in the village are also attractive because, along the canals, there are the cork trees that are the home of numerous fireflies, hard to find anywhere else. Visitors could take a boat riding along the canals to observe the tiny sparkling lights illuminated from the fireflies. The existence of fireflies indicates that the canals in Plai Phong Phang are clean, and the ecosystem is in a good condition because the fireflies will lay eggs only in clean water.

Realising the potential, Mr Thawat Boonpad, the head of the community, planned how to utilise the tourism resources in order to increase the villagers' income without deteriorating the inherited Thai architectural houses, culture, and natural resources. In 1999, the Plai Phong Phang eco-community-tourism business, including homestay, firefly watching, and sightseeing along the canals was established. The spirit of the tourism business was to create a supplement to the villagers' income, but not to make people rely excessively on tourism as a major source of income.

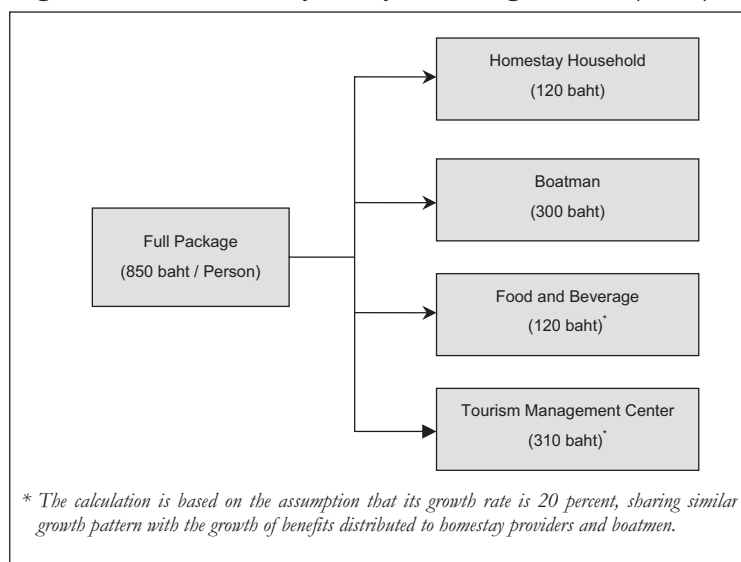
At present, there are two types of tour programs; one is fixed, and the other is self-initiated. Under the fixed program, a number of activities will be arranged for tourists. All the expenses are included in this full package. On the other hand, the self-initiated plan allows tourists to arrange the program tailored to their preferences. However, to join an activity, the tourists will incur additional expenses (The program and service fee is summarized in Table A10 in the appendix).

From our recent interview with the chairman of the Tourist Management Committee, Thawat Boonpad is not willing to provide the information about how benefits are currently distributed among homestay providers, boatmen, and others. We present the old structure of benefit sharing scheme studied by Khaosa-ard et al. (2004) and supplement this with information about benefit sharing indirectly collected based on the interviews with homestay providers, boat riders, and others. However, we still cannot obtain complete information about the current method of sharing benefits.

To provide an idea of how the benefits are shared among the participants, we initially present the old 2004 benefit-sharing structure of the most popular fixed package studied by Khaosa-ard et al. (2004). It was a package of homestay that charged tourists THB 700 each. The package included 1-night accommodation with two meals, boat trip and other activities. The receipt from one tourist was delivered to the participants of homestay program according to the type of services. According to this old structure, Khaosa-ard et al. (2004) show that the benefits go directly to the participating members who provide homestay accommodation (14.28 percent) and boat transportation service (35.7 percent). Another 14.3 percent of the service fee becomes an indirect source of income for the distributors of raw materials used in the preparation of foods and drinks. The remaining 32.9 percent is put into the Tourism Management Center for telephone, water, electricity bills, and administrative expenses. Different from the management of Mae Kompong homestay project, it is not clear whether part of net income after deducting various expenses is used for the community development, re-distributed to the participating members and committee, or accumulated into the center's account.

As mentioned earlier, the most recent benefit sharing structure is not clearly revealed by the chairman of the committee. Therefore, we partly use the information from interviewing all the participating members to trace the on-going benefit-sharing structure. For a component that cannot be obtained from the survey, we make an assumption about its growth pattern and then compute the benefits to be shared. Figure 4.2 shows that about 49.41 percent of total service is directly distributed to homestay household (14.11 percent) and boatman (35.29 percent). Based on our own assumption, 14.11 percent will be used for the preparation of food while the rest (36.47 percent) belongs to the Tourism Management Center.

**Figure 4.2: Structure of benefit-sharing scheme (2006)**



#### *4.5.1.2.2. Marketing Strategies*

Similar to the case of Mae Kompong, the program relies very much on tourism promotion through government agencies, especially the Tourism Authority of Thailand. The TMC committee has attempted to create a brand value “Ban Song Thai (Thai style house)” so that whenever tourists think of Thai traditional houses, they will think of Plai Phong Phang. The committee has found that the most reliable promotional method is still through the positive word of mouth by tourists who can encourage new tourists to visit the village.

The TMC committee also uses various promotional materials (e.g., brochures and advertisements) to inform prospective tourists about the village’s attractions, such as fireflies, the architecture of Thai traditional houses, local way of life, etc. In many cases, certain tourist guide books indirectly help to promote the village’s tourism sector by providing a summary feature of attractions in the village. From time to time, massive publicity via TV broadcasts and newspapers helps to spread the news about its eco-tourism initiative.

Not until recently, the Tourism Management Center has its own website to promote its homestay program. This provides an opportunity for the tourists that ever visited the village and joined various activities to post their comments and what they had experienced on the internet. This kind of virtual marketing with positive feedback may help attract new tourists. In addition, the TMC committee started to use a few travel agencies to introduce and sell its homestay packages to interested tourists. However, the center has to allocate a certain percentage of money to remunerate them for introducing tourists to the center.

#### **4.5.1.3. Infrastructure**

##### *4.5.1.3.1. Tourist Attractions*

There are three main types of attractions that can be found in Plai Phong Phang:

- a) Nature and geography: The village is surrounded with many canals. Tourists can take a boat trip along the canal. In the daytime, they can enjoy the scenic view of Thai traditional houses on both sides of the canals, and see how the local people use fish traps to catch shrimps in the canals. At night, one can ride a long-tail boat to see fireflies that light up the trees growing by the side of canals.
- b) Architecture: There are almost 185 traditional wooden Thai houses along the canals. The houses of all the homestay accommodation providers were constructed more than 100 years ago. Tourists can enjoy the architecture of these houses, and learn how the people benefit from living in this kind of Thai traditional house, even in the summer.
- c) Agriculture: Tourists can learn about the villagers’ livelihood based on agricultural activities, which have been done since the period of their ancestor. The capturing of fish and shrimps with a home-made trap called “Phongphang”, which is a long net laid across part of a river still exists. Other agricultural activities that generate income for many villagers include the climbing of coconut trees, the making and processing coconut sugar, and the peeling of coconut skins.

##### *4.5.1.3.2. Accessibility*

The development of road infrastructure has made it convenient for tourists to visit the village by car or bus from Bangkok and its neighboring provinces. Provinces adjacent to Samut Songkhram

are Ratchaburi and Samut Sakhon to the north, Petchaburi to the South, Samut Sakhon to the East, and Ratchaburi and Petchaburi to the west. Within the Plai Phong Phang village, one can travel by car or boat easily. From our survey on the villagers of Plai Phong Phang, almost 95 percent of the respondents have realised that roads in the village have been improved especially after the launch of the homestay project.

#### *4.5.1.3.3. Accommodation*

Although there is at present an increase in the number of Thai style house homestay operators in the village, they are operated individually and are not certified by the Office of Tourism Development of the Ministry of Tourism and Sports (MOTS). Different from these individual operators, the homestays under the Plai Phong Phang's Thai style house homestay program have already passed certification standards that cover eight aspects of the Thai homestay tourism experience (accommodation, food and nutrition, safety, management, tourism services, environment, added value and marketing). Moreover, there are at present only 18 households that join the program. Therefore, there is still room for other households to participate in the program.

#### *4.5.1.3.4. Public Utilities*

Electricity, water supply and telephone systems are available to most of villagers. From our survey, about 13 percent of the respondents suggest that they still cannot access piped water or do not feel there is an improvement in water distribution system, so they have to use underground water for their daily use. Regarding the electricity system, about 92 percent of all respondents indicate that the system has been improved. There are now electrical lights available along the canals and footpaths, which are good for communication at night.

### **4.5.2. Economic Activities**

Since the establishment of the village, the livelihood of the villagers of Plai Phong Phang has been shaped by its geographic condition. Good soil conditions in the area are suitable for some types of crops and fruits. In addition, the village is surrounded with many canals that are connected to the river, so the villagers can earn income from catching fish and shrimps in the river. Because of these geographic factors, most of the people engaged in and earned most of their income from agricultural activities in the past. Their primary agricultural activities included crop planting, orchard gardening, and coconut-sugar making. As the economic structure has changed over time, some people turn to do commercial activities and to work for wages.

By categorizing sources of income into 7 main sources (agriculture, crafting, trading, tourism-related activities, wage employment, remittance from family members, and others), the survey of 55 villagers at Plai Phong Phang suggests that about 53 percent of respondent villagers are engaged in agricultural activities, followed by tourism-related activities and wage employment (Table 4.16). However, agriculture does not generate the highest proportion of total annual income. The income from tourism-related activities seems to contribute the largest part of total income. Careful interpretation is needed. It is observed that the variability in the income from homestay services is relatively high (Standard deviation = 268,908) and its maximum income is at THB 2 million. This may indicate a problem concerning outlier observations, and leads to questions whether or not tourists are evenly allocated to each homestay operator.



**Table 4.16: Annual income by source using all observations (Unit: THB)**

Sources of income	Mean	S.D.	Min	Max
Agriculture (29)	19,702	38,798	0	198,000
Handicrafting/Processing (4)	4,693	19,206	0	96,000
Trading (9)	6,389	18,106	0	72,000
Homestay & related services (25)	44,087	268,908	0	2,000,000
Wage employment (24)	32,442	77,873	0	528,000
Remittance from family members (11)	9,491	25,302	0	120,000
Other sources (3)	4,985	32,551	0	240,000
Total annual income (55)	121,790	273,190	2,400	2,000,000

*Note:* Figures in parenthesis show the number of households with a particular source of income.

*Source:* TDRI Survey (2006) at Plai Phong Phang village

To eliminate the problem, the analysis removes an outlier observation from the sample. Table 4.17 provides a better understanding about the income structure of the villagers. Similar to previous analysis about occupational activities, the majority of the respondents are in the agricultural sector. To hire oneself out for wages and to provide tourism-related services are just a secondary activity that local people do. The results further show that the people on average earn most of their income from wages. Specifically, wage employment generates the largest portion of the total income (38 percent); agriculture (23 percent), remittance from children and other family members (11 percent), tourism-related services (9.04 percent), trading (7.48 percent), and crafting (5.49 percent).

The overall result suggests that tourism is just another secondary occupation that generates additional income for the local people. Consistent with the history of Plai Phong Phang, agriculture is still an activity that most people are doing, although it is not the main contributor for the livelihood of the local people. This might happen because of the change in economic and demographic structures and the variability in the prices of agricultural products. Therefore, many people switch to other activities. By comparing the average annual income of the respondent villagers in Table 5.4 with the average income of the population in Plai Phong Phang, the villagers in our sample on average are not poor because they have above-average income. There are, however, about 40 percent of the villagers (22 persons) having total annual income below the average annual income.

**Table 4.17: Annual income by source after excluding outlier observation (Unit: THB)**

Sources of income	Mean	S.D.	Min	Max
Agriculture (29)	20,067	39,067	0	198,000
Handicrafting/Processing (4)	4,780	19,376	0	96,000
Trading (9)	6,507	18,254	0	72,000
Homestay & related services (24)	7,867	12,571	0	60,000
Wage employment (24)	33,043	78,475	0	528,000
Remittance from family members (11)	9,667	25,505	0	120,000
Other sources (3)	5,078	32,849	0	240,000
Total annual income (54)	87,008	90,821	2,400	557,100

*Note:* Figures in parenthesis show the number of households with a particular source of income.

*Source:* TDRI Survey (2006) at Plai Phong Phang village

### 4.5.3. Economic Benefits

In the previous section, an overview of economic activities of the Plai Phong Phang villagers (both participating and non-participating) is provided. To show whether, on average, the local people are benefiting from engaging in tourism, which is an economic activity other than their primary activities, this section focuses on economic benefits of tourism in two aspects – income and employment. However, due to data unavailability, the analysis of Plai Phong Phang case focuses only on the direct impact of tourism, which depends very much on the number of tourists visiting the village.

#### 4.5.3.1. Income Linkage

The eco-tourism in Plai Phong Phang village generates income for three important group of people in the homestay project, including homestay operators, boatmen, and cooks. The first two groups are perceived to be directly affected by tourism; however, the effect varies with the number of tourists who come to stay at the houses of homestay operators. However, the cooks' income comes in the form of fixed monthly salary paid by the Tourism Management Center.

The survey of 25 households engaging in the homestay activities is used to construct estimates of total household income and its components. However, considerable caution is required in the use and interpretation of this income data due to limited number of observations. From the survey, most households participating in the homestay project have income from more than one source. This suggests that individual household members may be engaged in more than one activity at the same time in order to diversify their income among different economic activity categories. Table A9 in the appendix shows that 80 percent (20 households) depend on either two or three sources of income. There are only 12 percent (3 households) and 8 percent (2 households) of the participating households earning from one source and four sources of income, respectively.

However, income components differ widely. The two most important sources of income are agriculture and tourism. The share of agricultural income is high for some households, while that of tourism is somewhat high in others. Specifically, there are 11 households obtaining the highest proportion of their income from agriculture, where the agricultural income encompasses plantation of coconut trees, processing of coconut sugar, pomelo gardening, and shrimp fishing. On the other hand, there are only 5 households relying on tourism services as their principal source of income. All other households only use tourism as the secondary, tertiary, or quaternary source of income. Although the households' income sources are diversified, a high proportion of income is concentrated in the principal activity only. The share of income from the principal source on average is much higher than 40 percent.

By classifying sources of income into three major activities - agricultural, non-agricultural/non-tourism, and tourism activities, Table 4.18 shows that average annual income from non-agricultural/non-tourism activities is particularly high relative to agricultural and tourism-related activities. Note that the analysis is based on the sample that excludes one household that earns significantly large from homestay services. This is ambiguous because most other participating members enjoy far smaller benefits from the program. One potential problem is about the justification in the distribution of tourists among the members because few members have big shares and income is not evenly distributed. This leads to a question, whether this homestay program is managed with connection-based practices.

**Table 4.18: Income by groups of activities**

Activities	No. of households	Annual Income (THB)			
		Mean	Median	Minimum	Maximum
Agricultural	20	36,530	24,500	3,600	162,000
Non - Agricultural (Excluding tourism-related services)	10	103,952	70,560	6,000	528,000
Tourism	24	17,700	14,450	3,000	60,000

Source: TDRI Survey (2006) at Plai Phong Phang village

Table 4.19 further shows that these eight households earned roughly the net annual benefits (after the deduction of related expenses) from providing homestay accommodation of THB 7,602 in 2005. Although this extra income is not substantially large in comparison with other sources of income, many of them think that it is fine because they can obtain non-monetary benefits, such as the chance to know more people. Many of them have already been retired, so it is better than doing nothing. Moreover, comparing with Mae Kompong, the homestay operators of Plai Phong Phang underperformed Mae Kompong because the operators still cannot get back enough money to cover the cost initially invested to improve the condition of the houses. The average net present value is substantially negative, leading to the question about the financial sustainability of the initiated program in the long run.

**Table 4.19: Net present value of Plai Phong Phang Homestay project**

	Mean	Median	Min.	Max.
Initial investment cost	348,375	85,000	7,000	1,000,000
Net tourism benefit (Revenue-Expenses)	7,602	5,800	4,000	16,200
Number of years	5	5	3	7
Net present value(Discounted net benefit – Initial cost)	-322,238	-67,038	-974,827	10,125

#### 4.5.3.2. Employment Linkage

As mentioned earlier, there are more than 88 percent of all participants that have income from at least two sources including tourism. The evidence shows that tourism activities provide additional job opportunities for the households. For example, instead of just engaging in agriculture by all household members, anyone of them receives an opportunity to obtain supplements by providing homestay accommodation or boat transportation service.

According to the survey of 25 participating members, there are 24 households providing one tourism service – either homestay accommodation, transportation, food preparation, and one household providing both accommodation and transportation services. The result implies that the Plai Phong Phang villagers benefit from tourism due to additional employment of at least 25 jobs for the activities related to the village's homestay program. Specifically, the program provides jobs for not only 16 households, but also creates 8 jobs in the supporting sectors – boat transportation and food preparation. At present, there are 5 local villagers who are providing boat service, and 3 others who cook for tourists. Although this study estimates only direct employment, it is expected that the project may lead to indirect employment and income opportunities for other villagers. For example, based on our direct observation during the survey, there were certain local villagers who used rowing boats to travel across water in the canals to sell Thai traditional dessert, fruits, or even noodles.

#### 4.5.4. Tourism and Income Inequality

Similarly to the Mae Kompong case, the following sub-sections use the proposed methods of Shorrocks (1982a, 1984) to answer two main questions: 1) What occupation is the main contributor to total income inequality?, 2) Are there differences between within-group inequality and between-group inequality?

##### 4.5.4.1. Inequality in Plai Phong Phang Village

We first provide an overview of the economic status of the population in Samut Songkhram province, its districts and sub-districts (Table 4.20). There are three districts in Samut Songkhram – Muang, Bang Khonthi, and Ampawa district. The average monthly income of the people in more developed Muang district is higher relative to the two other districts, and is also above the average monthly income of the population in the province.

*Table 4.20: Comparison of average income and income distribution*

	Average monthly income	Gini coefficient index
Samut Songkhram (2002)	5,983	42.78
- Muang district (2002)	6,350	42.18
- Bang Khonthi district (2002)	5,369	46.05
- Ampawa district (2002)	4,902	41.57
Plai Phong Phang (2006)	7,251	46.81
All homestay and related service providers (2006)	9,433	49.69
Homestay-unrelated service providers (2006)	5,504	38.41

*Source: \* National Statistic Office (2002); \*\* Authors' calculation based on TDRI survey (2006) at Plai Phong Phang village*

Based on the survey of 54 villagers in Plai Phong Phang (excluding an outlier), the result shows that the average monthly income of the surveyed households is very high. However, careful interpretation is required because the calculation is based on the income data of only 55 households; many households were excluded from household income tabulations, possibly seriously biasing the results. The table also compares the average income for homestay-related households and homestay-unrelated households. The former group reported an average monthly income of THB 9,433, while the latter group reported a much lower average income of just 5,504.

Table 4.20 also shows income inequality as measured by Gini coefficient. There is a marked difference in income inequality between homestay-related households and homestay-unrelated households in Plai Phong Phang. Compared with Mae Kompong village, the income inequality and average monthly income in Plai Phong Phang are comparatively higher than those in Mae Kompong. For Plai Phong Phang, the Gini coefficient for homestay households is estimated at 49.69 percent, and 38.41 percent for non-homestay households. This reveals that the income inequality is more pronounced in the group of homestay-related households than in the non-homestay group. This preliminary result for the former group leads to an important issue about unfair distribution of income among the participating members in this village.

##### 4.5.4.2. Inequality Decomposition by Factor Components

This section examines income inequality to understand the main characteristics of the household income in Plai Phong Phang, using a decomposition analysis of inequality by factor components proposed by Shorrocks (1982a). Table 4.21 shows income inequality decomposition by income source

as well as the corresponding shares of income, based on the survey of 54 households in Plai Phong Phang village. All types of incomes used in the analysis are on an annual basis.

Using the whole sample, it appears that wage employment is the greatest contributor to total annual household income, i.e. almost 38 percent of total annual income is generated by hiring oneself out for wages. Agricultural activities are the second most important source of income for the households, accounting for about 23 percent of total income. The third and fourth sources of income are remittance from household members (11 percent) and tourism-related activities (9 percent). Regarding what is the most important factor contributing to the overall income inequality, Table 4.21 shows that about 65.5 percent of the overall inequality is attributed to wages, followed by agriculture (14.16 percent). Although the income from tourism-related services represents the fourth major source of income, it appears that it becomes the third most important factor contributing to total income inequality. It accounts for just about 4 percent, revealing that tourism related activities do not cause high inequality in the community.

**Table 4.21: Inequality decomposition by sources of income**

Source of income	All households		Tourism-related		Non-tourism related	
	Proportionate Contribution ×100	Mean Factor Share	Proportionate Contribution ×100	Mean Factor Share	Proportionate Contribution ×100	Mean Factor Share
Agriculture	14.16	23.06	6.31	26.89	42.73	17.81
Handicraft/processing	2.11	5.49	0.36	5.97	8.58	4.84
Trading	0.91	7.48	0.55	2.94	8.49	13.70
Homestay & tourism	4.06	9.04	1.94	15.64	0.00	0.00
Wage employment	65.50	37.98	74.88	29.35	46.51	49.81
Remittance	2.42	11.11	3.39	10.38	-4.96	12.11
Others	10.86	5.84	12.58	8.83	-1.36	1.73
Total	100	100	100	100	100	100
Sample size	54		24		30	

*Source: TDRI Survey (2006) at Plai Phong Phang village*

Analysing separately the inequality decomposition by income sources for the tourism-related households, we find that wage and agricultural incomes are still the first two most significant contributors to total income and to the overall income inequality. Although tourism-related activities rank third in terms of its contribution to total income, it appears however to be the fifth important source of inequality. This evidence confirms an insignificant role of tourism as a major cause of inequality.

For the non-tourism-related households, the first three important contributing factors of total income consist of wage employment, agriculture, and trade. They account for almost 82 percent of total annual income. Moreover, the distribution of both wage and agricultural incomes is highly unequal. Both of them altogether make up 89 percent of total inequality.

#### 4.5.5. Well-being

Needless to say, tourism is not just a sector that contributes to the well-being of the people. There are many other sectors that can play this important role of raising the well-being of the people. However, this study does not thoroughly analyse the factors influencing the people's well-being. Instead, we focus on local participation in decision-making as an important factor to improve well-being among

the people, because people are important players who can make community development succeed or fail. We therefore surveyed the villagers' opinion about the level of cooperation and their well-being in various aspects after the introduction of the Thai style house homestay project. Basically, the organized eco-tourism business creates the economic well-being of villagers because of better employment opportunities and income generation.

According to the survey, the Plai Phong Phang villagers have diverse opinions about the benefits of the homestay project. More than 50 percent of the total respondents think they benefit from the chance to know more people, to get together with other villagers, to broaden their knowledge from better access of information. However, less than 45 percent think that the project leads to more family cohesiveness (Table A10 in the appendix). This is not surprising. Although the local community was made up of many extended families, the change in economic and social structure loosens such ties. A number of family members may move out to explore growth and opportunities in the city, leaving only those who are retired and old in the village. From time to time, they just send back some money to their parents/grand parents.

Although the project is likely to develop community cohesiveness, it causes conflicts among local people as well. For example, based on interviews with many villagers, there was a conflict between participating and non-participating households. It was because the noise of the tourists coming to see fireflies at night made the villagers living near the area angry. It happened that the angry villagers cut down trees, which are a habitat for fireflies and a tourist highlight. However, after the villagers who were not satisfied with the on-going activities shared their bad experience with others, it became clear that they finally came up with a possible cooperative solution to reduce such negative impact of tourism. It is now that most of the villagers understand the situation and are now cooperating for the success of the project. About 87 percent of the non-participating members are now satisfied with the on-going project. Overall, without a well-organized plan for tourism development and cooperative effort in the local community, any new initiatives may not have significant positive effect on the well-being of the community as a whole.

# 4.6. Conclusion and Policy Recommendation

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## 4.6.1. Conclusion

The eco-community-based tourism in Mae Kompong and Plai Phong Phang are successful cases of how to operate and manage the tourism business in the community. The eco-community-based tourism businesses in both villages generate income and employment linkages without worsening income inequality, generate positive social impacts, and generate small negative impacts. Therefore, the eco-community-based tourism appears to reduce the poverty of the poor. However, whether the government should promote the eco-community-based tourism as a pro-poor tourism policy is an important question. The eco-community-based tourism incurs many difficulties that could result in a low possibility of success. Taking into account the low possibility of success, the expected costs of developing the eco-community-based tourism could far exceed the expected benefits. Unfortunately, we do not have sufficient and reliable data on the cost of developing the eco-community-based tourism in the studied communities to confidently assess the economic costs and benefits of the tourism. Further research should aim at conducting a careful benefit-cost analysis of the eco-community-based tourism.

The key insight from the two case studies is that to be successful in the eco-community-based tourism, there are many factors involved. Generally, there are many factors determining the success of the tourism business, the natural factor, the market factor, and management factor. All of these factors are crucial for the success of the eco-community-based tourism, and thus any lack of these factors could result in a failure of the tourism business. Regarding the natural factor, the community needs rich natural resources to attract tourists. Regarding the market factor, it is necessary to accept that there are only a small number of tourists who are interested in the eco-community-based tourism. The demand from tourism is sensitive to many factors such as the political stability and the spread of dangerous diseases. Due to a specific and small group of potential customers, the community needs to have good marketing strategies in order to make sure that all the commercials or advertising need to reach the targeted customer. Without the support of the government, the commercial and advertising could be costly for the community. Moreover, to sustain tourism, the community needs good cooperation among villagers, a mutual understanding of the costs and benefits of the tourism. Last but not least, the community must have an effective and fair benefit sharing system that only distribute the benefit to the participant of the tourism business but also the community as a whole. Nonetheless, to be successful in the eco-community-based tourism, it requires not only lots of investment and resources that could be too expensive to the community, but also many uncontrollable and uncertain factors, such as the market factor. Thus, before initiating the eco-community-based tourism in the community, the community and, perhaps, the government, must carefully conduct a business possibility study in order to avoid the waste of valuable but scarce resources of the community.

Despite the fact that the eco-community-based tourism could generate additional income and employment to the communities, there is a large extent of income leakages to the non-local community. One of the main reasons is that the community has to rely heavily on the resources created outside the community. To be able to create a local supply might be not only costly to the community but also lead to an inefficient allocation of resources. Although our case studies show a small negative environment impact, the negative environment impacts could be easily increased if there is the lack of cooperation to protect the natural resources among the people in the communities and, more importantly, if the community focus on maximising quantity rather than the quality of the tourists. It is very likely that increasing the number of tourists inevitably generates more negative impacts, socially

and environmentally. The negative externalities, for example, waste, water pollution, air pollution and noise pollution could lead to conflicts among the villager, which is very harmful to the sustainability of the eco-community-based tourism. Thus, it is important to strike a balance between positive economic and employment impacts and the possibly negative environmental impacts. To be successful in eco-community-based tourism, in the first place, is certainly difficult, but to sustain the eco-community-based tourism might be more difficult.

#### 4.6.2. Policy Recommendations

1. It would be more effective to balance between supply and demand sides. The best possible way is to take supply as the constant because it is easier to control and develop toward more sustainability. However, demand is less easy to control because it is driven by many factors such as seasonality, competition, preference, and economic conditions. From this study, it is found that income and employment impacts on local people are dependent largely on seasonality and the tourists' demands. Serious attempts by the government's tourism agency are very important to help promote new forms of niche eco-tourism markets so as to bring the right customers to the right place at the right time.
2. Effective marketing strategies should be developed at the national and provincial levels. They should not just only create mass demands without taking into account the limited carrying capacity of tourist destinations. Excessive emphasis on mass tourism could adversely affect the nature- and culture-based tourist attractions. The short-run benefits to the local people do not last long. If the destinations' unique environment and culture are not maintained, it will not be possible to attract first-time tourists or returning tourists to come again. As a consequence, tourism activities and benefits to local communities will not be sustained.
3. Although alternative forms of tourism such as eco-tourism and cultural tourism are naturally suited to pro-poor development, mass tourism can also play a more significant role in poverty reduction. Because mass tourism is already a major employer of people in many communities, there is a high potential for those business operators involved with mass tourism activities to contribute to reduce poverty incidence in the communities. Because some jobs do not need skilled labour and are easily accessible for the low-income workers, they can create jobs and income generating opportunities for the people.

The government should help to make those in the tourism business become responsible tourism operators. To solely focus on the maximization of their own economic benefits is not an effective way to develop tourism benefits for local people. The tourism operators such as hotels, guesthouses, travel agencies, should have a clear policy for responsible tourism. The concept of social responsibility should be reinforced. They should work throughout their supply chain to develop and implement policies that use local labour, local foods, and other local products.

4. For each tourism project, it is possible that the leader, especially the initiator of the project, always has power and control over decision-making on benefit sharing methods, rules and regulations. The participating members rarely have the chance to contribute. For the sake of all concerned parties in the community, a clear and transparent equitable treatment of rights of the people in the community should be encouraged.
5. As for sustainable tourism development, cooperation among local people, tourism-related operators, and other private agencies should go hand in hand with development provided by the government. One-sided development is not possible. Participatory and cooperative effort among the parties should be strengthened.
6. Programs to educate tourists and concerned parties in the tourism business about the importance of pro-poor tourism and sustainability for the growth of local communities should be launched from time to time.



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# Appendix I: Statistical Data

*Table A1: Main tourism-related development strategies during 1977-2001*

Tourism Policies in	Main strategies/Goals	What had been done?
The 4 <sup>th</sup> National Economic & Social Development plan (1977-1981)	<ul style="list-style-type: none"> <li>To increase foreign exchange earnings</li> <li>To develop attractions, facilities, and infrastructure</li> <li>To maintain existing market and create new market</li> </ul> <p><b>Goal:</b></p> <ul style="list-style-type: none"> <li>11% growth in tourist numbers</li> <li>19% growth in tourism revenues</li> <li>Avg. length of stay = 5.5 days</li> </ul>	<ul style="list-style-type: none"> <li>Expansion of Bangkok International Airport</li> <li>Opening of Phuket International Airport</li> <li>Development of reservoir at Pattaya and Phuket, along with the improvement in pipe water system in Had Yai and Chiang Mai</li> <li>Continual tourism development in high potential destinations such as Pattaya, Songkhla, Chiang Mai</li> </ul>
The 5 <sup>th</sup> National Economic & Social Development plan (1982-1986)	<ul style="list-style-type: none"> <li>To intensify promotion and marketing on long stay &amp; spending</li> <li>To use earnings from tourism to solve the balance-of-trade problem</li> <li>To use tourism in stimulating investment &amp; trade in the region, which will induce employment, income distribution, and growth</li> <li>To preserve and restore natural resources, environment, culture, and historical heritages.</li> </ul> <p><b>Goal:</b></p> <ul style="list-style-type: none"> <li>8.4% growth in tourist numbers</li> <li>21.5% growth in revenues</li> <li>Avg. length of stay = 5.5 days</li> </ul>	<ul style="list-style-type: none"> <li>The written regulations to control land utilization and construction of buildings in the potential tourist destinations</li> <li>The campaign to promote inbound tourism</li> <li>The promotion of public and private investment</li> </ul>
The 6 <sup>th</sup> National Economic & Social Development plan (1987-1991)	<ul style="list-style-type: none"> <li>To develop tourism along with tourism promotion</li> <li>To raise the standard of tourism business, goods and services</li> <li>To create mutual understanding about the benefits of tourism</li> <li>To develop quality human resources in tourism sector</li> <li>To maintain the quality of tourism destinations and develop better facilities at the destinations</li> </ul> <p><b>Goal:</b></p> <ul style="list-style-type: none"> <li>7.5% growth in the number of foreign tourists</li> <li>7.4% growth in revenues</li> </ul>	<ul style="list-style-type: none"> <li>Tourism campaigns such as the 1987 Visit Thailand Year, Thailand Arts and Crafts Year 1988-1989</li> <li>Expansion of domestic routes and international direct flights</li> <li>1.4 billion baht from Overseas Economic Cooperation Fund (OECF) for infrastructure development, conservation and marketing</li> <li>The setup of a committee for the preservation and management of tourism resources</li> <li>The promotion of various festivals at the provincial level such as Candle Parade during the Buddhist Lent period in Ubon Rachathani</li> </ul>

Tourism Policies in	Main strategies/Goals	What had been done?
The 7 <sup>th</sup> National Economic & Social Development plan (1992-1996)	<ul style="list-style-type: none"> <li>• To become a tourism hub in the Southeast Asia</li> <li>• To preserve and develop tourism resources</li> <li>• To improve and raise the quality of human resources in the sector</li> </ul> <p><b>Goal:</b></p> <ul style="list-style-type: none"> <li>• 8% growth in the number of foreign tourists</li> <li>• 13% growth in revenues</li> </ul>	<ul style="list-style-type: none"> <li>• The publicity of Thailand as a destination with a diversity in natural, historical, cultural characteristics as well as its goods and services</li> <li>• The campaign to increase domestic tourists</li> <li>• 1.4 billion baht from OECF for restoration and preservation of deteriorated destinations</li> <li>• Low season packages</li> <li>• The promotion of local participation in preserving natural resources and environment</li> <li>• Training courses for hotel business and tour agencies</li> </ul>
The 8 <sup>th</sup> National Economic & Social Development plan (1997-2001)	<ul style="list-style-type: none"> <li>• To develop tourism in such a way that helps to preserve culture and environment</li> <li>• To use tourism as a tool to distribute income and create employment for local communities</li> <li>• To upraise the standard of Thai tourism</li> <li>• To retain its international competitiveness</li> </ul> <p><b>Goal:</b></p> <ul style="list-style-type: none"> <li>• 7% and 3% growth in the number of foreign and domestic tourists, respectively</li> <li>• 15% growth in revenues</li> </ul>	<ul style="list-style-type: none"> <li>• “Amazing Thailand” project</li> <li>• Training courses for tour operators about ISO 9000 in tourism sector</li> <li>• The seminar for tourism development in local communities</li> <li>• 1.5 billion baht from OECF for human resource development in tourism, restoration, conservation, and environmental improvement</li> <li>• The launch of new homestay projects in 5 provinces, including Nan, Trang, Phangnga, Nakorn Si Thammarat and Nakorn Ratchasima</li> <li>• Development of handicraft village</li> <li>• ECO-TOURISM NETWORK</li> <li>• International Food Festival</li> <li>• Economic Cooperation in Greater Mekong Sub-region</li> <li>• Development of economic zone Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT)</li> </ul>

**Table A2: Average monthly expenses on food and beverages by source of products**

Type of expenses	Average monthly expenses on F&B	By source (%)		
		Local	Non-local	Import
Food:				
- Fresh	206,459.78	89.64	7.14	3.21
- Dried	50,147.56	83.93	14.21	1.86
- Fruits	38,681.36	92.14	6.79	1.07
Beverages:				
- Alcohol	49,152.20	67.14	15.36	17.50
- Non-alcohol	30,780.21	86.43	11.79	1.79
- Drinking water	12,823.81	90.71	8.21	1.07
Daily products:	39,721.50	78.21	19.64	2.14
Total	427,766.43	84.03	11.88	4.09
(% of total room revenues)	(14.85%)			

Source: TDRI Survey (2006) in Chiang Mai

**Table A3: General information of Tourism in Chiang Mai (2005)**

	Thai	%	Foreign	%	Total
<b>Visitors</b>	<b>2,160,142</b>	<b>54.03</b>	<b>1,837,634</b>	<b>45.97</b>	<b>3,997,776</b>
- Tourists	1,922,042	48.08	1,786,753	44.69	3,708,795
- Excursionists	238,100	5.96	50,881	1.27	288,981
<b>Mode of transport</b>	<b>2,160,142</b>	<b>54.03</b>	<b>1,837,634</b>	<b>45.97</b>	<b>3,997,776</b>
- Air	339,298	8.49	775,472	19.40	1,114,770
- Railway	403,881	10.10	448,842	11.23	852,723
- Bus	456,859	11.43	228,765	5.72	685,624
- Car	960,104	24.02	384,555	9.62	1,344,659
- Other	0.00	0.00	0.00	0.00	0.00
<b>Tourist destination</b>					
- General destination	1,806,033	52.62	1,625,879	47.38	3,431,912
- Adventure	112,175	17.49	529,113	82.51	641,288
- Waterfall	55,659	26.36	155,483	73.64	211,142
- Eco-tourism	153,786	19.31	642,474	80.69	796,260
- Health tourism	101,650	22.06	359,120	77.94	460,770
- Sport	31,625	32.33	66,190	67.67	97,815
- Entertainment	550,274	38.60	875,315	61.40	1,425,589
- Culture	695,256	46.41	802,899	53.59	1,498,155
- Agriculture	119,857	34.92	223,424	65.08	343,281
- Others	644,581	65.62	337,651	34.38	982,232
<b>Receipts (Million THB)</b>	<b>12,187.18</b>	<b>39.76</b>	<b>18,933.25</b>	<b>61.77</b>	<b>31,120.43</b>
- Tourist	11,808.57	38.53	18,842.55	61.47	30,651.12
- Excursionist	378.61	1.24	90.70	0.30	469.31
<b>Average expenditure (THB/Person/Day)</b>					
- Visitor	2,411		3,168		2,821
- Tourist	2,451		3,180		2,853
- Excursionist	1,590		1,783		1,624
<b>Average Length of Stay (Days)</b>	<b>2.51</b>		<b>3.32</b>		<b>2.90</b>

Source: Tourism Authority of Thailand

*Table A4: Socioeconomic information of foreign tourists visiting Chiang Mai*

	Proportion of total sample	Proportion of cultural and eco-tourists
<b>Gender:</b>		
Male	56.84	55.56
Female	43.16	44.44
<b>Age:</b>		
< 15 years	0.00	0.00
15 - 24 years	4.21	30.56
25 - 34 years	27.37	36.11
35 - 44 years	36.84	16.67
45 - 54 years	16.84	5.56
55 - 64 years	8.42	11.11
> 64 years	6.32	0.00
<b>Highest education:</b>		
Below high school	1.05	2.78
High school	21.05	16.67
Bachelor's Degree	47.37	36.11
Master's Degree or higher	18.95	19.44
Vocational school	7.37	16.67
Other	5.26	8.33
<b>Occupation:</b>		
Professionals	34.74	14.29
Administrative/Managerial	2.11	25.71
Students	34.74	25.71
Retired/Unemployed	3.16	20.00
Government officer	0.00	5.71
Business owner	11.58	5.71
Clerical/Commercial	4.21	0.00
Other	9.47	2.86
<b>Annual income:</b>		
Below US\$ 10,000	15.38	14.29
US\$ 10,000 – 19,999	21.98	25.71
US\$ 20,000 – 39,999	26.37	25.71
US\$ 40,000 – 59,999	23.08	20.00
US\$ 60,000 – 79,999	5.49	5.71
US\$ 80,000 – 99,999	5.49	5.71
US\$ 100,000 and above	2.20	2.86
<b>Region:</b>		
Africa	1.05	2.78
America	31.58	38.89
Asia	13.68	5.56
Europe	46.32	47.22
Oceania	7.37	5.56

Source: TDRI Survey (2006) in Chiang Mai

**Table A5: Service fee**

Type of services	Service fee
Room (Homestay)	
- 1 night accommodation with 3 meals	THB 550/person
- 2 night accommodation with 6 meals	THB 900/person
Home for group tour	THB 100-1,200/night
Tent rental fee	THB 150-200/tent (Note that, in case of bringing one's own tent, only the land use fee will be charged at THB 50/tent)
Special activities:	
- Traditional music	THB 1,000/show
- Traditional dance	THB 1,000/show <sup>7</sup>
- Traditional drum show	THB 00/show
Local guide	THB 200/day/person

Source: Mae Kompong homestay brochure

**Table A6: Income structure of 10 homestay providers (Unit: THB)**

	Average monthly income	Primary source		Secondary source		Tertiary source		Quaternary source	
		Description	Monthly income	Description	Monthly income	Description	Monthly income	Description	Monthly income
A	17,000 (100)	Tea planting	14,450 (85)	Homestay	2,550 (15)				
B	16,200 (100)	Tea planting	8,910 (55)	Bag crafting	4,050 (25)	Homestay	3,240 (20)		
C	20,000 (100)	Trading	14,000 (70)	Homestay	4,000 (20)	Work (for homestay office)	2,000 (10)		
D	22,000 (100)	Work	7,700 (35)	Construction	5,500 (25)	Tea planting	5,500 (25)	Homestay	3,300 (15)
E	9,000 (100)	Work	7,740 (86)	Homestay	1,260 (14)				
F	4,600 (100)	Tea planting	3,036 (66)	Homestay	1,564 (34)				
G	10,000 (100)	Tea planting	5,000 (50)	Coffee	3,000 (30)	Homestay	2,000 (20)		
H	10,000 (100)	Trading	5,000 (50)	Homestay	2,000 (20)	Husband's salary	3,000 (30)		
I	4,500 (100)	Tea planting	2,250 (50)	Homestay	900 (20)	Children's salary	1,350 (30)		
J	3,750 (100)	Tea planting	3,000 (80)	Homestay	750 (20)				

Source: TDRI survey of homestay providers in Mae Kompong village (2005)

Note: Figures in parenthesis show the share of income from a particular source as a percentage of total annual income.

**Table A7: Perception about the benefits from having organized project**

Perception toward	% of all respondents
More modernization	100.00
Know more people	100.00
New attitude	100.00
Better access to information	91.67
Better health	91.67
New knowledge	83.33
More community cohesiveness	75.00
More family cohesiveness	75.00
More materialization	41.67
More selfish	16.67

Source: TDR survey of homestay providers in Mae Kompong village (2005)

**Table A8: Service fee**

Plan A: Fixed plan		Plan B: Self-initiated plan	
Full package fee	THB 850/person	1-night accommodation with 2 meals	THB 500/person
Package includes 1-night accommodation with 2 meals and the following activities:		Sightseeing along canal by boat	THB 500/boat/trip
1. Firefly watching		Firefly watching	THB 500/boat
2. Seeing the making of coconut sugar		Boat trip along the riverside with local guide and sightseeing to national park, floating market, etc.	THB 600/boat (6 seats), or THB 1,200/boat (12 seats)
3. Sightseeing along the canal by boat			
4. Food offering to monks			
5. Seeing the use of fish trap “Phongphang”			
6. Others			

Source: TDR Survey (2006) at Plai Phong Phang village



**Table A9: Average income composition by income source** (Unit: % of total annual income)

Type	Description (Ranked by source of income)	No. HHs	Average total income	Primary source	Secondary source	Tertiary source	Quaternary source
<b>One source:</b>							
1	(I) Tourism	3	694,667 (100)	694,667 (100)			
	- Homestay	1	2,000,000 (100)	2,000,000 (100)			
	- Cook	2	42,000 (100)	42,000 (100)			
<b>Two sources:</b>							
2	(I) Tourism (II) Agriculture	2	17,400 (100)	9,900 (56.5)	7,500 (43.5)		
3	(I) Work for wages (II) Tourism (Cook)	1	135,000 (100)	99,000 (73.3)	36,000 (27.7)		
4	(I) Agriculture (II) Tourism	7	66,857 (100)	54,857 (74.4)	12,000 (25.6)		
<b>Three sources:</b>							
5	(I) Agriculture (II) Tourism (III) Trade	1	68,000 (100)	30,000 (44.1)	30,000 (44.1)	8,000 (11.8)	
6	(I) Agriculture (II) Work for wages (III) Tourism	1	259,200 (100)	120,000 (46.3)	120,000 (46.3)	19,200 (7.4)	
7	(I) Agriculture (II) Tourism (III) Work for wages	1	27,000 (100)	11,000 (40.7)	10,000 (37.0)	6,000 (22.3)	
8	(I) Crafting (II) Agriculture (III) Tourism	1	125,600 (100)	84,000 (66.9)	32,000 (25.5)	9,600 (7.6)	
9	(I) Crafting (II) Tourism (III) Agriculture	1	123,120 (100)	69,120 (56.1)	30,000 (24.4)	24,000 (19.5)	
10	(I) Others (II) Tourism (III) Agriculture	1	291,600 (100)	240,000 (82.3)	26,600 (9.1)	25,000 (8.6)	
11	(I) Remittance (II) Agriculture (III) Tourism	1	160,000 (100)	120,000 (75.0)	36,000 (22.5)	4,000 (2.5)	
12	(I) Remittance (II) Tourism (III) Agriculture	2	91,300 (100)	70,000 (77.0)	14,500 (14.8)	6,800 (8.2)	
13	(I) Work for wages (II) Tourism (III) Remittance	1	557,100 (100)	528,000 (94.8)	17,100 (3.1)	12,000 (2.1)	
<b>Four sources:</b>							
14	(I) Agriculture (II) Remittance (III) Crafting (IV) Tourism	1	56,500 (100)	30,000 (53.1)	10,000 (17.7)	9,000 (15.9)	7,500 (13.3)
15	(I) Trade (II) Work for wages (III) Tourism (IV) Agriculture	1	144,000 (100)	72,000 (49.9)	44,400 (30.7)	18,000 (12.5)	10,000 (6.9)

Source: TDRI Survey (2006) at Plai Phong Phang village

Note: Figures in parenthesis show the share of income from a particular source as a percentage of average total annual income.

*Table A10: Perception about the benefits from having organized project*

Perception toward:	% of total respondents
Know more people	81.82
More community cohesiveness	67.27
Better access to information	56.36
New knowledge	52.73
More family cohesiveness	43.64
More modernization	41.82
New attitude	32.73
Better health	30.91
More materialization	21.82
More selfish	5.45

*Source: TDRI Survey (2006) at Plai Phong Phang village*

# Appendix II: Inequality Decomposition

We follow the method of quantifying the decomposition of income, originally developed by Shorrocks (1982a) and then empirically applied in Shorrocks (1982b) and Jenkins (1995). The inequality decomposition provides an exact decomposition of the total income inequality into inequality contributions from each of the factor components. According to Shorrocks (1982a), there is a unique decomposition rule for which inequality in the total income could be expressed in the form of the sum of inequality contributions of each factor components, and which also satisfies two following restrictions: (a) a given income source makes no contribution to overall inequality if income receipts from the source are equally distributed, and (b) if total income is divided into two components whose factor are permutations of each other, then the two components contribute equally to aggregate inequality.<sup>3</sup> Given the unique decomposition rule, the summation of the proportionate contribution of factor  $i$ ,  $s_i$ , to the total inequality is equal to one,  $\sum_{i=1} s_i = 1$

The proportionate contribution of factor  $i$ ,  $s_i$ , can be expressed as the following:

$$s_i = \frac{\text{cov}(Y_i, Y)}{\sigma^2(Y)},$$

where  $\text{cov}(Y_i, Y)$  is the covariance of the income of subgroup  $i$  and the total income, and  $\sigma^2(Y)$  is the variance of the total income.<sup>4</sup>

Note that a positive value of  $s_i$  makes an inequalizing contribution to the inequality of the total income.

<sup>3</sup> Shorrocks (1982 a) shows that the unique decomposition rule does not depend on the inequality index used to measure inequality.

<sup>4</sup> Equivalently,  $s_i$ , is the slope coefficient from the regression of income factor  $i$  and total income.



# Pro-Poor Tourism in the GMS: Vietnam Case Study

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# Acknowledgements

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This report was produced within the DAN project, which is technically supported by the Cambodia Development Resource Institute (CDRI) and financially sponsored by the Rockefeller Foundation.

The conduct of this study and production of this report were a team effort. In particular, the research was led by Nguyen Thi Kim Dung, deputy director of Department of Economic Institution Studies, Central Institute for Economic Management (CIEM) and Dr Cu Chi Loi, deputy director of the Vietnam Institute of Economics (VIE), with valuable support from Vu Hung Cuong, Tran Minh and other researchers from the two institutes.

The research team is sincerely grateful to all individuals and organisations that helped to make this research possible. In particular, the team would like to convey their special thanks to Mr. Larry Strange, executive director of CDRI, Dr Brett M. Ballard, acting research director of CDRI, and to all DAN members and other colleagues and friends, for their contribution to designing the field guide and questionnaire for the survey, for helping to conduct the survey and for their detailed comments and suggestions on the report.

Sincere gratitude is extended to Dr Do Hoai Nam, director of the Vietnam Institute of Economics and Dr Le Xian Ba, vice-president of the CIEM, for their technical guidance and support, without which this report would have not been completed.

All errors and omissions remain the responsibility of the authors and should not be attributed to their host institutions.





# 5.1. Introduction

## 5.1.1. Background and Rationale

Vietnam's poverty reduction efforts were widely regarded as among the most impressive achievements presented at the 2005 World Summit held at the United Nations. Using the World Bank's poverty standards, the figures released in the Vietnamese government's official report showed that the poverty rate had fallen from 58.1 percent in 1993 to 24.1 percent in 2004. If the food poverty line is taken into account, the rate declined from 24.9 percent in 1993 to 7.8 percent in 2004.<sup>1</sup> This implies that in approximately 10 years, Vietnam more than achieved the goal of halving the rate of poverty and hunger. This puts the country two years ahead of the international deadline for Goal One in the Millennium Declaration. The progress in poverty reduction has mostly been due to Vietnam's economic performance: the country sustained an average growth rate of 7.5 percent per annum during the period of the 2001–05 Five-Year Plan, the second highest growth in east Asia, after China.

At the same time, the tourism sector—designated an “economic spearhead” for development in Vietnam's Socio-Economic Development Programme and a flagship programme under the Sector Development Strategy—progressed rapidly and became one of the strongest growth engines as well as an active promoter of conservation of cultural and natural heritage. In 2005, the tourism sector generated VND30,000 billion<sup>2</sup> of direct economic activity, accounting for 4.5 percent of GDP (Vietnam National Administration of Tourism 2005a). The sector employed approximately 744,000 jobs (VNAT 2005b).

There is also a common view, however, that the success story has a flip side, because tourism activities continue to be highly concentrated on resorts, major urban centres and tourist sites, while the participation of poor people in rural areas is minimal. There is significant imbalance in the distribution of tourism income between urban and rural areas, even though many of the tourism resources are located outside urban areas. Many of the current benefits of tourism by-pass the vast majority of people living below the poverty line, especially in high poverty areas. Moreover, although there are already some pro-poor tourism initiatives, such as those supported by the Netherlands Development Organisation (SNV) in Dien Bien, Sapa and some other provinces, most of these efforts have focused on capacity building or supporting local communities to host tourists for day trips or overnight. As a result, the contribution of tourism to poverty alleviation has not been very significant. Weak economic linkages between tourism and other sectors, especially at the provincial and local levels, and the absence of appropriate enabling policies are some of the main factors behind the imbalance in the distribution of tourism benefits (ADB 2005).

A more comprehensive approach is needed to facilitate greater links between the tourism sector and poverty alleviation. However, so far no comprehensive study has been undertaken on the nature of such linkages and the impact of the sector on the very poor.

## 5.1.2. Objectives of the Study

This study aims to raise awareness about the nature, main characteristics, current structure and trends of tourism in Vietnam. It also aims to identify the effects of the sector on poor people's living and working conditions. More specifically, the study objectives include:

<sup>1</sup> GSO, “Poverty Reduction in Vietnam”, press release, Hanoi, 20 July 2005.

<sup>2</sup> USD1 = approximately VND16,000.

- identifying the role of tourism in the overall development strategy of the country, and discussing the formulation and implementation of policy;
- assessing the contribution of tourism to economic growth and poverty reduction, and examining the scope and nature of the linkages between tourism and the livelihoods of poor people; and
- consolidating the observations and analysis into a set of pro-poor policy recommendations for the public and private sectors, including government, civil society organisations and private companies.

The study is organised in five sections. This section presents the research methodology and general concepts on tourism, poverty reduction and the nexus between the two. Section 5.2 describes national experiences in the design and implementation of public policies for pro-poor development. It also presents an analysis of the current status of pro-poor tourism policy. Section 5.3 is devoted to presenting major trends of tourism development and its perceived economic and social effects. The results of empirical research on the impacts of tourism on the livelihood of people in the town of Sapa - a famous but very poor locality in the remote mountainous province of Lao Cai - are presented in more detail in section 5.4. Finally, section 5.5 presents a preliminary assessment and conclusions on specific policies and mechanisms for promoting pro-poor tourism. Section 5.5 also provides policy recommendations aimed at energising pro-poor tourism initiatives and improving the livelihoods of the poor.

### 5.1.3. Research Methodology

Two main research methods were used for this study: a desk review and a field survey.

The desk review aimed to identify the theme “tourism and poverty” in recent strategic policy documents of the government. The review aimed to assess the evolution of policy thinking about the linkages between tourism and poverty, and the implications for policy design and implementation over recent years. In the course of this review, relevant data were gathered and aggregated as appropriate to serve as the basis for determining the development needs and priorities of the sector.

In the context of the desk review, meetings and contacts were made with representatives of the Vietnam National Administration of Tourism (VNAT), the General Statistics Office (GSO) and other related agencies in Hanoi, to get information on tourism in general, tourism within the Greater Mekong Sub-region (GMS) and pro-poor tourism in particular. These contacts provided the team with great support in accessing macroeconomic data on tourism between Vietnam and other countries. A large amount of information on the formulation and implementation of policies was collected from the review.<sup>3</sup> Likewise, contacts were made with NGOs and other civil society organisations working on pro-poor tourism.<sup>4</sup> These contacts provided valuable information on how the link between tourism and poverty reduction could be transformed from principles into practical activities.

A field survey in the town of Sapa in Lao Cai province (north-west region of Vietnam) was conducted over the period 2–24 June 2006. The survey used three main methodologies: direct (face-to-face) interviews with key informants, participatory rural appraisal and a questionnaire. The face-to-face interviews included the senior provincial and district government officials in charge of tourism and commerce. The main purpose was to identify the status of tourism in the town’s economy and its

<sup>3</sup> The most important documents are the Socio-Economic Development Programme (SEDP), the Strategy for Tourism Sector Development in Vietnam, the Master Plan for Tourism Development in Vietnam to 2010 (amended), and the Comprehensive Poverty Reduction and Growth Strategy (CPRGS).

<sup>4</sup> Including representatives of the sustainable tourism programme supported by the SNV in Sapa town.

recent achievements and challenges. In particular, interviews were conducted with the provincial deputy director of Commerce and Tourism, the head of the Department of Commerce and Tourism Promotion under the provincial Department of Commerce and Tourism, the head of the Sapa Commerce and Tourism Department and an official of Sapa's Information Centre for Commerce and Tourism. Information from interviews was carefully recorded and analysed. This is reported below in section IV. Participatory rural appraisal involved community officials and people from the localities where most tourism activities take place. Two communes (Ta Phin and Ta Van) were selected for the appraisal based on statements of local authorities that these were the main home stay providers to both international and domestic tourists. Group discussions were conducted with local officials and inhabitants to identify the achievements, challenges for the poor who are engaged in the tourism industry and impacts of tourism on poverty reduction. A field survey with a semi-structured questionnaire was used to pool basic information. The choice of respondents was based on an assumption that in the town were two main categories of people directly and indirectly affected by tourism: enterprises and households. Questionnaires were distributed to 30 enterprises, mostly located in the town of Sapa, that provide tourism services in the locality: two tour operators, eight hotels, 10 restaurants and 10 guest houses. In a parallel exercise, 120 households (43 from Ban Ho, 34 from Ta Van, 18 from Sa Ho and 25 from Ta Phin communes) were chosen for information collection. For purposes of comparison, households were selected in categories: tourism and non-tourism, and poor and non-poor. From each commune, half the sample was households that directly participate in tourism (e.g. by providing home stays, handicrafts for sale, transport etc.), while the other half was households not having any relationship with tourism.

An important issue was how representative the survey findings would be to all the ongoing pro-poor tourism projects in Vietnam. Clearly, the survey was rather small in size and not designed to represent fully all the tourism activities within and outside the country. However, we believe it does provide a snapshot of tourism activities and their relationship to poverty alleviation and vulnerability reduction.



## 5.2. The National Policy Context

Over the past 45 years, tourism has been given an increasingly important role and has received strong attention from policy makers.

### 5.2.1. Changes in the Political Concept of Tourism

Since Vietnam embarked on the path of economic reform (*doi moi*) in 1986, significant changes have been noted in the country's understanding of tourism as an industry. Before 1986, most tourist services were provided by state-owned enterprises (SOEs) to visitors from socialist countries and to a very limited number of official guests from other countries. In this situation, the policy was to maintain administrative control over the sector's operations. Since 1986, the government has gradually relaxed regulations to let the market play a role.

Decree N-46/CT-TW states, "Tourism development should be considered as an important strategic area of Vietnam's socio-economic development". Furthermore, at its Ninth Congress (in 2001), the ruling party announced the objective of "turning tourism into a spearhead economic sector". As a result, a number of policies and mechanisms have been promulgated to create more favourable conditions for the sector. These include the Master Plan for Tourism Development for 1995–2010 and the National Plan for Development of Tourist Regions and Focal Tourist Sites. Locally, tourism development plans have been formulated in more than 50 provinces and cities. Hundreds of tourism projects have begun to attract domestic and international investment. The National Action Plan for Tourism was reported to be effectively implemented during the five-year plan 2001–05; the Action Plan for Tourism for 2006–10 is now in the process of approval.

The replacement of the former Ordinance on Tourism by the Tourism Law (enacted in 2005) is viewed as a very important step to strengthen the role of the sector in the economy. Although further amendments are still needed, a large number of regulations on the management of tourist agencies, tourist representative offices and travel and tour guides have been enacted and implemented during the last decade. Other regulations such as ordinances on migration and residence and on hotel stays have been amended to attract tourists and investors. Bilateral visa-waiver agreements between Vietnam and some countries in the region and unilateral waivers for tourists from countries such as Japan, South Korea and the Nordic states are measures to make the country more attractive to international travellers.

### 5.2.2. The National Policy Framework for Pro-poor Tourism Development

Strengthening the linkages between tourism and poverty reduction presents a major challenge. Having recognised that tourism has a potential significant impact on the livelihoods, health and security of poor and vulnerable groups of population, and that effective tourism management is a key measure for poverty reduction and sustainable economic growth, the government has made considerable efforts to establish an overall strategy for linking this sector with poverty reduction. However, important policy and institutional gaps remain, and significant capacity constraints threaten to undermine sustainable outcomes.

Indeed, in the National Strategy for Socio-Economic Development (SEDS) for 2001–10, linking economic growth and poverty reduction was stipulated as one of the most important development

goals. The SEDS recognised tourism as an “economic spearhead” for development and pointed to the need for the “socialisation” of tourism as a production sector, where the benefits of tourism are distributed to a greater proportion of the population. More importantly, specific policy measures for tourism development were named, including (i) enhancing the quality and efficiency of the sector based on effective exploitation of national ecological, natural and cultural advantages; (ii) increasing investment for development and improving physical infrastructure; (iii) developing and upgrading tourist destinations and increasing their attractiveness; (iv) human resources development; and (v) promoting cooperation with neighbouring countries.<sup>5</sup> However, in the SEDS, economic growth has a bigger role than poverty reduction.

Officially promulgated by the prime minister’s decision in 2001, the Comprehensive Poverty Reduction and Growth Strategy (CPRGS) is considered an “action programme” concretising the SEDS and the socio-economic five-year plan for 2001–05. Its overall objectives and specific tasks are the same as those in the SEDS and the plan, mainly aimed at rapid economic growth as a means of poverty reduction. However, while the development of agriculture and the rural economy, industry and infrastructure were listed as “major policies and measures to develop sectors and industries to promote sustainable growth and poverty reduction”, there was no direct mention of tourism. Likewise, the tourism sector was not included in the six development areas and not directly supported by the national target programmes set for the CPRGS. The absence of tourism from this very important official document clearly shows that the sector’s role in poverty reduction is underestimated.

Formally approved by the government in 2002, the National Strategy for Tourism Sector Development to the Year 2010 (NSTD) has as its general goal developing tourism into a “spearhead sector” of the national economy. Its specific objectives are to: achieve an average annual sector GDP growth rate of approximately 11 percent up to the year 2010; attract 6 million international tourists by 2010; and generate USD2 billion of revenues. Similarly to the CPRGS, the NSTD is formally part of the SEDS and serves as a fundamental basis for sustainable development. Moreover, apart from the expectations of higher economic growth, poverty reduction and “socialisation” of people’s economic interests, the NSTD calls strongly for the effective utilisation of natural resources and the protection and conservation of cultural and traditional values, while using them to attract tourists. But while paying substantial attention to accelerated tourism development, the NSTD does not include specific measures for poverty reduction. Moreover, the NSTD determines that tourism investment is to be concentrated in traditional sites and destinations in urban and more economically advanced areas such as Hanoi, Ho Chi Minh City, Halong, Hue, Danang and Nha Trang, ignoring poorer geographical areas.

Furthermore, when sustainability is stressed as a leading principle for tourism development, community interest, social inclusiveness and participation are strongly emphasised. This implies that to increase employment and incomes and improve the living standards of the poor, attention should be paid to fostering tourism in remote, economically disadvantaged areas (Article 6 of the Law on Tourism). However, because the law is newly enacted, a lack of supporting by-laws and regulations creates important constraints on its practical implementation, especially in poverty reduction.

Clearly, although the government has made a remarkable effort to establish a strategy for strengthening linkages between tourism and poverty reduction, important policy and institutional disparities and gaps remain and require further efforts from the government and the public.

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<sup>5</sup> See (2001), “Official Documents of the 9th Congress of the Communist Party of Vietnam” (Van Kien Dai hoi dai bieu toan quoc lan thu 9) (Hanoi: Political Publishing House).

# 5.3. Tourism and Poverty Reduction: General Trends

## 5.3.1. Poverty Reduction

Over recent decades, there have been remarkable achievements with regard to poverty reduction and improvement of living standards. As shown in Table 5.1, the proportion of the population living below the poverty line has declined from over 70 percent at the end of the 1980s to 58 percent in 1993 and 29 percent in 2002. The proportion of food poverty fell from 25 percent in 1993 to 15 percent in 1998 and 11 percent in 2002. Hence, Vietnam has halved poverty over 1993–2002. The depth of poverty has also been reduced for all groups.

*Table 5.1: Poverty Incidence, 1992–2002 (%)*

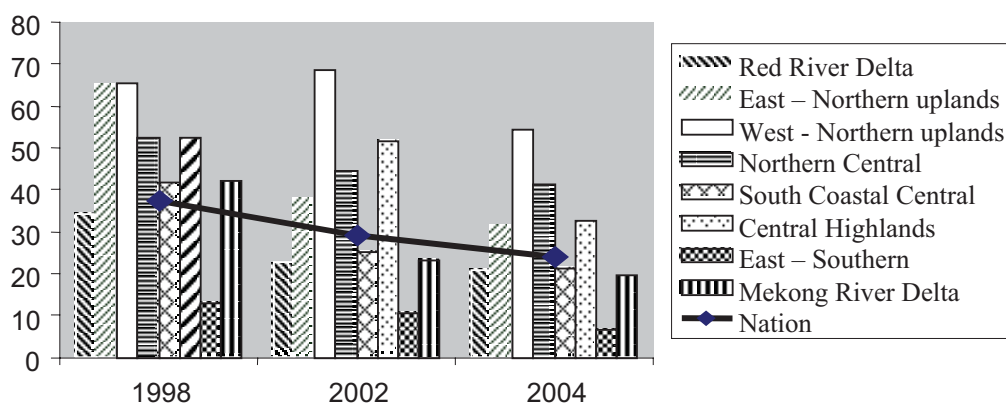
	Food Poverty			General Poverty		
	1993	1998	2002	1993	1998	2002
<b>Total</b>	<b>24.9</b>	<b>15.0</b>	<b>10.9</b>	<b>58.1</b>	<b>37.4</b>	<b>28.9</b>
<i>Urban/Rural</i>						
Urban	7.9	2.5	1.9	25.1	9.2	6.6
Rural	29.1	18.6	13.6	66.4	45.5	35.6
<i>Ethnicity</i>						
Kinh & Chinese	20.8	10.6	6.5	53.9	31.1	23.1
Others	52.0	41.8	41.5	86.4	75.2	69.3
<i>Gender</i>						
Male	26.0	16.2	12.0	61.0	39.9	31.2
Female	21.0	10.6	6.6	48.3	28.2	19.9
<i>Region</i>						
Red River Delta	24.2	8.5	5.3	62.7	29.3	22.4
Northern Mountains	42.3	32.4	21.1	81.5	64.2	43.9
North Central Coast	35.5	19.0	17.5	74.5	48.1	43.9
South Central Coast	22.8	15.9	9.0	42.7	34.5	25.2
Central Highlands	32.0	31.5	29.5	70.0	52.4	51.8
South East	11.7	5.0	3.0	37.0	12.2	10.6
Mekong River Delta	17.7	11.3	6.5	47.1	36.9	23.4

*Source: CIEM 2005*

However, Vietnam still belongs to the group of the world's poorest countries. Moreover, more than 84 percent of the working poor were engaged in farming, forestry and aquaculture in 2002, compared with only 8.5 percent of workers in manufacturing and 6.4 percent of those in services (CIEM 2005). Poverty is mainly concentrated in rural areas. This is also evident from the fact that both poverty incidence and the share of total poverty were the highest for farmers during the 1990s, and their share in the total poor has not changed much. According to the GSO, even in 2004, the poverty incidence among farmers was still more than double that among urban workers (21.2 vs. 8.8 percent).<sup>6</sup>

<sup>6</sup> From "Poverty rate in Vietnam", GSO press release, Hanoi, 20 July 2005.

Figure 5.1: Poverty in Vietnam by Regions (%)



Source: GSO, 2005

Seen from a regional perspective, poverty is especially severe in mountainous areas where ethnic minority groups are concentrated. The country's three poorest regions—the northern mountains, north central coast and central highlands—experience both the highest incidence of poverty and the deepest poverty level. Besides being geographically remote and isolated, these poor people also are highly vulnerable to shocks such as natural disasters, job shortages, sickness and low and volatile agricultural prices. They also suffer from a lack of education (CIEM 2005).

### 5.3.2. Tourism Developments: Achievements and Challenges

#### 5.3.2.1. Recent Trends

##### 5.3.2.1.1. International and National Arrivals

Since the early 1990s, the number of tourists visiting Vietnam has grown steadily. The number of international tourists increased by 14 times, from 250,000 people in 1990 to 3.5 million in 2005. This figure is based on the definition of tourism provided by the World Travel Organisation, which includes not only visitors coming for entertainment, but also those coming for purposes such as attending workshops, education or visiting relatives and friends. The number of domestic travellers increased from 1 million in 1990 to around 25 million in 2005. This does not include those who use their own accommodation or stay with friends or relatives.

Table 5.2: International and Domestic Visitor Arrivals, 2001–05

Years	Domestic Visitors				International Visitors		Total (Int'l and domestic visitors using hotel services)	
	Tourists using hotel services		Tourists using travel agents		Total (000 people)	Growth rate (previous year = 100)	Total (000 people)	Growth rate (previous year = 100)
	Total (000 people)	Growth rate (previous year = 100)	Total (000 people)	Growth rate (previous year = 100)				
2001	9,982.0	100.0	1,577.3	100.0	2330.8	100.0	12,312.8	100.0
2002	14,676.4	147.0	2,624.5	166.4	2628.2	112.8	17,304.6	140.5
2003	16,496.5	112.4	2,400.5	91.5	2429.6	92.4	18,926.1	109.4
2004	18,426.0	111.7	2,914.7	121.4	2927.9	120.5	21,353.9	112.8
2005	21,469.0	116.5	3,213.0	110.2	3477.5	118.8	24,946.5	116.8

Source: GSO. Data on domestic tourists were calculated from reports on establishments and households working on hotel and travel business. Data of international tourists were calculated from monthly reports of the Immigration Authority under the Ministry of Public Security and Ministry of National Defence.



As reported by the VNAT, northern Vietnam received 43 per cent of international visitors in 2005, while the central and southern regions account for 13 percent and 44 percent respectively. While most tourists formerly came from eastern Europe and the Soviet Union, they now originate mainly from China, Japan, South Korea, the United States, France, Australia and the ASEAN countries.

The average length of stay of international visitors is estimated at 5.5 days and of domestic tourists 1.5 days. At the same time, improved living standards have led to more Vietnamese travellers to other countries. This figure has risen by more than 10,000 people every year.

#### *5.3.2.1.2. Tourism Sector's Production Capacity*

During the last decade, Vietnam's tourism sector has involved enterprises from all ownership sectors (i.e. SOEs, collective, individual, small private businesses, joint venture and solely foreign invested enterprises). At the end of 2005, 6000 businesses were reported to be providing accommodation to tourists. These 6000 hotels and guesthouses had more than 130,000 guest rooms. Eighteen hotels with 5251 rooms were ranked as five star; 48 hotels with 5797 rooms were four star; 119 hotels with 8724 rooms were three star; 449 hotels with 18,447 rooms were two star; 434 hotels with 10,757 rooms ranked as one star. Also, 923 guest houses with 23,482 rooms were certified as matching minimum international standards. In addition, a number of resorts, golf courses and special parks were in operation.

Furthermore, 400 international travel agents were operating, of which 203 were limited liability companies, 124 SOEs, 63 stock holding, eight joint venture and two domestic private sector. The provinces having the largest number of international travel agents are Hanoi (148), HCMC (144), Quang Ninh (17), Danang (14) and Hai Phong (eight). The number of domestic travel agents has increased to more than 10,000. Although the number of businesses engaged in transport is not available, the increase of this type of business is clear. In addition, there are thousands of tourism-related household businesses throughout the country.

Tourism transport has been largely diversified and modernised, including roads, railways, waterways and airways. Taxi businesses have been set up at all tourist sites. New river and sea travel routes have opened up, such as high-speed routes from Hai Duong to Quang Ninh province, HCMC-Vung Tau, HCMC-Can Tho city. These newly created assets have rapidly enhanced the physical capacity of Vietnam's tourism. The sector today can provide services to millions of overseas and domestic visitors, and can undertake organisation and logistics of international standard for big events such as world or regional summits, workshops and conferences.

New tourist routes connecting destinations in mountainous areas, highlands, river deltas, coastal areas and islands have been established, together with new attractions such as hiking, trekking, mountain climbing, diving, bicycle racing, motor car racing, countryside tours, cave tours, sport and adventure tourism. Various tours based on traditional and cultural values have been widely organised, including "a path back to historical sites" and tasting of national cuisine. Thematic tours or festivals are organised every year following national or community-based events. New segments, such as cultural tours, sales of traditional handicrafts, village or home stay and nature-based tours, including landscape or sightseeing, conservation parks, mountain resorts, caves and grottos, adventure tours and health tours, are given high priority.

#### *5.3.2.1.3. Tourism Investment*

As indicated in Table 5.3, over five years a total of VND 2,146 billion was spent from the state budget to support tourism infrastructure in key areas. These are mainly destinations and localities determined in the resolution of the Tenth Party Congress, as well as projects linking tourist sites to special economic

zones. In addition, thousands of billions of VND have recently been invested in infrastructure or improvement of tourist facilities by local authorities and the domestic private sector.

**Table 5.3: State Budget Investments in Tourist Infrastructure, 2001–05**

Years	2001	2002	2003	2004	2005	Total
Total Investment (VND billion)	266	380	450	500	550	2146
Number of projects	23	73	167	122	-	385*

\* Does not include projects in year 2005. Source: VNAT, 2005

At the same time, considerable efforts have been made to attract foreign direct investment. Table 5.4 indicates that up to the end of 2004, Vietnam had 85 projects with more than USD 1,938 millions invested in development of tourist infrastructure in 29 provinces and big cities. Ho Chi Minh City, Hanoi, Lam Dong, Quang Ninh, Ba Ria – Vung Tau, and Khanh Hoa are the main recipients of those FDI sources.

**Table 5.4: FDI in Tourism, 1995–2004**

Years	1995	2000	2001	2002	2003	2004	1995- 2004
Number of projects	24	2	4	25	13	15	83
Total investments (USD million)	1,381.2*	22.8	10.3	174.2	239	111.17	1,938.67

\* Up to 1995. Source: VNAT, 2005

### 5.3.2.2. Socio-Economic Impacts of Tourism

#### 5.3.2.2.1. Contribution of Tourism to GDP

Table 5.5 illustrates the not very large but steadily increasing contribution of tourism to GDP and to the service sector. Although it is much lower than forecast (18.3 percent), the share of tourism in GDP reached 8.64 percent in 2005, up from 3.26 percent in 1997.

**Table 5.5: National Economy and the Tourism, 2001–05**

Year	Agriculture		Industry		Services			
	Share of GDP (%)	Growth rate (Every previous year = 100)	Share of GDP (%)	Growth rate (Every previous Year = 100)	Total Services		Tourism	
					Share of GDP (%)	Growth rate (Every previous year = 100)	Share of GDP (%)	Growth rate (Every previous year = 100)
2001	23.24	100.00	38.129	100.00	38.63	100.00	6.07	100.00
2002	23.03	110.30	38.487	112.36	38.48	110.90	7.40	135.64
2003	22.54	112.08	39.470	117.42	37.99	113.02	8.17	126.46
2004	21.81	112.80	40.209	118.79	37.98	116.59	8.66	123.58
2005	20.89	112.22	41.034	119.54	38.08	117.41	8.64	116.85

Source: GSO, calculated from annual surveys on businesses and households

### 5.3.2.2.2. Tourism Incomes and the Sector's Contribution to Poverty Reduction

Tourism has involved a wide range of people and economic actors and thus has generated income not only for those directly engaged in travel businesses, but also for related sectors, including households and local communities. While in 1990 the total income from tourism amounted to VND1350 billion, this rose to VND26,000 billion in 2004 and to VND30,000 billion in 2005.

**Table 5.6: Tourism Sector's Revenue against Total Exports, 2001–05**

Year	Domestic		International		Total	
	Turnover (USD million)	% of total exports	Turnover (USD million)	% of total exports	Turnover (USD million)	% of total exports
2001	NA	4.18	NA	5.77	NA	9.95
2002	NA	5.78	NA	6.33	NA	12.11
2003	1580.6	6.37	1592	6.42	3172.6	12.78
2004	1970.7	6.47	1950	6.40	3920.7	12.86
2005	2281.3	6.22	2300	6.27	4581.3	12.48

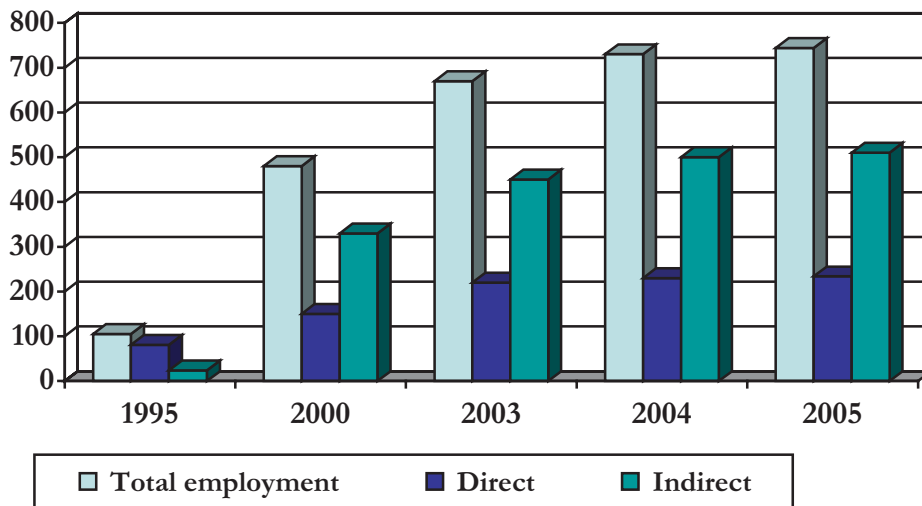
NA = not available. Sources: GSO and VNAT: (i) Turnover from international tourism was calculated from the "survey on tourist spending in 2003, 2004 and 2005". (ii) Turnover from domestic tourism was calculated based on an annual business survey. This includes the domestic tourists to whom services were provided by hotels and travel agents but excludes daily tourists or those using accommodation of relatives or friends. (iii) Turnover provided by the General Customs Office.

Although there are still no official national statistics on tourism's income contribution to the poor, it is obvious in all cities or localities where tourism functions well that living standards and conditions have substantially improved. Examples can be seen in famous tourist destinations such as Sapa (Lao Cai), Ha Long (Quang Ninh), Cat Ba (Hai Phong), Sam Son (Thanh Hoa), Cua Lo (Nghe An), Hue (Thua Thien-Hue), Hoi An (Quang Nam), Nha Trang (Khanh Hoa), Mui Ne (Phan Thiet), Binh Chau, Xuyen Moc (Ba Ria-Vung Tau), and some localities in the Mekong delta. Tourism is widely recognised as a large and very promising sector for poverty reduction.

### 5.3.2.2.3. Tourism and Employment

According to data released by the VNAT (Figure 5.2), employment created by tourism activities has been increasing from year to year, reaching a total of 744,000 jobs in 2005, of which direct labourers are 234,000 and indirect labourers 510,000. The figure is even more impressive if compared to only 105,000 tourism jobs in 1995. A major proportion of people employed in tourism are of a younger generation, and many are women.

*Figure 5.2: Employment by Tourism Sector, Selected Years (000 persons)*



Source: VNAT, 2005, *Master Plan (amended) for Tourism Development in Vietnam to 2010*

#### *5.3.2.2.4 Tourism and Human Resource Development*

Human resource development for tourism has been given special attention during recent years. The educational network for tourism includes 40 tertiary institutions, 30 vocational training schools and a large number of vocational training centres. Thanks to remarkable efforts by VNAT and travel agencies, staff in tourism schools have increased in numbers and professionalism. Many teachers and trainers have been sent to higher training schools to upgrade their professional skills and/or their ability in foreign languages. Training programmes and syllabuses of tourism courses have been revised to meet international standards. In addition, training facilities and equipment have been newly built or upgraded. As a result, 57 percent of tourism staff are formally trained; of them, more than 12 percent have tourism-relevant university or college degrees, 25.8 percent have secondary technical training degrees, and more than 18 percent have earned vocational training certificates at different levels. More than 32 percent of tourism staff can speak English, 3.3 percent can speak French and 3.6 percent Chinese. When taking into account that only 25 percent of the labour force in Vietnam is considered trained, the success of the tourism sector in this respect is very positive.

#### *5.3.2.3. Constraints and Challenges Preventing the Poor from Participating in Tourism*

Despite these achievements, the tourism sector faces a series of challenges.

##### *5.3.2.3.1 Lower Stage of Development*

Despite its good performance, the tourism industry is widely recognised as below its full potential. According to the VNAT, although tourist arrivals are increasing, the figure is still far lower than was expected. Indeed, the increase in visitor arrivals was forecast to be 15 percent annually, but the growth rate actually reached a modest 7.7 percent. The same applies to the growth rate of tourism's share in both GDP and total revenue.

While the country is well known for its historical and cultural diversity and richness, there are very few specific local products and services that could make the tourism experience unique and more appealing. Due to insufficient investment in conservation and maintenance, a number of famous tourist assets such as antique citadels and temples face threats of serious damage. In addition, there is an obvious degradation in natural assets such as wild birds and animals, tropical flora and fauna. Unless decisive measures are taken soon, Vietnam will not be able to maintain its advantage in sustainable eco-tourism or community-based tourist activities, which are often said to be pro-poor tourism types.

Tourism infrastructure is another constraint. While the national and provincial roads and bridges inside or surrounding the big urban areas are of reasonable quality, the road networks between and within rural regions are in a very poor state. Very often, these roads are unpaved and vulnerable to flooding, heavy tropical rain and other natural disasters. In addition, although some improvements have been made in the quantity of physical assets and services in rural tourism sites, they often remain of poor quality relative to the expectations of visitors from western countries. For example, the SNV's studies in Dien Bien province have pointed out that the famous hot spring resorts of Uva and Pe Luong appear unattractive to international tourists. The rooms in hotels of the locality are too small, and toilet services and sanitation are of poor quality. The inability of the hosts to use local plants and forest products for decoration is also mentioned in some surveys as indicating the low professionalism of local hotel operators (Strasdas et al. 2005).

In addition, the lack of good governance and ineffective tourism management by local authorities and tourist companies are indicated in studies as another reason for the poor participation of local people in tourist activities. Surveys in Dien Bien and Sapa have shown that although the local administrations are very enthusiastic and supportive of tourism, they are short of knowledge and management skills. The surveys also revealed that the lack of management skills is clearly seen in each and every local tourist company or household. A sense of innovation and product diversification is very rarely found among the tourism households or hotel operators.

#### *5.3.2.3.2. Lack of Capacity and Opportunity by the Poor to Participate in Tourism Activities*

As noted in previous studies, factors contributing to the exclusion of poor people include illiteracy, poor access to natural resources and the inability to exploit cultural attractions such as traditional handicrafts, music and dance. The studies by SNV clearly show that although Dien Bien has an advantage in natural resources and historic and traditional culture, the local poor can not find a way fully to exploit these advantages (Strasdas et al. 2005). Likewise, apart from being generally vulnerable to food insecurity, the poor in rural and mountainous areas are very often exposed to natural disasters, or to physical isolation. These all prevent local people from escaping poverty traps and fully participating in society.

#### *5.3.2.3.3. Tourism Investment Concentrated in Cities and Economically Advanced Regions*

According to the VNAT, a major part of state investment for tourism infrastructure continues to be concentrated in cities and more economically advanced areas. During 2001–05, the highest investment priority was given to projects in localities “having tourist sites of national importance” such as Ha Long (Quang Ninh province), Cat Ba ( Hai Phong province), Canh Duong-Hai Van-Non Nuoc (Hue and Da Nang), Dan Kia-Suoi Vang (Lam Dong) and 17 other destinations in 14 provinces. These projects accounted for a total of VND1404 billion (about 65 percent of total state investment in tourism during the period). Tourist sites surrounding big cities or famous destinations such as Hanoi, Hue,

Da Nang and Ho Chi Minh City were also given high priority for infrastructure investment. During the same period, total investment in these sites was VND520 billion, around 25 percent of total budget investment in tourism. A far more modest sum was invested in tourist sites in less advanced rural provinces, although it was widely recognised that these sites can contribute substantially to local poverty reduction. In fact, total tourism investment in the poorest 20 provinces was VND222 billion, only 10 percent of total budget investment in tourism.

Although no official data have been released on tourism income or other benefits disparity, it is easy to see that the benefits from tourism cannot be equally divided between the regions due to this investment policy. The lack of special measures supporting tourism in the remote countryside can continue the gap in income, employment, education and training opportunities for the poor. As shown in the next section, evidence from Dien Bien and Sapa shows that the number of very poor people involved in tourist activities, such as accommodation, restaurants, music and dance, selling handicrafts and souvenirs, is still minimal.

## 5.4. Empirical Research: Sapa Town

### 5.4.1. Overall Socio-Economic Conditions of Sapa

Located in a mountainous area, Sapa has an area of 678.64 km<sup>2</sup> and is 1600 m above sea level. The population in 2004 was 43,600. The annual average temperature is 15.3 degrees Celsius. In Sapa, one can experience four seasons in a single day: spring in the morning, summer at noon, autumn in the evening and winter at night. Sapa is home to six ethnic groups: H'mong (55.3 percent), Dao (25.4 percent), Kinh (14.1 percent), Tay (5.2 percent), Giay (1.6 percent) and Phu La (1.25 percent). The diversity of ethnic groups with their unique cultural values forms a well-known tourism advantage for Sapa.

The economy of the area has experienced good growth. Over 2001–05, the average annual growth rate of Sapa was 19.65 percent—in agro-forestry and fishing 13.35 percent, industry and construction 17.5 percent and services-tourism 24.7 percent (Table 5.7)

*Table 5.7: Sapa's Economic Growth, 2001–05 (%)*

	2001	2004	2005	Average 2001–05
District	24.5	22.7	18.25	19.65
Agro-forestry & fishing	23.0	16.7	10.8	13.35
Industry & construction	12.42	12.5	15.8	17.5
Services	27.4	28.1	23.2	24.67

*Source: Report on socio-economic situation, Sapa District Authority, 2000–05*

In 2000, the total production of Sapa reached VND36.56 billion, of which the value added was VND91.35 billion; GDP per capita was VND2.34 million (about USD140). In 2005, these figures were approximately 2.5 times higher, GDP per capita reaching USD330. There has been a structural shift in the economy characterised by an increase of services-tourism and a corresponding decrease in agro-forestry and fishing. The share of the latter has declined from 44.68 percent in 2000 to 34.1 percent in 2005, that of industry and construction has declined from 6.46 to 5.9 percent, and the share of services-tourism has increased from 48.86 to 60 percent. Although growth is seen in all economic sectors, services contributed the highest value added, followed by agro-forestry and fishing and industry-construction (Table 5.8).

*Table 5.8: Production and Value Added, 2000–05 (current prices, VND million)*

	2000	2001	2002	2003	2004	2005
<b>1. Production</b>	<b>136,562</b>	<b>169,553</b>	<b>199,428</b>	<b>235,854</b>	<b>289,350</b>	<b>343,574</b>
Agro-forestry & fishing	53,664	65,764	68,271	78,970	92,587	102,955
Industry & construction	15,972	17,849	21,480	27,664	31,027	36,040
Services	66,926	85,939	109,677	129,220	165,736	204,580
<b>2. Value added</b>	<b>91,355</b>	<b>113,775</b>	<b>132,269</b>	<b>154,459</b>	<b>189,563</b>	<b>224,083</b>
Agro-forestry & fishing	40,816	50,271	51,758	59,118	68,986	76,404
Industry & construction	5,901	6,636	7,998	10,149	11,421	13,224
Services	44,638	56,868	72,513	85,192	109,156	134,456

*Source: People's Committee of District of Sapa 2006*

As a result of the good economic performance, local living standards have improved considerably in both rural and urban areas. Per capita monthly income increased from VND156,000 in 2000 to VND367,000 in 2005. In 2000, 17.1 percent of households had concrete or semi-concrete housing; this increased to 26.5 percent in 2005. Households having access to electricity went up from 40.3 percent in 2000 to 54.8 percent in 2005. Houses with televisions increased from 19.8 percent in 2000 to 44.3 percent in 2004 and 50.8 percent in 2005. The ratio of poor households declined from 36.0 percent in 2000 to 5 percent in 2005 (People's Committee of District of Sapa 2006).

However, Sapa still encounters difficulties, such as low income and poor infrastructure. The average per capita income is still very low. Although the share of services in total district GDP has been increasing, a major proportion of the population depends greatly on agricultural production, which has low value added and is subject to natural upheavals. Many villages are located in very isolated and mountainous areas where the economy is still backward and access is difficult. Basic public services such as telephones, electricity, schooling or health care centres, are not available in all villages.

## 5.4.2. Overview of Tourism Development in Sapa, 2001–05

### 5.4.2.1. General Trends and Impacts

Tourism in Sapa has grown rapidly over the last decade in numbers and types of operation. Attractions include beautiful landscapes, unique cultural values of ethnic minority groups and ethnic handicraft products, providing conditions for diversified local tourism: community-based tourism, cultural tourism, eco-tourism, resorts, sightseeing, adventure and sport tourism. The number of tourists visiting Sapa increases every year and reached 200,000 in 2005, a sharp increase from 49,322 in 2000. The increase is made up equally of domestic and foreign tourists. In 2005, foreign tourists came from 80 countries and territories. According to the Sapa Commerce and Tourism Bureau, the number of domestic visitors in 2000 was 30,779 and in 2005 was 136,700; the figures for foreign visitors were 18,543 and 63,321.

The bureau says that tourism has brought both positive and negative socio-economic impacts to the region. The positive impacts of tourism on Sapa over 2001–05 were:

*First*, tourism development has contributed remarkably to increased awareness of local government and people about the sector's importance as an income earner. They built consensus in guiding tourism activities toward sustainable development.

*Second*, local administrative reform has been promoted to facilitate tourism. The establishment of an Inter-Sectoral Management Board as a "one-stop shop" for tourism regulation made it easier and more convenient for tourists.

*Third*, more importance has increasingly been attached to marketing and advertising Sapa's tourism with the foundation of the Centre for Tourism Information and Promotion.

*Fourth*, the development of community-based tourism has improved the life of ethnic groups in mountainous areas.

However, many shortcomings still exist. In the past, tourism services were spontaneously provided without planning or economic considerations. The current situation of Sapa's tourism embeds these flaws. Cultural aspects have started being more rationally exploited and commercialised, although the distribution of benefits is said to be not equitable because most profits from tourism are obtained by travel agencies, while communities and people directly involved receive the least. The quality of tourism services is not good. The linkages between communities, firms, hotels and local authorities are limited, infrastructure is not well developed, and the social environment is not satisfactory, with many vendors soliciting tourists on the streets.



### 5.4.2.2. Support from Government and International Organisations for Tourism and Tourism Products

The local government (Lao Cai) paid attention to Sapa's tourism and made efforts to move towards sustainable development. The establishment of the Sapa Commerce and Tourism Bureau and the Inter-Sectoral Management Board were part of these efforts. This helps strengthen the local regulation of tourism and also raises the awareness of rules and laws. A new regulation stipulates that part of the revenue from tourism taxes and fees is reserved to invest in communities. This demonstrates a shift in vision by local authorities towards communities and sustainable development. The Sapa Commerce and Tourism Bureau coordinated with a Canadian organisation to hold training courses in English language and cooking for ethnic people in Ta Phin commune. However, there is a lack of macro policies to support and guide the development of tourism services, which have been provided in a disorganised manner.

There is limited assistance of international organisations. Examples include the technical support provided by experts from Aquitaine (France) to develop the plan for Lao Cai's tourism development in 2004, including the plan for Sapa. The Netherlands SNV, after finishing its project to support tourism and sustainable development in 2004, began a new project on community tourism development in 2005. In 1998–99, a training course funded by SIDA was held in Ta Phin commune to train designing and fadeless dyeing techniques. The organisation Bread for the World sponsored training, particularly in making *tho cam*, a local ethnic embroidery. Craftlink provided training in designing and marketing embroidered dresses and skills for 200 ethnic minority women in Ta Phin and San Sa Ho communes.<sup>7</sup> However, most of these projects are small or in the demonstration phase and do not have sufficient spill-over effect.

### 5.4.3. Impact Assessment of Tourism on the Poor

#### 5.4.3.1. Tourism Household Characteristics

Household participation in tourism depends on a variety of factors. It could result from an endowment such as land, cattle or other assets, or it could be the result of social capital (social networks) and education. By dividing households into two groups (“participate” and “don't participate” in tourism),<sup>8</sup> we found that most of these endowments are not determinant factors for household participation, except for the job of the head of the household. The age and education level of the head of household also are not very different between the two groups; the average age of the head of tourism households is 42.4 vs. 43.3 for non-tourism households. The distribution of education levels (illiterate, primary, secondary, high school) also was not significantly different. The agricultural land owned by non-tourism households is 1044 square metres per person and 1088 square metres for tourism households.

The factor that appears to have most influence on the participation decision of a household is work. The survey data indicate that tourism activity is strongly associated with agriculture. More than 90 percent of tourism households work in the agricultural sector. Apart from agriculture, a number of households work for tourism in parallel with non-agricultural activities, such as trading, handicrafts and transport. The association of tourism with non-tourism activities among tourism households reflects the fact that tourism is newly developed and not sufficiently large or sustainable to generate significant household income.

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<sup>7</sup> Interviews with Sapa Centre for Tourism Information and Promotion and local officials in Ta Phin commune.

<sup>8</sup> A household that participates in tourism is one that is directly involved in providing services such as passenger transport, food service, musical performance, home stay and the like.

**Table 5.9: Main Economic Activities of Tourism Households in Sapa (%)**

Tourism only	0.0
Tourism with:	
• Agriculture only	91.0
• Trade only	2.6
• Handicraft only	0.0
• Agriculture + Trade	26.9
• Agriculture + Handicraft	12.8
• Agriculture + Transport	3.8
• Agriculture + Trade + Handicraft	3.8
• Agriculture + Trade + Handicraft + Transport	1.3

*Source: Survey data*

Although the area has been considered a good place for tourism since the early 20th century, tourism as an industry has developed in Sapa only for a decade. In many cases, tourism activities are considered a secondary job to supplement household income. Our estimates from survey data indicate that agriculture is still dominant in tourism households, providing about 60 percent of total household earnings. In fact, tourism in the area is strong only in some months, such as the end of the year and early in the year or during summer. During the low tourism season, households have to rely on agriculture or crafts to earn a living.

As indicated in Table 5.9, no household depends only on tourism. The most typical tourism households in Sapa also do agricultural work. Tourism activities are carried out in parallel with agriculture. Participation in tourism is an additional job to generate additional income.

The relationship between non-agricultural work and tourism is not strong either. Only a few non-agricultural households provide direct tourism services. Some agricultural households have been supported by government or NGOs to run non-agricultural activities, such as weaving or trading in order to boost tourism. However, these activities are new. As a result, the number of tourism households that carry out agricultural work and one additional non-agricultural activity like trading or handicrafts is quite large. The share of tourism households that work in agriculture and trading is about 27 percent and the share in agriculture and handicrafts is about 13 percent.

### **5.4.3.2. Participants in Sapa Tourism**

#### *5.4.3.2.1. Sapa's Tourists*

Sapa has a variety of attractions for domestic, regional and international tourists. There are two peak seasons. While the distinction is not clear cut, summer is the peak season for domestic tourists, who come to enjoy the beautiful landscape and the good weather. Towards the end of the year and early in the new year is the peak season for foreign tourists, who come for Christmas vacations and to enjoy the cultural festivals of minority peoples. The number of tourists has increased steadily, from about 50,000 in 2000 to 200,000 in 2005. Although domestic tourists are the majority of total visitors, foreign tourists account for a significant portion.

**Table 5.10: Number of Tourists in Sapa in 2000 and 2005**

	2000		2005	
	Number (000)	Distribution (%)	Number (000)	Distribution (%)
Domestic	30.8	62.5	136.7	68.4
Foreign	18.5	37.5	63.3	31.7
Total	49.3	100.0	200	100.0

Source: Sapa Commerce and Tourism Bureau, 2006

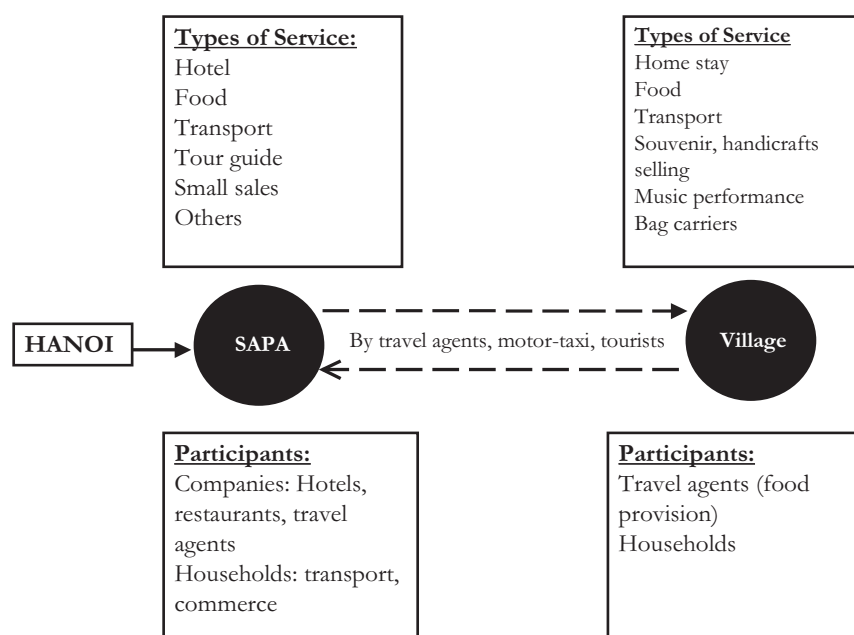
**5.4.3.2.2. Types of Tourism Services and Tourists in Sapa**

There are different types of attraction in the area. The little Sapa Town is located on hillsides and is a good base for day-trips in the region. Sapa is a well-organised town and a centre of Sapa district, where there are about 300 villas built by the French in the early 20th century. In addition, there are a market, hotels and different services to meet tourist needs.

Travelling to Sapa is easy. From Hanoi, tourists can go to Sapa as individual travellers. However, most prefer going in groups with travel agents who arrange the tour, the hotel and other basic services. In fact, Sapa is not a very large tourist place, and tourists spend just a few days (mostly one or two). Visitors can also stay in the villages to enjoy the culture and lifestyle of ethnic people. Around Sapa, there are hundreds of motor taxis waiting to take tourists around the town or to attractions such as waterfalls, a stone field or villages. Some tourists walk to villages on trekking trails, which provides more opportunities to discover natural and social life in the rural mountainous area of the township.

With those types of services, the participants can be either formal enterprises (e.g., hotels, restaurants, travel agents) or informal workers such as taxi drivers, tour guides, food preparers, souvenir sellers and the like. Tourism workers can be employees in formal enterprises, or self-employed workers providing services for visitors.

**Diagram 5.1: Services and Participants in Sapa Tourism**



### 5.4.3.3. Tourism and Poverty Reduction in Sapa

#### 5.4.3.3.1. Job Creation by Tourism at Firm Level

Tourism participants in Sapa include both formal and informal enterprises. Formal enterprises are hotels, restaurants, travel agents and other service providers, while informal ones are households that provide services such as home stay, handicraft sales or musical performances.

Most formal enterprises in Sapa are located in the town itself. There are about 100 registered enterprises in the town, including hotels, restaurants and other service units. Most of the service enterprises are small, employing about a dozen workers. The biggest is a foreign-funded four-star hotel (Victoria Hotel), which employed about 155 people in 2005. A number of hotels and restaurants employ a dozen workers each, but a larger share employ just a few. Of surveyed enterprises, one employs 150 workers, six employ between 10 and 50, and the rest employ fewer than 10. Because of seasonality, the number of employees in hotels and restaurants is not stable. During the low season, the number of workers can be reduced by half, and most of these workers have to find another job or return to the countryside to work in agriculture.

Sapa is a poor area, and tourism has only recently developed. As a result, the local workforce has not been able to meet the demand. Working for the tourism requires a person to have a specific skill such as a foreign language, cooking, service or communication. These skills are quite new for local workers. To make up the shortage, enterprises have to find non-local workers from other cities, districts and provinces. Local workers fill about 50 percent of total employment.

**Table 5.11: Number and Distribution of Workers in Enterprises in Sapa**

	Peak Season		Low Season	
	Persons	%	Persons	%
Total	568	100	410	100
Self-employment	50	8	49	11
Waged employment	518	92	361	89
Of waged employment, from:				
• Within district	229	44	100	28
• Other district	67	13	61	17
• Other province	222	43	200	55

Source: Survey data

As indicated in Table 5.11, local workers take less than half of waged employment during the peak season in the formal sector, and only about 28 percent during the low season. A large share of employment is filled by workers from other provinces or districts. This means that the local workforce is unable to capture the opportunities generated by tourism, and that training is needed to bring the benefits of tourism to local workers.

#### 5.4.3.3.2. Tourism Job Creation at Household Level

Households play an important role in Sapa's tourism, providing services in villages and goods for hotels and restaurants. In fact, households can provide different types of services: transportation, tour guides, home stay, musical performance and so on. Households also provide food for restaurants and hotels or directly to tourists. In recent years, as tourism has developed in the region, the sector has generated a large number of jobs for households and provided an important part of household incomes.

**Table 5.12: Household Tourism Employment Distribution**

	Number of workers	Share (%)
Home stay	27	25.2
Food service	23	21.5
Souvenir sale	18	16.8
Hotel, restaurants	11	10.3
Tour guide	5	4.7
Motor taxi	5	4.7
Handicrafts	5	4.7
Agricultural product sale	1	0.9
Other	12	11.2
Total	107	100.0

*Source: Estimated from survey data*

Among the 78 households directly involved in the services sector, 107 employees work for tourism, or 1.4 per household. The figure is not large compared to total employment in the area, but on average there are only three working persons per household, so for these households, about half of the household workforce is involved in tourism.

As indicated in Table 5.12, home-stay service generates the largest share of local household jobs. Home stay is not complicated or time-intensive, involves simply preparing dinner, which has to be done in any event, and cleaning the room. The total time for these two services is less than three hours per household. Home stay is normally provided as a contract service with travel agents. Travel agents bring guests to the family based on the “quota allocation” by local officials and the “partnership” between company and family. Payment is made automatically according to the number of guests and duration of stay. The price is very stable or is fixed according to the regulation (or agreement) that most households agreed to follow. In addition to jobs directly related to tourism, there are other jobs created by tourism, such as transport or tour guide. However, the share of these jobs is not as important.

**Box 5.1: Overnight Home-Stay Service** (*Transcript from household visit*)

Home-stay service is not so comprehensive. The demand from the guests is just food and sleeping space. In order to provide the service, the household needs simply to install some beds or “grass” cushions (made from local materials), put mosquito nets in the garret (close to the roof) and upgrade the toilet. Guests go touring during the day and come back to the household in the evening. The food for the guests is cooked by households, but is provided by travel agents. The household never buys food, or in other words the local food is not used because visitors typically do not trust the quality of it. It is very rare for tourists to ask for local food or drink.

Home stay is a good business, from which the household can earn USD10–15 per day depending on the number of guests. However, the initial investment is very high, and not all households can afford it.

The second largest group of tourism workers is providers of food and meals. However, tourists seldom have food in the village except for beverages. Food is normally provided by the home-stay household.

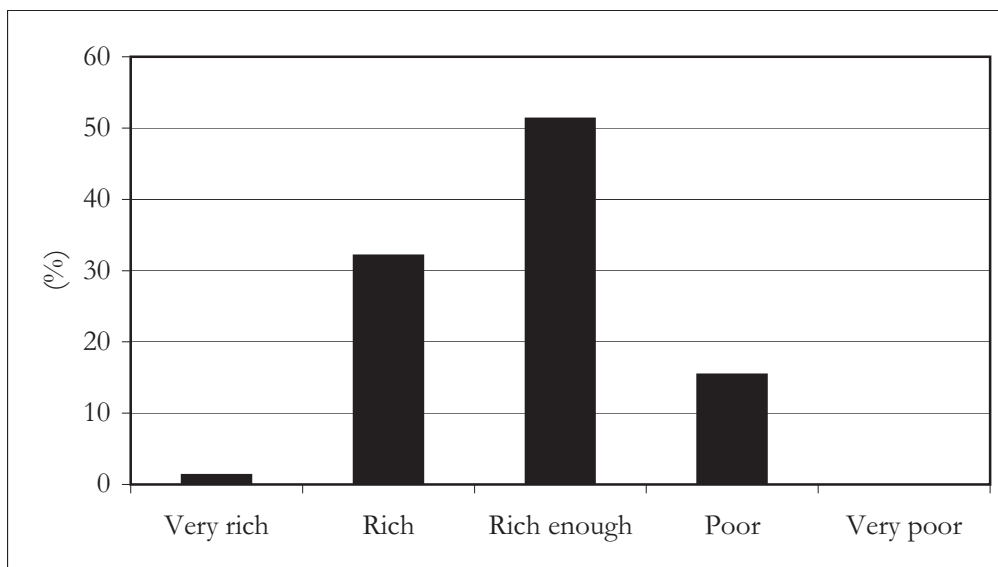
Souvenir sellers are 16.7 percent of total employment. Most souvenirs are hand-made by handicraft producers. The sellers are women who sell these products on streets or in the villages where there are visitors. A number of sellers are children who have quit school and sell souvenirs to earn some money to support their families. Selling souvenirs to visitors is an occupation that generates some income for local people, although visitors have been known not to appreciate the insistence of some sellers.

In addition to these direct job opportunities, tourism also generates indirect jobs in agriculture or trade. It is difficult to measure the number of indirect jobs created, but the food in restaurants and hotels in Sapa town is largely supplied by local farmers. The food is supplied directly by farmers or through traders in the markets or at the hotel or restaurant.

It is important to determine how tourism generates employment for the poor, or how the poor can participate in tourism, since poor people are frequently unable to capture the opportunities because of a shortage of capital, lack of working skills and low education.

In Sapa, the survey data show that the groups that benefit most from tourism are the wealthier ones (figure 5.3). Most employment goes to the richer households, and the poor and very poor take a minor share of total employment. In particular, it appears that the very poor cannot find employment in tourism. The figures indicate very clearly that the poor are disadvantaged and do not benefit much from tourism.

**Figure 5.3: Distribution of Tourism Employment among Income Quintiles**



*Source: Estimated from survey data*

In conclusion, the development of tourism in Sapa has generated employment for the local workforce. The jobs created include formal enterprises and household enterprises. These jobs are important to absorb the redundant labour in the region, and households that participate in tourism have an additional source of income. However, the local workforce is not able fully to meet the demand for workers in tourism, especially the demand for skilled labour in formal enterprises such as hotels, restaurants and travel agents. In addition, although tourism has generated jobs for local people, the poor, for various reasons, have failed to capture the employment opportunities.

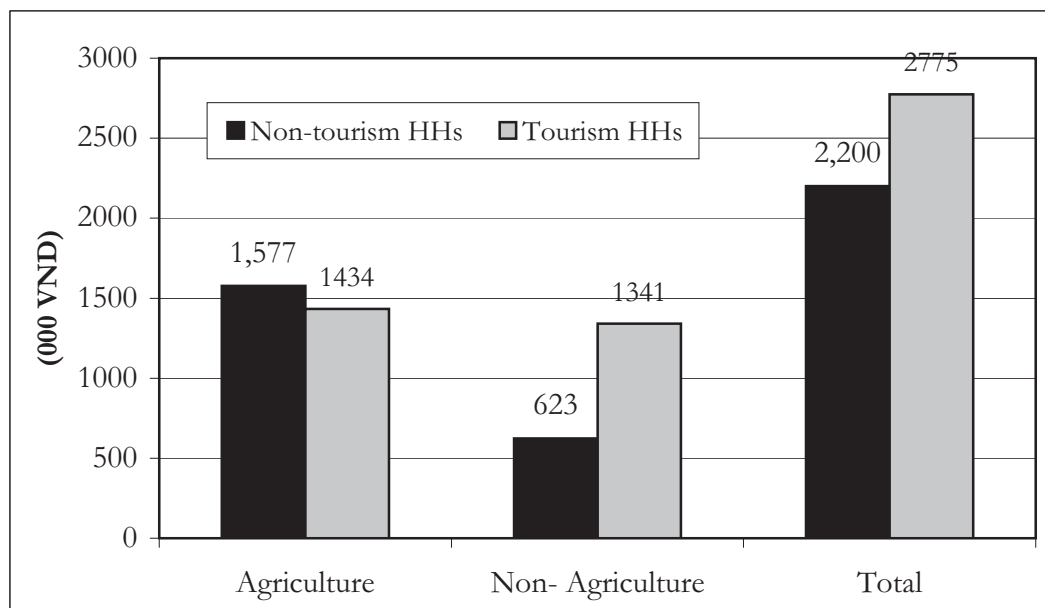
#### 5.4.3.3.3. Impacts of Tourism on Income Generation and Poverty Reduction in Sapa

While Sapa is still a poor, mountainous and isolated area where people mostly rely on agriculture and forestry, living conditions have improved in recent years. This is attributed to both the government's comprehensive poverty reduction programme and the development of tourism in the region. Tourism has generated jobs for people directly involved and indirectly for farmers who supply inputs.

#### *Income Generation by Tourism*

The survey data indicate that agriculture is the most important income source, producing about 60 percent of total household income. Tourism is an important activity, generating about 16 percent of total income for the whole sample. The average agricultural income per person in tourism households, as indicated in Figure IV.2, is a little lower than that source of income for non-tourism households. However, the average non-agricultural income per person for tourism households is significantly higher than for non-tourism households; as a result, the total average income per person of tourism households was about VND550,000 higher than for non-tourism households in 2005. Non-agricultural economic activities in the region vary, but participation in tourism has become an important activity. Although the total average income per person in the region is not high, still much lower than one USD1 per day, about USD0.37 for non-tourism households and USD0.47 for tourism households, participation in tourism is an important source of household income.

**Figure 5.4: Average per-Person Income in 2005, by Source**



*Estimated from survey data*

To see whether tourism contributes significantly to household income, a hypothesis was tested: that households participating in tourism have higher average incomes per person than households not participating. A regression was run in which the dependent variable was average income per person, and independent variables were the average per capita area of agricultural land, the education of the head of household (measured by levels of schooling: illiterate, primary school, secondary school or high school) and a dummy variable for participation or no participation in tourism. It was expected that these independent variables are positively related with the dependent variable, meaning that participation in tourism, the education of the head of household and the agricultural land area are positively related to average per capita income.

### **Regression results**

- Function:  $\text{Income} = f(\text{edu}, \text{land}, \text{part})$
- Dependent variable: Income = average income per person (thousand VND)
- Independent variable:
  - land = average agricultural land per person (sq. metre)
  - edu. = education of head of HHs (1= illiterate ... 4 = high school)
  - part. = tourism participation (1= yes, 0 = no)

• <b>Income</b>	<b>Coef.</b>	<b>Std. Err.</b>	<b>t</b>	<b>P&gt;t</b>
• <b>land</b>	<b>.6793539</b>	<b>.1215032</b>	<b>5.59</b>	<b>0.000</b>
• <b>edu</b>	<b>536.6191</b>	<b>196.3262</b>	<b>2.73</b>	<b>0.007</b>
• <b>part.</b>	<b>604.6921</b>	<b>307.207</b>	<b>1.97</b>	<b>0.051</b>
• <b>_cons</b>	<b>276.8392</b>	<b>485.0717</b>	<b>0.57</b>	<b>0.569</b>
• <b>R-squared</b>	<b>= 0.2597</b>			
• <b>Prob &gt; F</b>	<b>= 0.0000</b>			
• <b>Number of obs.</b>	<b>= 117</b>			

The regression shows that most of the dependent variables have the expected signs and the t-statistical values are significant (at 95 percent) except for the intercept's t-statistical value. The R-square value is not so high but is acceptable because regression is for cross-section data.

The regression results also show that the higher the per capita area of agricultural land, the higher the per capita income; the higher the education level of the head of household, the higher the per capita income; and participation in tourism has a positive impact on average per capita income of a household. More specifically, the average per capita income of households participating in tourism is about VND604,000 higher than the average per capita income of households not participating. The differences in average per capita income between tourism and non-tourism households from the regression and simple statistical estimations, as shown in Figure 5.4 are not so significant. With total average personal income of the households in the sample of about VND2,600,000 per year (about USD170), the VND604,000 is important and could significantly improve total family income.

### *Tourism and Poverty Reduction*

Participation in tourism has a strong impact on household income, and therefore it is reasonable to assume that participation in tourism helps poverty reduction in the region. As the average income per person is very low, the poverty rate is high if based on international standards (USD1 or 2 per day). In the ranking by households themselves, the number of poor and very poor is significantly different between tourism and non-tourism households. About 28.6 percent of non-tourism households are in the poor group and 11.9 percent are very poor. For tourism households, these rates are much lower: there are no very poor households, and only 15.4 percent of total households rank themselves as poor. To some extent, this is consistent with ranking by local authorities. For local authorities, there are no "very poor" households in either group, but the poverty rate is very high for non-tourism households (40.5 percent) and much lower for tourism households (14.1 percent). For non-poor households, the ranking by either local authorities or people themselves shows that the number of wealthy is not very high and not very different between tourism and non-tourism households, but the number of "rich" and "rich enough" tourism households is much higher than for non-tourism households.



**Table 5.13: Wealth Ranking of Tourism and Non-Tourism Households**

	Rank by households themselves		Rank by local authorities	
	Non-tourism HHs (%)	Tourism HHs (%)	Non-tourism HHs (%)	Tourism HHs (%)
Wealthy	2.4	1.3	2.38	2.56
Rich	9.5	32.1	16.67	29.49
Rich enough	47.6	51.3	40.48	53.85
Poor	28.6	15.4	40.48	14.1
Very poor	11.9	0	0	0
Total	100	100	100	100

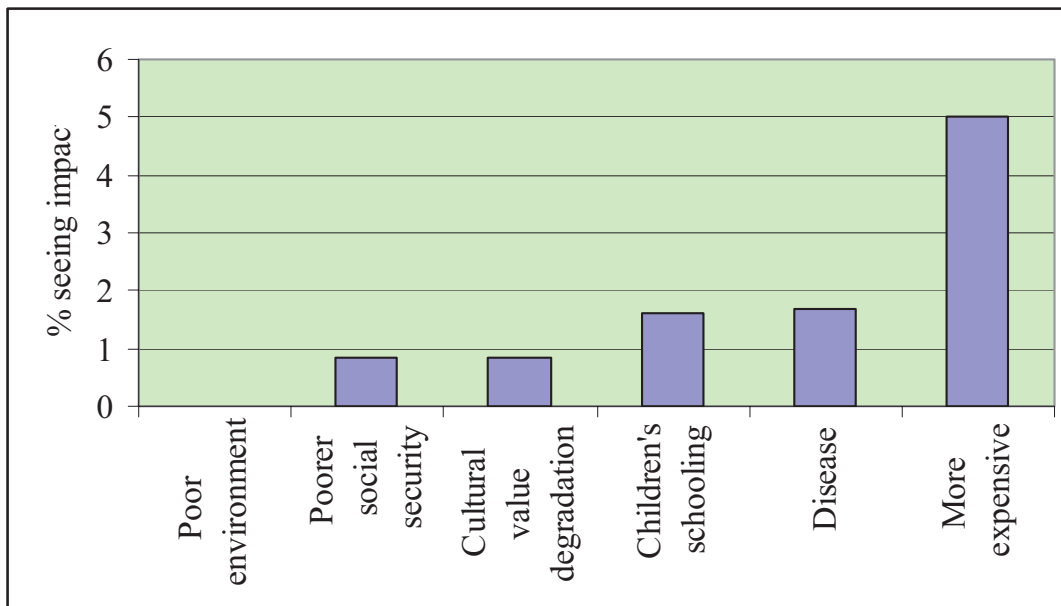
*Source: Estimated from survey data*

Of households in the sample, 72 percent thought that their living standards had improved in the last three years and 5 percent thought that their living standards had improved significantly. Only a few households described a worsening of their living standards. From these figures, it can be said that the living standards of people in Sapa have been improving in recent years. The improvement is attributed to different factors. However, participation in tourism could be one of the main reasons. The interviewed households were given options to explain this improvement, including good harvests, having a job in tourism, having business related to tourism, remittances and the like. The result of the survey was that a good harvest was the most important factor for improving living standards, 84 percent of households with improved standards ranking it as the first reason. This again represents the importance of agriculture for household incomes in the region. However, tourism is also a very important factor for improving household living standards. After good harvests, 45 percent consider the improvement due to jobs generated by tourism and 62 percent considered it due to tourism business. Of those households describing a reduction in their living standards, none pointed to tourism as a cause.

#### *Overall Impact of Tourism on Livelihoods*

With respect to income and living standards, local people have a positive view of tourism in the region. However, people can be worse off due to the negative impacts on culture, traditional values, the environment, children's schooling and the like. In general, the local people's view of tourism is very positive; they do not see negative impacts on their livelihoods. In the village, questions of the potential negative impacts of tourism were discussed in group meetings. Most discussants did not identify negative impacts, but did identify positive impacts. For instance, they said that in order to attract visitors, villagers have to clean up the village, and therefore the village and households are clean and tidy. The villagers also considered tourism as having a positive impact on traditional and cultural values because they said that the values were protected in order to have good performances for visitors, people had to practice frequently and the young had an opportunity to be involved in cultural events. Figure 5.5 shows the lack of negative response to tourism.

Figure 5.5: Village Community View of Negative Impacts of Tourism



Source: Estimated from survey data

We did not find any strong evidence of negative impacts of tourism on local livelihoods from the survey or the group discussions. However, our observations indicated some negative impacts on people's lifestyles. It is easy to observe that a number of children participate in tourism services such as selling souvenirs or polishing shoes. These children are from local villages and mostly of school age, but they have quit school to earn money.

The most harmful impact of tourism on traditional values is the disappearance of the "love market". The "love market" was a market in Sapa town where young males and females could strike up friendships. However, due to the participation of tourists (taking photographs etc.), the young do not come as they used to. Nowadays, it is hard to find this event in Sapa, while it used to be held every Saturday evening.

### *Box 5.2: Sapa 'Love Market'*

Located at the middle of Hoang Lien Son rocky mountain, “the love market” is about one hour by car from Lao Cai Provincial Capital. Here every Saturday, young couples of H'Mong and Dao Ethnic make a date. “The love market” is at the open place in front of stony church. Young couples, young singles, the old people come to share the feeling and find their partners. They stay side by side with hand-in-hand and sing through the night and go through the villages until the morning. [...] Many young have found their friend and become a couple for whole of their levies. Nowadays “the love market” has been badly interfered by modern civilization, and the tourists for their curious have followed the couples and taken photographs of them. “The love market” is no longer as its origin. At the market, now, just few couples hire themselves under an umbrella to share the love.

*Pictures of Sapa love markets*



*Source: Mai Phuong 2005*

#### *5.4.3.3.4. Opportunities to Participate in Tourism Activities and the Business Environment for Tourism in the Region*

##### *• The Perception of the Role of Tourism in Household Economy*

Although participation in tourism is a good opportunity for the poor to escape poverty, it is not easy for the poor to participate in the sector, and sometimes the poor face a dilemma trying to find a job that fits their capacity. In order to participate in tourism, the household needs endowments such as capital, business skills or social networks. Clearly, such endowments are not available for everyone, especially the poor.

In the village, local people can participate in tourism with different jobs. From group discussion with local people, we identified (Table 5.14) that jobs such as home stay or work in hotels or restaurants are good jobs, but hard for them to get due to the need for either capital or work skills. Other jobs such as performing music, ethnic embroidery and selling souvenirs are easy for them to get, but the gain from these activities is not high.

**Table 5.14: Local People’s Ranking of Jobs, Income Generation and Participation Opportunities for the Poor** (score out of 10)

Activities	Income generation for the poor	Job generation for the poor	Ability of poor to participate
Making handicrafts, ethnic embroidery	5.3	5.3	7.3
Selling handicrafts, ethnic embroidery	5.3	4.3	4.6
Overnight home stay	8.3	5.6	2.3
Waged employment in hotels, restaurants, travel agencies (tour guide)	8	5	2
Transportation, motor-taxi, bag carry	6.3	5	2.6
Food serving, Dao ethnic herbal bathing, selling herbal medicine for bathing	7	4.6	3
Traditional music performance	5	3	5.6

Source: Survey

• *Barriers to Participation in Tourism by the Poor*

The results of group discussion as shown in the Table 5.15 indicated that although participation in tourism is a good opportunity for the poor to have a job and additional income, the poor are facing difficulties to participate. The participants in group discussion were asked to rank the difficulties for them to participate in tourism, and the participants mentioned a number of difficulties, such as place for business, the capital, the language (either Vietnamese or foreign language), infrastructure and the likes. Then the participants were asked to rank these difficulties. The answers from participants show that among those bottlenecks, the biggest is capital shortage. Handicraft, transport and home stay all require the farmers to invest some money. Given the poor living standards and the inconvenience of formal banking services, the capital requirement is a challenge. Poor infrastructure is also a big problem. The infrastructure in Sapa town is good, but it is very poor in some villages. It is impossible to access some villages on rainy days. Language is a difficulty as well. The foreign language is a big problem for local people to communicate with foreigners to deliver services or sell goods. Some local people also cannot speak Vietnamese well, and hence they also have difficulty communicating with domestic tourists.

**Table 5.15: Evaluating and Ranking the Difficulties for Tourism Business by Local People in Ta Phan Villagew**

TT	Type of barriers	1	2	3	4	5	6	Frequency	Ranking
1	Area (cultural show or market place)		2	3	1	1	6	2	4
2	Capital			2	2	2	2	5	1
3	Language				3	3	6	3	3
4	Poor design of handicrafts					4	6	1	5
5	Poor food service						6	0	6
6	Poor infrastructure							4	2

Notice: This table uses a “pair comparison”, a method for rural development appraisal, which implies comparing one variable with other variables. In the table, variables are coding from 1 to 6. Along the row 1, the variable 1 will be compared with other variables, if variable 1 is more important than other, the code 1 will be put in the cell, and if other variable is more important than variable 1, the code of that variable will be put in cell. This process is carried out for all rows. The frequency column is constructed by counting the outcome of each variable. In row frequency number is 2 because number 1 (variable 1) comes out two times in the table. In row 3, frequency number is 5 because number 2 comes out five times in the table. The ranking is straightforward: the higher frequency the more difficult rank it takes.

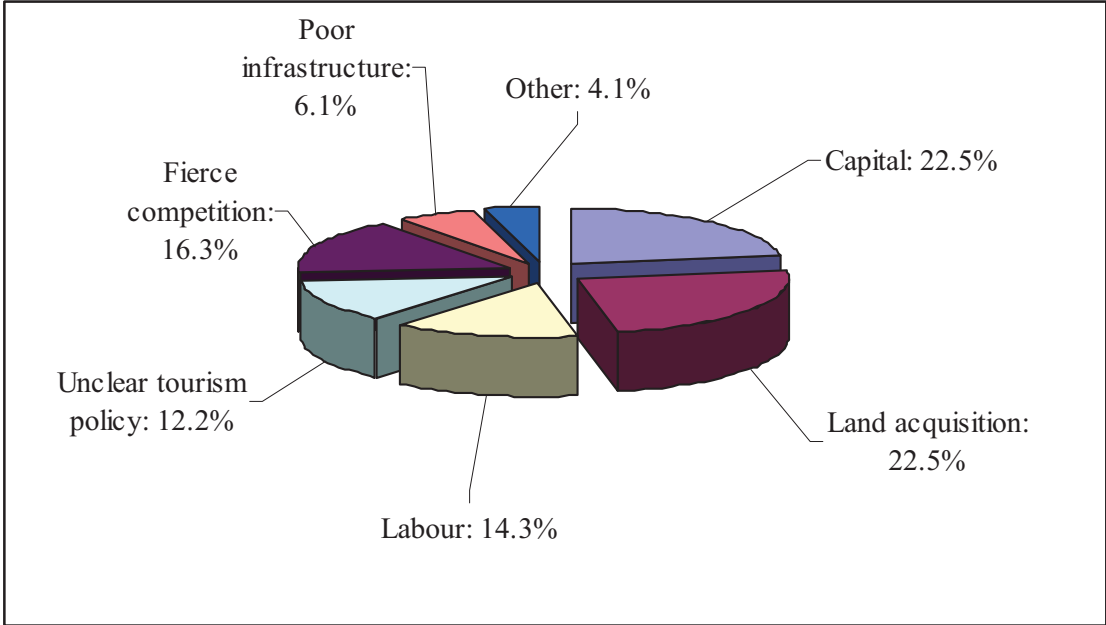
The same method for identifying and ranking difficulties for the poor to participate in tourism was applied in another village. The identified difficulties were not so different from Ta Phan village. The ranking was a bit different, but as with Ta Phan, capital shortage was the biggest problem.

As mentioned, the poor participate in tourism not only through self-employment, but also as workers in the formal sector. The formal sector can generate jobs in hotels, restaurants, travel agents etc. Therefore barriers for these enterprises are partly barriers to the poor escaping from poverty. The environment for private business in Vietnam is still not very well formulated. It is widely reported that although the business environment has improved, private enterprises, especially small-scale ones, very frequently face difficulties of bank access, land acquisition or unfair regulations.

Tourism enterprises in Sapa were requested to identify and rank their difficulties. The difficulties identified included capital shortage, land acquisition, labour supply, unfair competition and poor infrastructure. Among these difficulties, capital supply, or banking access, was most important. Sapa is an isolated area where banks are not well established and credit suppliers are limited in number. Therefore most tourism enterprises in the region have to find their own capital from relatives, or from informal sectors. Land acquisition, surprisingly, is among the top difficulties. The problem is due to regulations against transferring land from agricultural to non-agricultural use. For each location, agricultural land can be transferred only with permission from higher authorities. Not only in Sapa, but also other locations, land acquisition is a problem for enterprises.

Among the surveyed enterprises, 81 percent reported that they face business difficulties. As indicated in the Figure 5.6, the biggest difficulty is land acquisition, which affected 24 percent of firms. The second biggest problem was capital shortage, which affected 22 percent.

**Figure 5.6: Business Difficulties for Tourism Firms in Sapa**



Source: Survey data



# 5.5. Primary Conclusions and Recommendations

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## 5.5.1. Findings and Conclusions

During the last decade, the government of Vietnam has made remarkable efforts to establish an overall strategy for strengthening the linkage between economic growth and poverty reduction. This was done mainly through a number of strategic programmes, such as the SEDS, the CPRGS, the NSTD and the Law on Tourism. A number of measures have been put forward by the CPRGS to improve the sustainable livelihood of the poor. Transferring use rights on cultivated land and forests to farmers is seen as an important policy measure for stabilising the livelihood of the poor in mountainous areas. Likewise, the NSTD also advanced this linkage by integrating economic development and social justice in a close, rational and harmonised manner. The idea of tourism-poverty reduction synergy is apparent in the main tourism policy documents.

However, very important policy and institutional disparities remain. Although some tourism-related paragraphs are included in the SEDS, CPRGS and other policy documents, it appears that the CPRGS is not well known among tourism actors. The shortcomings may be traced to the reality that the poverty targets have remained something of secondary importance rather than something requiring urgent and decisive action. Similarly, not so many ideas about poverty and hunger alleviation are to be found in the NSTD. This indicates that inadequate attention has been given to poverty reduction targets in the sector's strategic plan, even though the NSTD is called an "action programme" concretising the SEDS. Even the SEDS, which was formally launched with the goal of incorporating poverty alleviation into development, has failed to offer sound forms for strengthening the linkages. Poverty and sector development components are in separate sections of the programme. Poverty reduction concerns have not been explicitly integrated into the tourism sector's policy measures.

At the same time, tourism has grown rapidly during the last decade. The country has experienced a significant increase in the number of both international and domestic tourists. There has been a significant growth in tourism's contribution to GDP and to total public revenue. Such increases were expected to generate significant employment and enhanced incomes for local households. However, the sector does not automatically fulfil this role. The bulk of investment, both government and private, is concentrated in more economically advanced areas rather than in rural and poor areas. This could mean a shortage of capital for tourism in rural destinations. This in turn may lead to loss of employment and income by the rural poor, taking from them access not only to capital, but also to markets and technical and business skills. As a consequence, the distribution of tourism benefits to disadvantaged groups remains minimal. The absence of appropriate policies is a main factor behind the imbalance. Very few practical solutions have been applied to give rural enterprises access to finances and market and business services, as well as to create favourable conditions for the development of local businesses and economy. To ensure that the benefits of sector development flow to the poor, those obstacles must be removed.

Evidence from Sapa (and from other cases) indicates that a direct linkage between tourism and poverty reduction has been initially established, and that participation in tourism is a good way to escape poverty. Tourism is pro-poor when it provides employment, income and enterprise opportunities. While the "very poor" are more than 11 percent of non-tourism households in Sapa, none of the households involved in tourist activities are ranked in this category. The explanation is simple: while local households in Sapa remain mostly agriculture-based, participation in the supply of tourism services has generated

a significant additional income (23.6 percent of total income of tourist households). Food supply and home-stay services appear to be the biggest employment generators for the local poor.

Tourism is also pro-poor when it provides an improved livelihood, such as better access to roads, communications, health and education services. In both Sapa and Dien Bien districts, improvement of communication and training has borne good fruit: the number of households and firms engaged in these services is increasing; local people's tourism skills are upgraded; their capacity to exploit natural and cultural potentials for tourism is enhanced.

However, due to a shortage of investment capital, poor infrastructure and lack of social networking, participation in tourism by poor households remains modest. Tourism income and jobs for locals are seasonal and supplementary. In addition, difficulties with land acquisition, credit and professionalism have made local tourist firms uncompetitive and thus unable to expand.

The local authorities in Sapa also reveal that many of the pro-poor tourism initiatives have focussed on single local developments. In particular, these activities have concentrated on preparing single villages or districts to host tourists, while ignoring outside factors that could contribute to sustainability. Doubtless, these single-community activities are critical, but they are not sufficient to reach the goals of poverty reduction. Due to lack of capacity, a large proportion of poor people, have less opportunity to gain from tourism. Poverty in these areas remains remarkable. Many of the benefits from tourism by-pass the poor, especially in regions with a higher poverty incidence.

So far, there is very little evidence of a negative impact of tourism on poor people in the surveyed areas. But there is anecdotal information suggesting that tourism has brought many undesirable consequences. Prostitution and AIDS/HIV have often been associated with poorly managed tourism. There is a danger of ethnic minorities losing their traditional culture and values.

Damage to the environment by tourists is another topic for discussion. Although so far no statistics have been released on this impact, it can easily be observed that tourist activities have caused deforestation in upstream areas and land degradation in coastal regions (e.g. for building new resorts). This has led to a remarkable degradation of the environment in those ecologically sensitive areas. Negative impacts of tourism can also be seen in the increased volume of solid waste, waste water and various forms of pollution not only affecting people's health but also reducing the country's natural beauty.

## **5.5.2. Comments and Policy Recommendations**

Based on what has been learned, in this section some initial policy recommendations are made to facilitate policy dialogue and support initiatives pertaining to synergy between tourism and poverty reduction.

### ***5.5.2.1. Concept, Policies and Strategies***

Formal linkages need to be strengthened between the SEDS, the CPRGS and the NSTD and their related action plans. Expanded efforts are critical to mainstream pro-poor concerns into the tourism sector's strategy and development planning. Similarly, tourism concerns need to be mainstreamed into overall economic policies and activities. To this end, tourism sector development should focus on several high priority activities that would address poverty at both national and local levels, especially activities pertaining to provision of employment and income. More pro-poor tourism projects should be formulated and implemented, particularly those focussing on improvement of livelihood, better access to roads, communications, health and education services and those in areas with a larger proportion of poor.



Institutional capacity should be enhanced to integrate the poverty-tourism relationship into national policy and planning frameworks. There is a need to increase knowledge among government and civil society on how tourism is related to poverty reduction and sustainable development. Further, support should be provided to the VNAT to strengthen its policy capacity, to build essential working relations with development agencies and to apply various tools for assessing and improving development and poverty reduction strategies and action plans, as well as to integrate pro-poor considerations into sector policy, planning and programmes. More urgently, support should be provided to the VNAT and other concerned agencies in preparation of sector five-year plans and future revision of the CPRGS, NSEP and their action plans. A wide debate on the tourism-poverty linkage, on inclusion of tourism concerns into the CPRGS and other strategic documents, should be initiated by the government and civil society.

*Furthermore, it is appropriate to consider:*

- (i) A more equitable distribution of tourism benefits in favour of less developed tourism areas. Reallocation of public investment to less advantaged tourist sites in the countryside could be a first step. As lack of infrastructure is reported to be one of the main barriers preventing tourists from accessing poorer regions, improvement of physical infrastructure should be considered soon.
- (ii) Support to tourism capacity building to plan, manage and operate the sector at higher standards; and
- (iii) Appropriate economic and other incentives (e.g. tax exemption, cheap loans) to foster private sector participation and entrepreneurship in local tourism, including involvement of women and ethnic minorities in activities. While the appropriateness of this proposal to specific localities still needs to be tested, the idea should be generally raised for consideration.

#### ***5.5.2.2. Tools and Approaches for Enhancing Tourism-Poverty Linkages***

Increase community influence on tourism policy and planning at all levels by expanding public access to tourism information, and decision making, and address the tourism-poverty nexus by ensuring that poor people are fully integrated into the formulation, implementation and monitoring of poverty reduction strategies and related reforms.

Develop a set of national and generic tourism-poverty reduction indicators to measure how tourists can affect the livelihoods of the poor. There is no “magic” single indicator that can measure the link. However, a set of proxy indicators (both quantitative and qualitative) on the access and quality of tourism assets should be developed. This set of indicators will be built at all levels for monitoring, assessment and reporting, as well as being incorporated into social-economic planning, strategies, and national and local statistics.

#### ***5.5.2.3. Learning from Best Practice***

A number of “best practices” for introducing pro-poor tourism are being implemented in national and sub-regional socio-economic development. For example, case studies from the Asia-Pacific have found a variety of pro-poor good practices that could be considered within each country and between countries of the region (ADB 2005, Annex 6). They include: (i) diversification of actions from macroeconomic to microeconomic level, including product development and marketing, planning, policy and investment; (ii) good governance and interdepartmental cooperation; (iii) sufficient provision of non-financial benefits (e.g. roads, bridges) to reduce the vulnerability of the poor and bring products to markets; (iv) external funding and assistance; and (v) Increased role and more active

involvement of the main stakeholders such as government, private sector, civil society and the poor.

Creating a visa-free zone could be another option to accelerate international tourism. While there are security concerns, over the last few years several Mekong countries have liberalised their visa policies and gained many benefits. Cambodia's visa-on-arrival policy has helped to make it the region's fastest growing tourism destination. Anyone can get a visa at Phnom Penh and Siem Reap airports by filling out a form and providing a photograph and the US\$20 fee. In 2002, Cambodia had the highest growth in visitor arrivals of all ASEAN countries, up 30 percent to 786,524 (by air at Phnom Penh and Siem Reap, its two main international gateways).

In Vietnam these valuable experiences have so far been either ignored or not made well known. It is strongly recommended that these best practices and positive lessons be learned not only by policy makers but also by all others concerned, including local poor communities. In many cases, local communities may currently undertake projects and implement ideas that are consistent with principles of poverty integration without even knowing that they are doing so. The positive practices should first be well documented, published and disseminated widely. The rationale for documenting such cases is to demonstrate to leaders, decision makers and the community the beneficial impact of implementing the strategy at different local levels. It is hoped that demonstrations will better convince leaders and the public to promote and support pro-poor tourism. A well-designed study on the "best cases" could be a first step in this direction.

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# **Pro-Poor Tourism: China Case Study**

**Improving Community Participation,  
Promoting Countryside Tourism and  
Boosting Community Development**

**Zheng Baohua**



Yunnan province is situated at the south-west corner of China, bordering Vietnam, Laos and Myanmar, with a total area of 394,000 square kilometres. In 2005, the total population was 44,504,000 with a natural growth rate of around 8 percent. With the deepening of reform and the open-door policy and its implementation in Yunnan, the province has experienced substantial economic growth. The GDP of the province reached more than CNY (yuan renminbi) 347 billion in 2005, with an annual growth rate of 8.9 percent. Industry value added in 2005 contributed 34.6 percent of GDP, an increase from 13.6 percent in 1952. The share of agriculture has decreased, from 61.9 percent in 1952 to 25.3 percent in 1995 and 18.9 percent in 2005. Meanwhile, value added of the service sector has steadily increased, from 22.8 percent of the gross in 1952 to 30.2 percent in 1995 and 39.4 percent in 2005. The current economic structure is characterised by steady progress of agriculture, continuous strengthening of industry and strong growth of the service sector.

However, Yunnan remains one of the poorest provinces of China. Over the past 20 years, the number of the poor has considerably decreased, and infrastructure in poor areas has been greatly improved, with intensified government support to poor regions, especially the successful implementation of several poverty alleviation projects and programmes, such as the support-the-poor rural development compendium, the “settle down, dress warmly and eat one’s fill” project, resettlement projects, labour export etc. At the end of 2005, there were 5.1 million people living under the national poverty line,<sup>1</sup> accounting for nearly 11.5 percent of the population and 14.3 percent of the rural population of the province, far above the national average. (In 2005, the poverty incidence rate<sup>2</sup> in rural areas of China was 2.6 percent, while people living in absolute poverty in Yunnan account for 7.0 percent of the total rural population.) There were 2.484 million people living under the absolute poverty line and 2.623 million relatively poor people, making up 7.4 percent of the total rural population.

Yunnan has made substantial progress in poverty reduction over the past 20 years, ever since the support-the-poor development programme began. Comparing the figures for 2005 with those for 1986, the population living in absolute poverty in rural areas of China decreased from 131 million to 23.65 million, an annual average decrease of 8.7 percent, which means that every year nearly 5.65 million people were lifted out of absolute poverty. The poverty incidence rate decreased from 15.4 percent to 2.6 percent. During the same period, Yunnan’s rural poor population decreased from 12 million to 2.48 million, an annual average decline of 8.0 percent. The poverty incidence declined to 7.0 percent from near 40 percent. More details are shown in Table 6.1.

<sup>1</sup> The poverty line in China is adjusted from year to year according to the economic development of the entire country. In 2005 the absolute poverty line was CNY683 net income per capita per month, which is equivalent to about USD85, and the line for the lower income poor (comparative poverty) was CNY944 per capita. The figures for the poor used in this report are absolute poor and comparative poor.

<sup>2</sup> The poverty incidence rate is the poor population divided by total population.

**Table 6.1: Rural Population in Poverty in Yunnan, 1978–2005**

Year	China		Yunnan Province	
	Poor population (10,000persons)	Povertyincidence rate (%)	Poor population (10,000persons)	Povertyincidence rate (%)
1978	25,000	33.1	1600	52.0
1986	13,100	15.4	1200	37.5
1990	8500	9.5	790	23.9
1995	6500	7.1	520	15.4
2000	3209	2.8	405	11.8
2004	2927	2.7	273	7.7
2005	2365	2.6	248	7.0

*Source: The Rural Socio-economic Survey Team of the National Statistics Bureau Yunnan Provincial Government Office and Yunnan Statistics Bureau*

In the mid-1990s, the state set the principle in policy formulation of focussing on development-oriented poverty reduction. Development-oriented poverty reduction centres on economic construction and regards science and technology as leading forces. In addition to necessary help and support from the national and local governments, it stresses the importance of self-reliance and the spirit of hard work of the masses in poor areas in developing the commodity economy and competing in markets based on exploiting local resources. It aims at improving the living and production conditions as well as the environment in poor areas and enhancing the self-accumulating, self-developing capabilities of the poor.

In May 2001, the state published the “Compendium of Support-the-Poor Development in China’s Rural Areas (2001–2010)”, making clear the general goal of support-the-poor work during the first 10 years of this century, which is “to resolve as soon as possible the issue of allowing the few very poor people to ‘dress warmly and eat their fill’; to further improve the basic living and production conditions in poor areas and consolidate current achievements; to improve the quality of life and education level of the poor people and intensify the infrastructure construction in poor villages; to improve the ecological environment and gradually change the backward economic, social and cultural situation in poor areas and prepare the conditions for a well-to-do society”. In line with the general requirements of the compendium and the 16th Congress of the CCP, the provincial government pointed out that Yunnan still lay at a low level in the elementary phase of socialism; hence poverty would exist for a relatively long period into the future, and support-the-poor development would be long-term and arduous work.

In January 2004, in order to address the problem of the living difficulties of the masses in poor areas, the Yunnan CCP committee and the provincial government formulated “Decisions with Regard to Accelerating the Support-the-Poor Work in the New Era”. This document put forward a principle of sticking to development-oriented, government-led support-the-poor work that would be participated in by people from all walks of life. It requested that support-the-poor work centre on having the poor “dress warmly and eat their fill” and helping them escape poverty and become well to do. Targeting poor villages and poor households, the work should focus on how to improve the living and production conditions of poor areas, and relevant projects and programmes should be pushed forward, such as the “settle down, dress warmly and eat one’s fill” project, resettlement and labour export projects, village electricity connection projects, the “entire-village-pushing-forward” type of project and other big pro-poor projects.



From the above pro-poor policies and measures taken by the provincial government, we can see that tourism was seldom or never considered in policy formulation as a means of poverty alleviation. The cause of this lies mostly in three main factors. Firstly, poverty alleviation work took “wen bao” (“dress warmly and eat one’s fill”) of the poor as its first priority. Therefore, poverty alleviation policies and measures before 2000 emphasised achieving a relatively easy subsistence. After 2000, increasing the income of poor households through the “entire-village-pushing-forward” had been stressed by government policy. However, the government seldom gave tourism a place in policy implementation. Secondly, a basic characteristic of rural areas of Yunnan, and of China more generally, is that almost all peasant households occupy an amount of farmland upon which most of the family can rely for basic sustenance. Those relying solely on non-agricultural activities are few. Even though some poor households, including the comparatively poor, depend on non-agricultural activities to gain extra income, tourism is not their main option. Thirdly, for a long period of time, government policies and measures to develop rural tourism were not clearly spelled out; they have been emphasised only in recent years.



## 6.2.1. History of Tourism Development

Yunnan is a famous tourist destination both at home and abroad, boasting picturesque scenery, a long history, diverse ethnic cultures and a well-preserved ecology. These factors have made tourism a new and leading industry that demonstrates strong growth. Although as early as April 1978, the Yunnan Provincial Revolutionary Committee had sanctioned the establishment of the Yunnan Travel and Sightseeing Administration Bureau (renamed the Yunnan Tourism Bureau in 1983), tourism remained an unfamiliar concept for most Chinese in the early 1980s. The total number of tourists reached 100,000 in 1986 and grew to 500,000 in 1994.

The world horticultural exhibition held in Kunming in 1999 turned out to be a good chance for Yunnan to gain publicity around the world; it also brought fast development of the Yunnan tourism industry. In 1999, foreign tourists exceeded 1 million and foreign exchange income surpassed USD200 million. The contribution of tourism to provincial GDP exceeded 10 percent for the first time, reaching 11.0 percent. Comparing 2005 with 1999, the total number of overseas tourists increased by 44.2 percent, an average annual growth rate of 6.3 percent. Foreign exchange income from tourism increased by more than half, with an annual growth rate of 7.1 percent. The total number of domestic tourists also grew rapidly, increasing by 86.7 percent within six years at an average growth rate of 11.0 percent. Income from domestic tourism more than doubled, from CNY17.5 billion to CNY38.6 billion, at an average annual growth rate of 14.1 percent. In 2005, the total income from tourism reached CNY43 billion, its contribution to provincial GDP reaching a new high, 12.7 percent..

*Table 6.2: Tourism Development in Yunnan*

Year	Domestic Tourists (10,000 persons)	Overseas Tourists (10,000 persons)	Domestic Income from Tourism (CNY100 m)	Foreign Exchange Income from Tourism (USD10,000)	Total Income from Tourism (CNY 100 m)	Contribution to GDP (%)
1995	1622	60	47.5	16503	61.2	5.1
1996	2027	74	55.0	22111	73.4	4.9
1997	2372	81	97.0	26817	119.0	7.2
1998	2793	76	115.2	26103	136.9	7.6
1999	3674	104	175.1	35032	204.3	11.0
2000	3841	100	183.2	33901	211.4	10.8
2001	4579	113	226.4	36701	256.9	12.4
2002	5110	130	225.0	41930	289.9	13.0
2003	5168	100	278.3	34014	306.6	12.4
2004	6011	110	334.1	42245	369.3	12.5
2005	6861	150	386.2	52806	430.1	12.7

*Source: Yunnan Statistics Bureau, Yunnan Provincial CCP Committee Office, Yunnan Provincial Government Office, Yunnan Statistics Bureau*

The development of Yunnan's tourism in the last decade involves several aspects. First, the growth in number of tourists has gone from fast to gradual. Comparing the tenth five-year plan (2001–05) with the

ninth (1996–2000), Yunnan’s tourism made substantial progress, the 1999 world horticultural exhibition standing out as a milestone event. During the tenth five-year plan period, domestic tourists to Yunnan totalled 277.29 million, 130.22 million more than visited Yunnan in the ninth five-year plan period.

Second, income from tourism has grown rapidly. During the tenth five-year plan period, income from domestic tourism added up to CNY145 billion, an increase of CNY82.45 billion over the ninth five-year plan period. This means that income from domestic tourism grew at a much faster rate than the growth in the number of domestic tourists. In the same period, the foreign exchange income reached USD2.08 billion, a 43.4 percent increase of USD630 million, from USD1.45 billion in the ninth five-year plan period. The total income from tourism experienced continuous rapid growth, increasing 4.86 times from 1996 to 2005, at an average rate of 21.7 percent per annum—far higher than the growth rates of other industries in Yunnan.

Third, the share of tourism in provincial GDP has risen, which implies that tourism is an increasingly important component of the economy. The share of tourism in GDP entered a phase of gradual growth after it exceeded 10 percent for the first time in 1999. During the tenth five-year plan period, the ratio stood at 12.6 percent, compared to 8.5 percent in the ninth five-year plan period. Moreover, “taxes levied from tourism increased from CNY1.01 billion in 2000 to CNY2.58 billion in 2004, accounting for 9.8 percent of the fiscal revenue in 2004, up 3.9 percent from 5.9 percent in 2000. Foreign exchange income from tourism makes up 18.8 percent of the total foreign exchange income of Yunnan, demonstrating an increasingly marked characteristic of tourism as an outward-oriented economy”(Yunnan Tourism Bureau Research Group 2006, p. 26).

Fourth, as a new industry, tourism has absorbed a large labour force by generating job opportunities. In 2004, in Yunnan, “there were 1.711 million people working directly or indirectly in the tourism industry, accounting for 7.2 percent of the total number of employed persons in Yunnan. The development of tourism has broadened the channels of employment” (*ibid.*).

Moreover, in recent years the idyllic scenery and village cultures of Yunnan have made rural tourism a new fashion, which contributes greatly to improving rural industry and enhancing farmers’ income. “Rural tourism is tourism relying on the favourable natural environment and cultural scenes of the countryside, taking agricultural production activities, idyllic landscapes, featured village cultures, local ethnic customs etc. as attractions. In this market-oriented operation, farmers are the main body, targeting urban dwellers as the key market. It is a kind of tourist activity that takes advantage of the difference in natural scenes, lifestyles and cultures between town and country. Through creative design and careful planning, a set of tourist products has been developed and put together, providing city dwellers package tour services that combine sightseeing, holidays, sports and entertainment, learning and shopping” (Luo Mingyi 2006, p. 162).

All over Yunnan, relying on the advantageous natural and cultural resources, rural tourism has been developed energetically, and several preliminary approaches for tourism development have taken shape, such as the scenic spots approach, the village-organised approach, the enterprise plus peasant household approach and the comprehensive development approach. This has not only enriched the content of tourism but also attracted farmers to participate in tourist activities, thus helping them escape poverty. It has injected a new energy into the rural economy (Luo Mingyi 2006, pp. 162–167). Rural tourism not only contributes a lot to the tourism industry of Yunnan but also plays an irreplaceable role in promoting the development of rural economy and improving the livelihood security of the residents in rural areas. This answers the basic question of why we research this issue.

More importantly, taking into consideration Yunnan’s reality, there are insurmountable difficulties in developing industries other than tourism for some of the economically backward, out-of-the-way places that are populated by minority peoples. The positive side is that these places usually are endowed

with both unique and beautiful natural resources and traditional ethnic cultural resources, which have a strong appeal to city dwellers who live under the heavy if not stifling influence of urban civilisation. Hence, in recent years, rural tourism with folklore content has prospered, attracting a large number of both domestic and foreign tourists. As evidenced by an abundance of facts, the development of rural tourism has directly and indirectly served as a driving force of the local economy, pushing minority areas to develop on a fast track. It has become an important component of poverty reduction.

### 6.2.2. Development of Tourism Policies

Looking back at the development of tourism in Yunnan over the past 20 years, it is noticeable that government policy and strategy have changed from initially allowing the development of tourism to actively encouraging it and then to supporting it in a big way. In the course of policy and strategy shifts, the understanding of the importance of rural tourism, especially the relation between tourism and poverty alleviation in rural areas, has deepened.

The baby steps of Yunnan's tourism in late 1970s and early 1980s were essentially part of the broader open-door strategy. At first, it mainly catered to the needs of overseas tourists, focussing on improving the management of relevant agencies and the personnel involved in tourism, in order to provide visitors with satisfactory services. This period basically ended in 1993. During this time, the emphasis of government policy was to allow the development of tourism and at the same time to strengthen management, particularly the management of scenic spots and the agencies and personnel involved in the industry. For this purpose, besides its administrative responsibilities, the Yunnan Tourism Bureau was directly involved in receiving visitors, rating hotels and other tourist services. In fact, it performed the functions of both an enterprise and a government agency, and business management was its major concern. Only in July 1989 did the Yunnan Provincial CCP Committee and the Yunnan Provincial Government decide to separate the Yunnan Tourism Bureau from the two travel agencies formerly under its governance, i.e. the China International Travel Agency Kunming Branch and the Yunnan China Travel Agency, and the bureau retained only its administrative powers.

On 14 February 1993, in its 56th meeting, the Standing Committee of the Yunnan Provincial CCP Committee passed the document "The Ideas of the Yunnan Provincial People's Government on Developing Tourism Substantially". This was the first important policy document concerning tourism development in Yunnan since the foundation of the People's Republic of China. The document regarded tourism as a tertiary industry to be emphasised and put forward a policy "to stick to the market-oriented approach, to develop both international and domestic tourism ... to attract investments both from home and abroad, to encourage the participation of the state, the collective and the individual ... for the purpose of lifting the provincial economy onto a new stage and contributing to the new phase of the open-door policy" (Yunnan Provincial Chorography Compilation Committee 1996, pp. 404–405). This document embodied the support of the provincial government for developing tourism. This period of encouragement extended to 1999, when the world horticultural exhibition was held in Kunming. During this period, the government's administrative department of tourism still emphasised administration and supervision, paying little attention to development and providing services. This statement is based on the following evidence: the responsibilities assumed by the tourism administrative department; and the Yunnan Provincial Tourism Administration Statute, which was approved by the provincial people's congress in 1997.

On 28 May 1997, the 28th meeting of the eighth session of the Standing Committee of the Yunnan Provincial People's Congress passed the Yunnan Provincial Tourism Administration Statute, which comprises seven chapters and 41 items. The principle guiding this legislation was "to protect and develop tourist resources properly, to safeguard the legal rights and interests of tourists and practitioners in the tourism industry, to improve the management of the tourism industry and promote its healthy development".

The 1999 world horticultural exhibition not only exerted a strong positive impact on the development of Yunnan's tourism, but also helped lift government tourism policies from encouragement to energetic support and fostering of its development. In 2000, the Yunnan provincial CCP committee and the Yunnan provincial government listed tourism as one of four pillar industries<sup>3</sup> and consequently formulated many supportive policies. In December 2002, at the third meeting of the seventh session of the provincial CCP committee and then on 10 January 2003, at the first meeting of the 10th session of the provincial people's congress, guidelines were put forward for improving service quality and enhancing efficiency. In July 2004, the provincial CCP committee and the provincial government produced the document "Several Ideas on Further Accelerating the Development of the Tourism Industry", stating that Yunnan should further take advantage of its natural scenery, ethnic cultures, mild climate, special location and other unique tourism resources to develop tourist services and focus on creating famous brand-names for tourism products. The document further pointed out that, by working towards the objectives of "optimising structure, transforming and upgrading, improving quality and enhancing efficiency", the tourism industry of Yunnan should speed up reform, innovation and the application of science to boost tourism, putting in place healthy mechanisms in line with the laws of the market economy, in order to reinforce the overall competitiveness of the tourism industry and make this pillar industry powerful enough to push forward the construction of a strong tourism province. Based on this document, "General Planning of Tourism of Yunnan Province", "Action Plan for Boosting the Tourism of Yunnan", "Redoubling Plan for the Tourism of Yunnan (2004–2010)" and "Yunnan Provincial Tourism Development Plan in the Eleventh Five-Year Plan Period (2006–2010)" were formulated. According to these plans, it is expected that in 2010, major economic indicators of tourism will be doubled.

On 27 May 2005, at the 16th meeting of the 10th session of the Yunnan Provincial People's Congress, the Yunnan Provincial Tourism Statute was enacted. The new statute stressed the importance of the promotion and safeguarding roles of relevant government departments in developing tourism, rather than emphasising their administrative responsibilities as in the old version. For example, it stated that the government should include the development of the tourism industry in economic and social development planning, and it should intensify support by investing more in the tourism industry and promoting balanced development of tourism and tourism-related industries. The government should also set up a coordination mechanism for tourism work, which would be responsible for supervising and coordinating tourism-related issues and combining the forces of different government departments and other organisations in tourist law enforcement. Furthermore, a tourist rescue system should be established and improved, and safeguard measures and crisis management plans concerning possible big accidents should be prepared and carried out in a coordinated way.

The above policies and strategies have provided a policy foundation for turning rural tourism into a means of poverty reduction. The sixth item of the document "Several Ideas on Further Accelerating the Development of the Tourism industry" stressed the importance of constructing a group of cities and towns with featured tourism services and accelerating the development of rural tourism. It encouraged "home stays" in the hope of expanding tourist exchanges between town and country and making the most of the positive effects of tourism in solving the "Three Nong"<sup>4</sup> issue, i.e., the problems concerning agriculture, rural development and the peasantry. The "Redoubling Plan for the Tourism of Yunnan (2004–2010)" clearly stressed the need to "construct agricultural tourism bases ... to boost the development of rural tourism by relying on the 'home stay' approach, ethnic villages, ecological exemplary villages etc". The seventh item of the Yunnan Provincial Tourism Statute also emphasised the "encouragement of organisational and individual investments in developing tourism resources and running tourism services".

<sup>3</sup> The other three are tobacco and cigarettes, mineral development and electricity dominated by hydro power.

<sup>4</sup> The underdevelopment of agriculture, peasantry and countryside—in Chinese nongye, nongmin and nongcun—is commonly called the three nong issue.

## 6.3.1. Study Sites: Criteria and Characteristics

Xishuangbanna was selected for case studies for several reasons. First, Xishuangbanna is already a famous tourist destination both at home and abroad. Each year the prefecture receives 2 to 3 million visitors, of whom around 10 percent are from overseas. The direct and indirect contribution of tourism accounts for about 80 percent of the prefectural economy. Secondly, Xishuangbanna borders Laos and Myanmar; therefore its experiences and lessons are easily comparable with the two neighbouring GMS countries. Third, with over 20 years' experience in developing tourism, Xishuangbanna has developed various tourism approaches, such as government-owned tourism enterprises and tourist sites, community-operated tourism sites and so on.

The selection of study sites also took into consideration several other aspects:

- the different participation levels and benefits from tourism by both the community as a whole and different interest groups;
- the diversified tourism approaches, such as community-operated tourism, tourism under joint development and management, enterprise-operated tourism etc;
- the diverse minority composition: in Xishuangbanna, besides the dominant ethnic Dai, there are Hani, Bulang, Jino, Yao and other ethnic groups. We wanted to cover as many ethnic groups as possible in our research;
- the different periods of participation in tourism by different communities.

*The main characteristics of study sites are summarised in the table:*

	Dai Garden	Baka Natural Village	Zhanglang Villagers' Committee
Size	One village committee with 7 subordinate villagers' groups, altogether 440 households and 2100 people.	One natural village, comprising 66 households and 254 people.	One villagers' committee with one subordinate natural village, including 240 households and more than 1000 people.
Ethnic composition	Over 95 percent are ethnic Dai	Almost all are ethnic Jino	Almost all are ethnic Bulang
Tourism resources	Established in August 1999, receiving half a million tourists every year. It is a tourist spot jointly managed by the villagers' committee and a private enterprise. Main tourist services include lodging, catering, tropical sightseeing, "Happy Farmhouse" etc.	The Ethnic Jino Ecological and Cultural Exhibition was established in June 2001, sponsored by the Ford Foundation. It is operated by the villagers' committee. However, it is not used for tourist purposes. Visitors can enjoy traditional dancing, musical instrument performance, weaving, embroidery etc in the village.	The Ethnic Bulang Ecological Museum was established in January 2006, mainly for displaying ethnic Bulang culture and traditional agricultural practices. It has been a tourist spot from its very beginning. This tourist spot is under the democratic management of the village committee, and all the households may benefit from tourism activities. It is an eco-tourism site and tourists can appreciate the agricultural tradition and Buddhist culture of ethnic Bulang.

### 6.3.2. Study Objectives

This case study had the following specific objectives:

- To identify the current dominant tourism approaches in Xishuangbanna Dai Autonomous Prefecture in order to analyse the place and role of tourism in the overall social and economic development of that prefecture, to discuss government policies on tourism development and their implementation and to evaluate the influence and contribution of tourism to economic growth and poverty alleviation in that prefecture.
- To analyse the impacts of different tourism operational approaches on the community, in terms of:
  - the extent of community access to tourist resources and approaches used;
  - the community's participation level<sup>5</sup> in tourism development and the approaches involved;
  - the employment and income generation that tourism brings to communities;
  - the sustainability of the tourism industry;
  - social relationships among different interest groups within communities and their impact on tourism;
  - cultural transformations brought about by the tourism industry; and
  - the impact of tourism on the environment.
- To study the roles of government policy in improving local communities' access to tourism resources and participation in tourism activities so as to promote their livelihood security;
- To consolidate the observations and analysis into a set of pro-poor tourism policy recommendations for both the public and private sectors, various communities in particular, to participate in the tourism industry and improve livelihood security. These recommendations could be at national or provincial and prefectural levels.

### 6.3.3. Methodology

In order to achieve the above objectives, we used the following major approaches:

- *Secondary data analysis:* to capture the general situation of the development of tourism and its impacts on economic growth and social development in both Xishuangbanna prefecture and Yunnan province, and to assess the impacts of major government tourist policies and measures.
- *Household survey:* This was designed to find out the impacts of tourism on different interest groups by mapping the major tourism resources. One hundred and ninety-three households were interviewed from 4 to 13 August 2006, of which 91 were in Dai Garden, 45 in Baka and the remaining 57 in Zhanglang. The number sampled represented about 23 percent, 68 percent and 23 percent respectively of the total households in the three villages.
- *Key informant interviews:* key government officials in charge of tourism, heads of villages and households etc.

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<sup>5</sup> According to the World Bank and other international organisations, participation can be divided into several levels based upon local people's involvement, such as provision of information, consultation, joint plan formulation, making decisions together, holding risk jointly, partnership etc.



#### 6.3.4. Overview of Tourism Development in Xishuangbanna Dai Autonomous Prefecture

Xishuangbanna Dai Autonomous Prefecture is situated in the south-west part of Yunnan province, bordering Laos and Myanmar. The prefecture has a total land area of 19,700 square kilometres. The prefecture enjoys very convenient transportation conditions. For example, National Highway 213, stretching from Kunming to Dalo township, opened to traffic in 1929, covering a length of more than 800 kilometres. Most of it had already been rebuilt into an expressway by 1 October 2005; it takes about 10 hours to travel from Kunming to Xishuangbanna by bus. In addition, National Highway 214 stretches over 140 kilometres through the prefecture; there are also two provincial highways and more than 10 county-level paved roads and five roads linking the county with neighbouring countries. All townships and almost all villages in the county have been linked with paved roads. Gasa International Airport, which was completed in February 1991, receives more than 20 direct flights from Kunming every day. There are also domestic direct flights from Guangzhou, Shanghai and other big cities. It is also a transit airport for flights from Bangkok to Kunming. The Lancang-Mekong waterway was put into use following many years' construction. The total length of the waterway is 4716 kilometres, of which 2161 kilometres lie within China, with 247 kilometres in Yunnan province and 171 kilometres in Xishuangbanna.

Xishuangbanna enjoys an upper-medium economic development level due to its unique advantageous location, rich natural resources and other factors and despite a relatively backward secondary sector. In 1990, the GDP per capita of the prefecture was CNY1503, and farmer net income per capita was CNY654—respectively 24.2 percent and 44.4 percent higher than the average figures for Yunnan province in the same period. In 2000, GDP per capita and farmers' average net income per capita were still 37.1 percent and 35.4 percent higher than the provincial averages. In 2005, farmers' net income was still 6.4 percent above the provincial average.

In 1990, the secondary sector accounted for only 9.0 percent of the prefectural GDP; this fell to 6.1 percent in 2000 and partly recovered to 7.6 percent in 2005. As a comparison, the value added of the secondary sector of Yunnan province accounted for 31.6 percent, 35.0 percent and 34.6 percent of the provincial GDP in 1990, 2000 and 2005 respectively. However, the share in GDP of the tertiary sector, which is mostly based on tourism, jumped from 30.5 percent in 1990 to 56.4 percent in 2000 and 58.0 percent in 2005. The share of agricultural production in GDP has continuously declined, from 60.5 percent in 1990 to 37.5 percent in 2000 and 34.4 percent in 2005. This situation is in large measure determined by natural conditions and the strong development of tourism as the daily necessities of 2 or 3 million visitors every year need to be met with support from the agricultural sector. More details are shown in Table 6.3.

*Table 6.3: Economic Development of Xishuangbanna, 1990–2005*

Year	Population (1000 person)	GDP (CNY10,000)	Industrial Production (CNY10,000)	Agricultural Production (CNY10,000)	Fiscal Revenue (CNY10,000)	Farmers' net income per capita (CNY)
1990	782	117505	10552	71089	6478	654
1995	818	291604	29049	146946	18735	1166
1996	830	351018	28150	179629	24712	1308
1997	838	381082	31434	178382	28022	1471
1998	848	420109	36195	188119	28478	1608
1999	853	441560	37296	178213	29968	1721
2000	854	462563	28346	173553	30852	1742
2001	859	485855	31547	171621	33616	1761
2002	863	523199	31480	185413	31397	1804
2003	869	581907	32996	220033	40526	1910
2004	1040	689416	48899	239672	27208	2012
2005	1050	788220	60039	271467	36430	2172

*Sources: Yunnan Provincial Ethnic Affairs Committee, Yunnan Provincial Statistics Bureau*

Xishuangbanna was the first place to start tourism development in Yunnan. In 1981, the government of Xishuangbanna conducted an overall survey of tourist resources. In 1982, the State Council listed Xishuangbanna in the first group of national tourist areas. As a result, the prefecture gained much publicity both at home and abroad, and the conditions for developing tourism gradually matured. In 1985, the prefectural government established the Tourist Areas Planning Committee and began planning the development of tourist areas. In March 1985, the Xishuangbanna Tourism Affairs Administration was set up. In 1986, the first international travel agency debuted in Jinghong. In 1987, the first domestic travel agency opened. By the early 1990s, tourism in Xishuangbanna had sprouted into a large industry with considerable capacity. In 1992, there were 14 domestic travel agencies, receiving 8440 overseas tourists and more than 1 million domestic visitors, with a total tourist income of CNY140.47 million. The tourism industry was gaining momentum as a leading force in economic development. In 1993, the State Council and the Yunnan provincial government approved the establishment of tourist and entertainment centres in Xishuangbanna, which could provide comprehensive services or functions and facilities catering to the needs of tourists and holiday-makers. This measure pushed the transformation of tourism in Xishuangbanna from management type to industry type. In 1993 alone, 25 new domestic travel agencies opened, receiving 1.015 million visitors, of whom 15,000 were from abroad. Total tourism income reached CNY385.5 million, accounting for 23.4 percent of the prefectural GDP (Table 6.4). Tourism in Xishuangbanna had developed into a booming and mature industry. (Xishuangbanna Dai Autonomous Prefecture Chorography Compilation Committee, 2003, pp. 946–947)

**Table 6.4: Tourism Development in Xishuangbanna Prefecture**

Year	Domestic Tourists (10,000 persons)	Overseas Tourist (persons)	Domestic Income from Tourism (CNY10,000)	Foreign Exchange Income from Tourism (USD 10,000)	Total Income from Tourism (CNY10,000)	Contribution to GDP (%)
1990	40.0	6144	3600	77.8	3990	3.4
1991	60.0	13,609	13600	205.0	14830	14.7
1992	100.0	13,609	20700	447.0	23382	21.3
1993	100.0	15000	37900	650.0	38550	23.4
1996	187.3	46227	11800	1325.0	129000	36.8
1997	198.0	46986	11500	1537.0	130000	34.1
1998	221.1	48260	15900	2208.2	178000	42.4
1999	255.2	53199	17200	2314.1	191000	43.3
2000	237.7	45237	16400	2151.2	183000	39.6
2001	247.0	36418	14900	1372.4	160000	32.9
2002	246.6	43783	20100	1132.2	215000	41.1
2003	247.4	23800	19600	1025.4	205000	35.2
2004	271.2	33700	23700	1312.9	247500	35.9
2005	270.0	31100	23300	1321.3	244000	31.0

*Sources: Xishuangbanna Prefecture Tourism Bureau, Yunnan Provincial Government Office, Yunnan Statistics Bureau*

Over 20-plus years, the cumulative investment in the tourism industry was more than CNY3.3 billion. Five tourist routes have been developed, including two international ones. In the prefecture, there are five national 4A<sup>6</sup> tourist spots, 42 hotels on star rating, 12 tourist areas on state grading, more than 500 tourist coaches, 13 travel agencies and more than 1500 tourist guides. The number of people directly engaged in tourism is more than 15,000. A sizeable tourist products system and a considerable tourist receiving capacity have come into being. In 2005, the prefecture received 2.8254 million tourists from home and abroad, gaining a total tourism income of CNY2.44 billion, accounting for about 31 percent of the prefectural GDP. This represented 33 percent growth compared to the figure at the end of the ninth five-year plan period. The total tourist income of the prefecture ranks fourth in Yunnan, and those of other tourist indicators stand no lower than sixth in Yunnan.

<sup>6</sup> This is a standard formulated by the National Quality and Technology Monitoring Bureau and issued by the National Tourism Bureau in 1999. According to the standard, the best tourism site is 4A, the second is 3A and the lowest 1A.



Three communities of different development types and at different development phases in Xishuangbanna, namely Dai Garden, Baka village and Zhanglang Villagers' Committee, were selected as case studies. Dai Garden is a highly developed tourism area; Baka is a community with moderate tourism development; Zhanglang Villagers' Committee is the least developed in terms of tourism. Due to the social, economic and natural differences and the noticeable disparities in tourism development, there is hardly any comparability among the three places. Therefore, we will conduct the analysis on a case-by-case basis.

## 6.4.1. Dai Garden

### 6.4.1.1. About Dai Garden

Dai Garden is situated in the Menghan township of Jinghong city. It is 27 kilometres from Jinghong and is linked with the city by a provincial highway on which a one-way trip takes 40 to 60 minutes. Dai Garden covers an area of 336 hectares, including five natural villages governed by the Manting Villagers' Committee, namely Manjiang, Manchunman, Manzha, Manga and Manting.<sup>7</sup> The reason these five villages are included in the garden area is mainly their relatively well-preserved Dai culture. The Lancang River skirts Dai Garden to the south, and Dai Garden embraces Longde Lake to the north. The place where the garden is situated has long had the name "peacock's feather" for its natural beauty; it is the Dai people's "Meng Ba Na Xi" (paradise on earth).

Dai Garden began construction in October 1998 and opened in August 1999. In October 2001, it was rated by the State Tourism Bureau as a 4A tourist area. In December 2002, it passed ISO certification for quality and environmental control. In April 2003, it was appraised and chosen by the State Tourism Bureau and the newspaper China Tourism as one of China's famous tourist brand names.

Dai Garden features participatory tourist services, leisurely sightseeing and activities such as the "daily water splashing", "Dai home stay" and "exotic Dai village". Major tourist programmes include guest-receiving activities, village touring, exhibitions of traditional Dai working tools and handicrafts, visits to the bamboo houses of Dai people, folk dancing, traditional folk sports etc. Various unique, eye-opening tourist programmes stress participation and entertainment. They not only enhance the participation from tourists but also display the Dai culture in a comprehensive way, offering tourists a chance to experience Dai culture and tradition while enjoying the natural beauty of the surroundings. Since its establishment in August 1999, it has received total investment at CNY78.07 million, having received 2.399 million tourists. In 2005, it received 452,000 visitors, earning an income from admission fees of CNY13.897 million, with the total income from tourism reaching CNY14.602 million. Table 6.5 demonstrates trends of tourists visiting Dai Garden over six years.

<sup>7</sup> The Manting Villagers' Committee administers seven natural villages. Among them, Manguangnong and Mannongdai did not join the Dai Garden tourism programme.

*Table 6.5: Number of Tourists Received by Dai Garden, 2000–05*

Year	The Chinese Spring Festival	Water-Splashing Festival	Labour Day Break	National Day Break	Other	Total
2000	16,705	14,869	17,686	15,583	301,050	365,893
2001	21,380	17,022	19,702	13,930	334,356	406,390
2002	21,047	14,105	15,322	12,065	278,816	341,355
2003	21,546	22,981	136 <sup>8</sup>	15,280		
2004	23,674	29,543	14,406	14,909		
2005	27,968	43,521	15,446	16,460		452,000

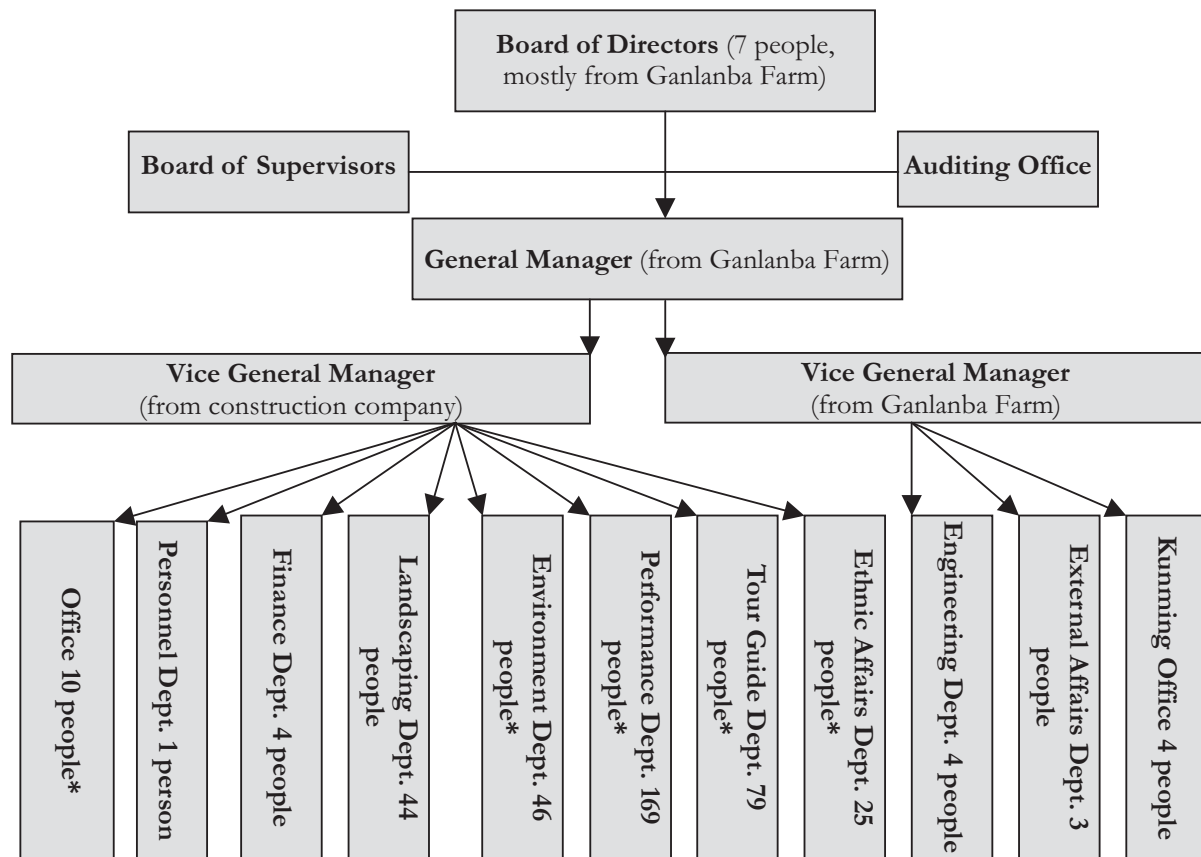
#### *6.4.1.2. Structure of Tourism Management*

Dai Garden is the first national tourist area to practise the “enterprise plus farmer’s household” type of management. Initially the Guangdong Dongguan Xinyu Industry Company invested CNY2 million instead of the CNY20 million originally promised. The company then turned to banks for a loan of CNY8 million. The construction work was undertaken by the Kunming Yiliang Nanyang Construction Company. When about half of the work was completed, the promised investment from the Guangdong Company had still not been realised and there were signs of its withdrawal. Further, the bill of the construction company was long overdue. In order to carry on the project, the construction company intended to become a shareholder. However, it did not have enough funds to complete the construction work. At this critical time, fortunately, Ganlanba Farm invested CNY10 million, which facilitated the successful completion of the project. In September 2001, the Guangdong Dongguan Xinyu Industry Company relinquished its shares in the project and the Kunming Yiliang Nanyang Construction Company became a shareholder on the basis of a debt-for-equity swap, more than CNY5 million in overdue payments being changed into shares. After this, Ganlanba Farm, holding 70 percent of the shares, took the position of legal representative of Dai Garden and occupied major positions on the board of directors, with decision-making power. Kunming Yiliang Nanyang Construction, with 30 percent of the shares, took one position as vice-general manager (see Figure 6.1). Before 2002, because of the poor performance of the business, contract management was used. Fifty percent of the profits were retained for the shareholders, and the board of directors decided how to distribute the dividends. The goal was to make profits within two or three years. That goal has been largely realised. In 2003, Dai Garden made ends meet and in 2004 it began turning a profit.

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<sup>8</sup> Because of SARS.

Figure 6.1: Management Structure of Dai Garden



\* The 10 staff in the office include six from the former planning department; most staff in the environment department and the performance department are villagers from the Manting Villagers' Committee; about 40 percent of the staff in the tour guide department are villagers. The function of the ethnic affairs department is to coordinate relations between the enterprise and the villagers, with leaders from five villagers' groups and a member from the villagers' committee sitting in the office. The latter, who holds the position of vice-director of the ethnic affairs department, is the only villager who joined the management of Dai Garden, according to the villagers. The director of the personnel department told us that because of high staff turnover, there were no clear statistics on the number of villagers who worked in Dai Garden.

A big issue in the relationship between the enterprise that runs Dai Garden and the villagers is how to divide the benefits. At the beginning, benefits given to the villagers were in the form of compensation for expropriated land. But in reality the compensation was meagre. Therefore, more preferential conditions were promised by the Guangdong Dongguan Xinyu Industry Company to the villagers whose land was expropriated. For example, villagers' electricity bills would be paid by the company. Villagers could charge a fee for visits to their houses. Every family could have at least one member working in the enterprise that runs the garden. As well, the villagers could still run "Happy Dai Household" and sell fruits and barbecues on their own. Generally speaking, the villagers were satisfied with this arrangement because those who worked in the enterprise would have a monthly salary of over CNY400. Some could even earn around CNY10,000 per year. This is better than the income from farming. However, these promises have not been fully realised, and some villagers were not happy—they vented their anger by hacking trees and even vandalising infrastructure.

To address this issue, the ethnic affairs department was set up to coordinate relations with villagers through the villagers' committee. For example, the requirement of sanitation before "Golden Weeks"<sup>9</sup> was disseminated to villagers by the villagers' committee and compensation for land expropriation was also distributed through the committee. If any problem arises, villagers can take the issue to the department. Channels of direct negotiation and discussion with the villagers are also available through a villagers' convention. Moreover, with the improvement of the business situation, the villagers are gaining more benefits from the tourism industry, and the enterprise has done much work to improve the welfare of the villagers. For example, the enterprise rebuilt and paved the roads in and between five villages, and the villagers did not need to pay.<sup>10</sup> During holidays, elderly people get subsidies. Every year on the Respect-Elders Day and the Spring Festival, CNY100 are paid to each sexagenarian and CNY200 to each septuagenarian. To each child of villagers who goes to university, there is a one-off grant of CNY3000; there are also subsidies targeting students from poor households. Public welfare activities and human resources training in the village are also supported by the enterprise. In 2005 alone, spending on elderly people was CNY31,200. Subsidies and grants to students were CNY18,000. Expenses for activities on the "Water-Splashing Festival" were CNY15,500. Subsidies for villagers to buy beef on holidays amounted to CNY25,750. Support for village leaders' travel costs reached CNY19,500. CNY 24,878 was donated for the construction of a garden in the village. The donation to the Buddhist temple was CNY50,000. The total of the above items is CNY184,828. On top of this, the enterprise distributed 4600 flower pots to villagers, provided more than 6000 saplings and paid CNY4000 in subsidies to each of 39 households that built traditional wooden houses on stilts. These additional costs added up to CNY136,000. The cumulative sum of various subsidies, grants and donations is over CNY360,000. This has to some extent helped harmonise the relationship between the enterprise and the villagers.

Currently, relations between the enterprise and the villagers are generally good, but there is still some discontent among some villagers. For example, some villagers demanded part of the admission income. To address this issue, the enterprise drafted a Ten-Year Development Plan for the period 2004–14, in the hope that by improving the share structure of the enterprise by allowing villagers and staff to hold shares, potential conflicts could be put to rest and the sense of cohesion could be enhanced. The enterprise plans to give 20 percent of shares to the villagers, and the villagers can swap their physical assets like bamboo houses and land and human resources for shares. Another 20 percent of shares will be given to the staff, who can get shares according to their performance and expertise.

#### ***6.4.1.3. Tourism Impacts on Villagers' Livelihoods***

From the above analysis, we can get a rough picture of the contribution that tourism has made to the improvement of villagers' living and production.

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<sup>9</sup> Beginning in 1999, the National Day (1 October) gave all citizens seven days' break, and many families engaged in tourism, which resulted in a very good economic return. The relevant institutions decided to have a one week break for Chinese Spring Festival, International Labour Day (1 May) and the National Day. This is a new way to boost domestic demand, which scholars called Holiday Economy or Golden Weeks.

<sup>10</sup> Compared with the five natural villages that joined the Dai Garden tourism programme, the two that did not join not only have to pay for road construction by themselves, but also have poor management of infrastructure, so the hygiene situation is very bad, and in this situation wholesalers are not willing to buy their products. Some households from the five villages in the programme can have cash incomes around CNY100,000 just from selling pumpkins. The reasons are very convenient transportation, good information etc.



#### 6.4.1.3.1. Income Impact

The income structure has been improved visibly. Before August 1999, when Dai Garden opened to the public, there were only a few curious visitors to the place. Most villagers had to make a living through agriculture, especially crop cultivation. Incomes were low, and there was little difference from the prefectural average level. In 1986, farmer net income per capita in the village was only CNY603, CNY62.7 less than the prefectural average. In 1990, farmer net income per capita in the village was CNY809, CNY155 higher (23.7 percent) than the prefectural average. According to statistics from the villagers' committee, before 2000 the main sources of income of the villagers' committee were agriculture, forestry and livestock breeding. Tourism accounted for only a very small share. In 1986, agriculture, forestry and stockbreeding made up 83.5 percent of the total income (49.9, 16.3 and 17.3 percent, respectively), while the service sector accounted for no more than 0.5 percent. In 2005, the share of the service sector jumped to 26.1 percent, while the share of agriculture was 38.1 percent, that of forestry 30.2 percent and that of stock breeding only 1.8 percent (Table 6.6). According to Mu Wenchun's investigations in 2003, the total income from tourism alone, in the five natural villages involved in the Dai Garden project, was more than CNY7 million, exceeding the total income of the villagers' committee that year. This means the income per capita should be nearly CNY5000, considering a total population of 1487 in the five natural villages.

*Table 6.6: Sources of Income and Structural Changes of the Manting Villagers' Committee*

		1986	1990	1995	2000	2005
Population (persons)		1891	1992	2067	2074	2135
Total Economic Income (CNY10,000)		140.4	190.5	582.0	506.5	911.6
Economic Income per capita (CNY)		743	913	2816	2442	4270
Farmer Net Income per capita (CNY)		603	809	1852	1708	3483
Total Food Production (10,000 kg)		100.2	125.3	150.5	156.5	130.7
Grain Ration per capita (kg)		529	633	732	756	612
Income from Selling Farm Products	Crop Cultivation (CNY10,000)	44.3	63.9	146.1	145.5	347.6
	Forest Products (CNY10,000)	1.1	23.0	167.7	100.4	275.2
Total Income	Crop Cultivation (CNY10,000)	70.0	100.1	208.8	222.4	347.6
	Forestry (CNY10,000)	22.9	28.0	168.8	106.5	275.2
	Stockbreeding (CNY10,000)	24.2	35.0	152.6	95.4	16.2
	Industry (CNY10,000)	14.2	0.0	33.7	8.4	18.8
	Transportation (CNY10,000)	7.4	15.2	10.0	22.6	15.5
	Services (CNY10,000)	0.7	12.2	8.1	51.2	238.3

In terms of income, there were no big differences among the seven villages. However, after 2000, with the development of tourism, there were some changes. The first difference was between the five villages that participated in tourism and the two that have not. The initial investigation reveals that formerly the natural village Mannongdai enjoyed the best economic conditions among the seven villages because it had large paddy fields and mountain forests that could be used for developing food and cash crops. Manjiang was the poorest due to lack of farm land. Now the situation has changed. The income level of the two villages that were not involved in Dai Garden is 40 percent below that of the other five. Thirty percent or so of the difference can be directly attributed to tourism income.

*Table 6.7: Income Structure among 7 Villages under Manting Villagers' Committee (%)*

Village	Man-ting	Man-zha	Man-chunman	Man-jiang	Man-ga	Man-nongdai	Man-guang-nong	The whole villagers' committee
Operating "Happy Dai Household"	2	30	5	8	10	0	0	11
Working in Dai Garden	20	13	25	20	20	0	0	18
Planting rubber	40	40	40	40	40	60	50	45
Renting out farmland	5	1	15	15	20	20	15	5
Planting sugar cane	0	0	0	0	0	5	30	3
Growing vegetables	30	5	14	10	8	0	0	15
Growing fruits	2	10	0.5	5	1	10	4	2
Other	1	1	0.5	2	1	5 (going out to work)	1	1
Total	100	100	100	100	100	100	100	100

According to the survey, the average household income of the 59 valid sample households from the villages involved in the Dai Garden project was CNY33,640.5, 14.7 percent higher than the average income of the total 88 valid sample households and 63.8 percent higher than the average income level of the 29 sample households from the two villages outside the tourism project. The main reason is that the sample households from the five villages in the project have not relaxed their efforts in developing crop production, while through tourism activities they have diversified their income sources and raised their incomes. There are also income differences among the 62 sample households from the five villages in the project. Of the 62 samples, 59 are valid with household income data. Of these, 42 have participated in the Dai Garden activities and the other 17 have not. The average household income in the 42 sample households was CNY37,318.9 in 2005, 173.6 percent higher than that of the 17 households. This gap is also a consequence of their participation in the provision of tourism services.

**Table 6.8: Income structure of Sample Households in Manting Villagers' Committee**  
(Units: households, CNY)

	Income Sources	Crop Cultivation	Stock breeding	Tourism	Total
Total 91 sample households	Valid Samples	86	17	43	88
	Total Income	1,712,927.0	19,830.0	847,700.0	2,580,457.0
	Income per household	19,917.8	1166.5	19,714.0	29,323.4
	Maximum Income	148,610.0	200.0	90,000.0	148,610.0
	Minimum Income	2100.0	4000.0	4000.0	2400.0
62 sample households from 5 villages that joined Dai Garden	Valid Samples	57	12	42	59
	Total Income	1,130,472.0	10,620.0	843,700.0	198,4792.0
	Income per household	19,832.8	885.0	20,088.1	33,640.5
	Maximum Income	148,160.0	2000.0	90,000.0	148,160.0
	Minimum Income	2100.0	230.0	4000.0	3000.0
42 sample households that have tourism activities from 5 villages that joined Dai Garden	Valid Samples	40	11	42	42
	Total Income	714,625.0	9070.0	843,700.0	1,567,395.0
	Income per household	17,865.6	824.5	20,088.1	37,318.9
	Maximum Income	74,300.0	2000.0	90,000.0	137,150.0
	Minimum Income	2100.0	200.0	4000.0	3000.0
17 sample households which have no tourism activities from 5 villages joined Dai Garden	Valid Samples	17	1	0	17
	Total Income	363,827.0	1550.0	0.0	365,377.0
	Income per household	21,401.6	1550.0	0.0	21,492.8
	Maximum Income	148,160.0	1550.0	0.0	148,160.0
	Minimum Income	3380.0	1550.0	0.0	3380.0
29 sample households from 2 villages that did not join Dai Garden	Valid Samples	29	6	1	29
	Total Income	582,455.0	9210.0	4000.0	595,665.0
	Income per household	20,084.7	1535.0	4000.0	20,540.2
	Maximum Income	100,250.0	4000.0	4000.0	100,250.0
	Minimum Income	2400.0	880.0	4000.0	2400.0

#### 6.4.1.3.2. Employment Impact

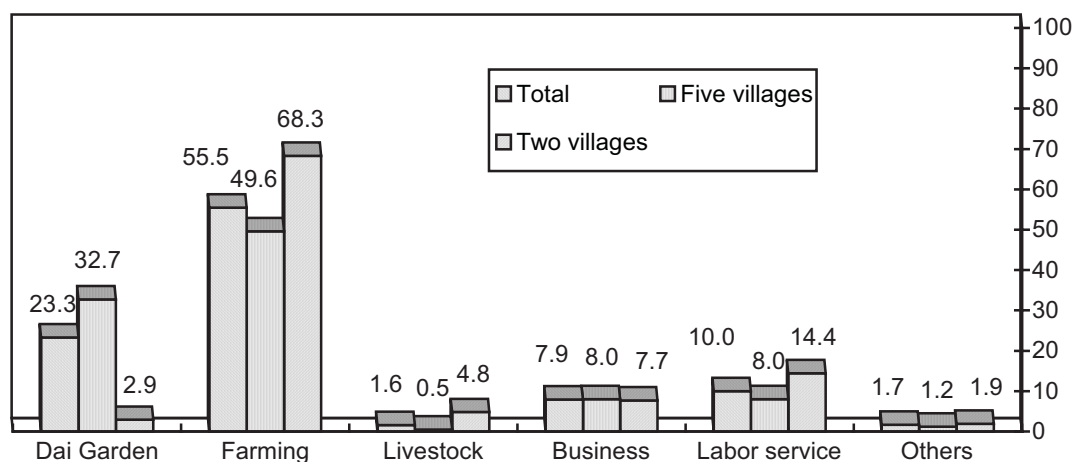
The villagers' employment structure has changed. Before the development of Dai Garden, most villagers engaged in agriculture as well as in forestry, stock breeding, industry and commerce and services. After the opening of Dai Garden, in addition to the 350-plus villagers working in Dai Garden, some households ran "Happy Dai Households" or took on commerce and services like selling fruits and barbecue at stalls. There were more than 500 villagers involved in tourism, accounting for over half of the labour force of the villages (Table 6.9).

**Table 6.9: Employment Situation of Villagers in Dai Garden**

Village	Manting	Manzha	Manchunman	Manjiang	Manga
“Happy Dai Household” (households)	7	14	2	2	7
Employed by Dai Garden (persons)	40 orso	More than 10	120, at most 3 per household. None for some households	More than 20	More than 20, almost one per household
Stall keeper selling fruits (households) <sup>11</sup>	2	2	5	3	0
Making clothes (households)	0	0	1	0	0
Stall keeper selling barbecue (households)	5	2	0	1	2
Selling handicrafts (households)	0	0	3 (formerly 31)	0	0

Among 330 workers in the 91 sample households, 23.3 percent worked in Dai Garden, 55.5 percent worked in agricultural production, 7.9 percent were in trade and small business (including “Dai Homestay”), 10 percent sought jobs outside, 1.6 percent were in stockbreeding and 1.7 percent in other occupations. Of the 91 sample households, 29 come from Manguangnong and Mannongdai natural villages, which are outside Dai Garden (Figure 6.2). The survey also suggests that there is a marked disparity in employment structure between the five natural villages that have participated in the Dai Garden tourism project and the two that have not. Nearly one-third of all the working opportunities of the villagers living in the five participating villages are provided by Dai Garden, which employs an average of 1.2 people per household. This to a large extent has not only improved the income structure of the villages and diversified income sources, but has also relieved the pressure on land.

**Figure 6.2: Employment Structure in the Sample Households (%)**



<sup>11</sup> At the beginning of Dai Garden there were more than 40 households engaged in barbecue services, groceries etc. Now only 12 continue because the food service from Dai Garden have improved greatly.

In summary, the analysis demonstrates that the development of tourism has indeed caused marked changes in the employment and income structure as well as in the income level of the five villages in the Dai Garden project. The construction of Dai Garden has also brought great changes to infrastructure and public facilities in these villages.

**6.4.1.4. Challenges for Dai Garden Management**

According to our survey and group discussions, the villagers are especially concerned with four problems: “income distribution is not reasonable”; “a management plan is not in place; managerial duty is not clear”; “not enough attention is paid to environmental protection”; and “most people are kept in the dark, without the right to know the truth, and the development and management are in a state of chaos”. More details are shown in Table 6.10.

**Table 6.10: Views on Tourism of Sample Households from Five Villages in Dai Garden**

Problems	Sample number	%	Order
The income distribution is not reasonable	25	40.3	1
Management plan is not in place; managerial duty is not clear	10	16.1	2
Management plan lacks transparency, no participation in decision making	4	6.5	5-6
Most people are kept in the dark, without right to know the truth, and the development and management are in a state of chaos	7	11.3	4
Not enough attention paid to environmental protection	9	14.5	3
The minority culture has been negatively affected	3	4.8	7
Others	4	6.5	5-6
Total	62	100.0	

With regard to benefit distribution, two aspects are highlighted. One is whether the distribution of the direct benefits from tourism among different interest groups is reasonable. The interest groups here include villagers, the villagers’ committee, the Ganlanba Farm, the Kunming Yiliang Nanyang Construction Company, the local government etc. The other is the issue of benefit disparities among community residents, resulting from different opportunities of participating in tourism services and activities. Concerning the first aspect, the core issue confronting Dai Garden is the diversity of the interested parties and the absence of coordination, giving rise to contradictions among interested parties. The most prominent problem in benefit distribution is compensation for expropriated village land. Under the circumstances at that time, to attract outside investments, the local government enticed investors at the expense of the villagers. This is a prevalent phenomenon. Nonetheless, what deserves more discussion is that the very basis of Dai Garden’s existence and development lies not in funds, but in intangible assets like the Dai culture. If this scenic spot had not been established on the basis of five Dai villages with intact Dai culture, would there still be featured tourism products? And what have the villagers received in exchange for these invaluable intangible assets? They are permitted to operate “Happy Dai Household”, run restaurants and sell barbecue, but probably this is not the right answer. As to the relation between Ganlanba Farm and the Kunming Yiliang Nanyang Construction Company, the question of the fairness in the shares distribution remains unanswered.

Regarding the differences in opportunities and benefits among different groups within the communities, the main channels for obtaining income from tourism are running Dai traditional houses on stilts, operating “Happy Dai Household”, selling fruits, barbecue, Dai or other ethnic costumes and handicrafts, working in Dai Garden, renting out land etc. Due to differences in geographic locations, the participation levels in tourism are not balanced. On top of this, under the integrated planning

of Dai Garden, there exist differences in services in which different villages engage. For instance, Manchunman is situated at the entrance of the scenic spot; therefore its participation level is the highest, nearly 100 percent. The village demonstrates diversified participation and is the richest among the five villages. The other four villages' benefits from tourism are limited to some extent. This imbalance has given rise to discontent among villagers, with the result that some villagers maliciously vandalise public facilities in the scenic spot or take an indifferent, non-cooperative attitude, as evidenced by some villagers' insisting on building Han-style houses and saying things like, "I do not receive any benefit; it is my business to build whatever kind of house I like".

Concerning the management of Dai Garden, the villagers are very concerned about at least four issues: (a) the governing structure of the enterprise; (b) representation of the community residents; (c) coordination between the enterprise and the villagers; (d) the mechanism for exchanges and communications. The governing structure of the enterprise lacks a sound and sophisticated joint stock system. For example, one shareholder, the Kunming Yiliang Nanyang Construction Company, holds a position of vice-general manager, and basically the villagers have been forgotten. This is the root cause that the enterprise has little influence on villagers' activities. To represent community residents in the current management structure, there are only a few villagers in the ethnic affairs department of the enterprise, and they are all village cadres. Hence, it is worth discussing whether the ethnic affairs department represents the interests of the villagers.

There is currently no effective mechanism for exchanges and communications between the enterprise and the villagers. This is because there is no platform for dialogue. The ethnic affairs department has engaged some village cadres and revered elders, who have partly helped with liaison and communication between the enterprise and the villagers. However, this kind of communication plays only an after-the-event remedial role—it usually takes place after problems have arisen and conflicts have intensified. Except for some cases involving explosive conflicts of specific interests, villagers' complaints about Dai Garden can hardly get serious attention from the enterprise. On the other hand, many measures and decisions of the enterprise can not reach the villagers in an effective way. Even though both sides know of ideas or plans of the other side, they cannot put them into practice effectively due to the lack of a level ground for fair dialogue.

It is interesting that the villagers have paid attention to environmental protection, which Dai Garden somehow neglects. It is good for the villagers to raise this important issue in light of pursuing sustainable development. On the other hand, translating this environmental awareness into concrete actions needs to be dealt with seriously by the enterprise, the villagers' committee and the local government. Currently Dai Garden has an environment department with 40 plus staff responsible for requiring villagers to improve and maintain the environment in preparation for every "Golden Week". However, to the individual villagers, especially those who benefit little from tourism, the extent to which they can follow the requirement of the enterprise is still a big question.

## **6.4.2. Baka Village**

### ***6.4.2.1. About Baka Village***

Baka is a natural village governed by the Baka Villagers' Committee in Jinoshan township of Jinghong, the capital city of Xishuangbanna prefecture. It is situated south-east of Jinoshan township, 30 kilometres from where the township government is situated, less than five kilometres from the famous tourist destination, the Xishuangbanna Tropical Botanic Garden, with paved roads linking them. It takes about one hour by car to reach Baka from Jinghong. All villagers are ethnic Jino. The Jino were acknowledged by the State Council in June 1979 as a separate minority, and they are the last ethnic group to be recognised so far. The village's population now is only 18,000; most Jino live in Jinoshan

township. Baka is under the influence of a semi-tropical monsoon climate, with long exposure to sunlight, an abundance of heat, clearly demarcated dry and wet seasons and plenty of rainfall. The total income of the village is CNY556,000; the average income is CNY2189 and farmer net income per capita is CNY1175, mostly from forest and sideline products (rubber is the most important), stock breeding and cash crops.

Because of its unique ethnic culture and traditional lifestyle and mode of production, Baka received much attention and support from government and members of civil society. In June 2001, after three years' construction sponsored by the "Yunnan Ethnic Cultural and Ecological Village" project of Yunnan University, and with help from the Ford Foundation, a friendly Japanese couple, a Japanese consortium and the Xishuangbanna Tropical Botanic Garden, the Ethnic Jino Ecological and Cultural Museum was established, with integrated functions of both displaying and protecting cultural heritage. Although in Jinoshan township Baka is a seemingly easily overlooked small village, it holds the first village museum for a separate minority people in Yunnan or even in China. Hence it became the cultural centre of the Jino people and created a platform for tourism development. The villagers also hoped that the dream of tourism could come true. At the beginning of the museum initiative, the village set up a culture and art team by recruiting young people to learn traditional art from village elders in the hope of making this a new source of income. Most team members learned well, and the Xishuangbanna Tropical Botanic Garden invited the team to perform dances from time to time. A member of the team can earn CNY500-600 each time. The future of tourism seemed promising.

The establishment of the Ethnic Jino Ecological and Cultural Museum served as a platform for exchanges with the outside and as a chance to develop rural tourism, and many villagers have realised this and have formed some opinions about tourism. This probably is a result of the influence from the neighbouring communities that are involved in tourism. For example, there is also an ethnic ecological village in Menglun town, just 10 kilometres from Baka. Villagers who went to the market there could have heard how the ecological village developed through tourism. Some villagers also want to develop tourism and think that Baka has some tourism resources—aside from the museum, the scenic forest in the vicinity of the village is also a nice tourist spot. As well, unique architecture and traditional ritual performances, tools and weaving can all become attractions for visitors.

#### ***6.4.2.2. Impacts on Villagers' Livelihoods***

Tourism has not developed with the establishment of the ethnic museum. Currently, there are only a few households participating in tourism-related activities, and the income from tourism accounts for less than 10 percent of their income. The survey found that among the 45 sample households, only four have family members engaged in tourism-related activities. In 2005 the total tourism income stood at CNY53,000, and the household average was CNY13,250, with a minimum of CNY6205 and a maximum of CNY18,536. The main income source of the 45 sample households is crop cultivation. The total income from crop cultivation was CNY393,363, and the average was CNY8741.4, with a maximum of CNY37,000 and a minimum of CNY400. There are 35 households engaged in livestock breeding, and the total income from livestock breeding was CNY23,660, and the average was CNY676.0, with a maximum of CNY4000 and a minimum of CNY230. Tourism accounts for only 11.3 percent of the total income in the 45 valid sample households (Table 6.11).

**Table 6.11: Income Structure of Sample Households from Baka Village**

(Units: households, yuan RMB)

Income Sources	Crop Cultivation	Stock Breeding	Tourism	Total
Valid Samples	45	35	4	45
Total Income	393,363.0	23,660.0	53,000.0	470,023.0
Income per household	8741.4	676.0	13,250.0	10,445.0
Maximum Income	37,000.0	4000.0	18,536.0	38,000.0
Minimum Income	400.0	230.0	6205.0	400.0

Because of the lack of tourism development, Baka still relies on crop cultivation, and community development has also been negatively influenced. The museum does not have proper management and has been uncared for, showing signs of dilapidation. Dirty water is everywhere around the museum; grass grows wildly. The hygiene conditions are very poor. The displays in the museum are beginning to collapse and collect dust. The entrance gate is locked and seems not to have been used for a long time. During our investigation, there were a few foreign tourists walking around the village, but without anyone to assist them, they soon left. Secondly, the activities of young people learning traditional art from elders have also stopped; some young people told us they have already forgotten much of what they learned. Therefore, it seems that without an economic benefit to serve as a driving force, the ethnic culture of Baka can hardly be sustained.

### 6.4.3. The Zhanglang Villagers' Committee

#### 6.4.3.1. About the Zhanglang Villagers' Committee

The Zhanglang Villagers' Committee belongs to Xiding township, which is under the governance of Menghai county in Xishuangbanna. It is more than 40 kilometres from Xiding town, and a section of the road, 17 kilometres in length, is unsurfaced. It takes about an hour and a half to travel from Xiding to Zhanglang. Zhanglang is a natural village, but is divided into two parts: the new village and the old one. The new village borders the old one on the latter's south-east, having been set up because the old village was too crowded and because of the construction of the museum. In terms of tourism resources, aside from the Ethnic Bulang Ecological Museum (villagers call it a museum), there are unique Bulang culture, Buddhist temples and white pagodas and some particular natural scenes such as the elephant well, the immortal's cave, the ancient tree tea garden, and so on. The museum, which was completed in 2005, is not only an important means to display Bulang culture but also a basis to mobilise community resources. Displays in the museum include articles reflecting Bulang culture and customs in life and production, such as tools, costumes, Buddhist sutras written on palm leaves and so on. It is a nice tourist spot in itself. The Buddhist temple in the south of the old village is more than 1700 years old. In addition, on the top of the hill opposite the museum in the new village, there is an expanded Burmese-style Buddhist temple and a white pagoda, with a newly built stairway with more than 200 steps stretching from the foot of the hill to the top. It is also a treasure in attracting tourists.

Awareness of tourism has been growing among some villagers, especially those living in the new village. When asked about tourism, most residents in the new village replied that they had heard of it. The incumbent village cadres and their predecessors are more enthusiastic about developing tourism than are ordinary villagers. For example, both the village director and vice director want to develop tourism. The director told us that after tourism had started in the village, he would call his second son back from Thailand to engage in tourism. Some villagers also plan to run a small business when village



tourism starts to grow, such as opening a restaurant or a small retail shop selling local specialties. The Zhanglang Villagers' Committee has decided to take charge of organising villagers to develop tourism. This approach may avoid the awkward situation of Dai Garden and Baka village.

### 6.4.3.2. Sources of Income

So far, Zhanglang remains a very poor agricultural village, mainly engaging in crop cultivation and stock breeding. In 1985, the farmer net income per capita was only CNY174. This rose to CNY669, which was still 42.6 percent lower than the average of CNY1166 for Xishuangbanna prefecture. The figure increased to CNY1308 in 2005, but was still 39.8 percent lower than the average of the prefecture. In 1985 crop cultivation accounted for 53.3 percent of the total income. The share rose to 73.2 percent in 1995 but dipped to 46.6 percent in 2005. Stock breeding accounted for 30.2 percent of the total income in 1985, dropped to 19.6 percent in 1995 and then went up to 28.7 percent in 2005. Income from services—largely tourism—accounted for 4.0 percent of total income in 1985, went up to 4.5 percent in 1995 and then to 4.9 percent in 2005 (Table 6.12).

**Table 6.12: Incomes and Structural Changes in Zhanglang Villagers' Committee**

		1985	1990	1995	2000	2005
Population (persons)		971	1067	1050	1028	1009
Total Income (CNY10,000)		22.5	44.0	112.0	158.0	247.0
Income Per Capita (CNY)		227	412	1067	971	2448
Farmer Net Income Per Capita (CNY)		174	357	669	834	1308
Total Food Production (10,000 kg)		28	29	37	33	35
Grain Ration Per Capita (kg)		165	203	284	301	315
Income from Selling Farm Products	Crop Cultivation (CNY10,000)	3.0	8.8	30.0	79.0	115.0
	Forest Products (CNY10,000)	—	0.5	—	0.4	2.0
Total Income	Crop Cultivation (CNY10,000)	12.0	28.0	82.0	121.0	146.0
	Forestry (CNY10,000)	2.8	1.7	2.0	6.0	4.0
	Stock Breeding (CNY10,000)	6.8	9.8	22.0	18.0	71.0
	Industry (CNY10,000)	—	0.2	0.4	1.0	7.0
	Transportation (CNY10,000)	—	0.3	0.6	4.0	7.0
	Services (CNY10,000)	0.9	4.0	5.0	9.0	12.0

Aside from depending on crop cultivation and livestock breeding for a living as their forefathers had done, many villagers left their homes, taking a risk in Thailand in the hope of finding a job. As villagers' committee cadres told us, of the 180 people who went to Thailand, only 10 hold passports. Most went to Thailand through the porous border areas. Some were arrested in Thailand and returned to China. Their unwillingness to go through legal channels to go to Thailand is due to the requirement to return to China once every three months, which would cost CNY5000 each time for fares. Nevertheless, finding a job outside is favoured over tourism as an economic option in Zhanglang. Among the 57 valid sample households, 34—59.6 percent—have family members working outside the village. There are 48 people from these 34 households going out to seek jobs, accounting for 25.3 percent of all the people in the 57 households. In 2005, the total income of these 48 people was as CNY963,153.0, an average of CNY28,328 per household and CNY20,065.7 per person. Outside work accounts for 61.3

percent of the total income of the sample households, far ahead of crop cultivation, stock breeding and tourism. Only six of the 57 sample households participate in tourism. The total income from tourism of these six households is CNY25,535.0, only 1.6 percent of the total income of the 57 households (Table 6.13).

**Table 6.13: Income Sources and Structure of Sample Households in Zhanglang**

Income Sources	Crop Cultivation	Stock Breeding	Outside Work	Tourism	Total
Valid Samples (households)	57	52	34	6	57
Total Income (CNY)	437,418.0	145,567.0	963,153.0	25,535.0	1,571,673.0
Income per household (CNY)	7674.0	2799.4	28,328.0	4255.8	27,573.2
Maximum Income (CNY)	43,500.0	13,350.0	26,150.0	8000.0	88,769.0
Minimum Income (CNY)	120.0	12.0	450.0	240.0	12.0

### 6.4.3.3. Challenges for Tourism Development

While noting the rich tourism resources, at the same time we need to pay attention to possible difficulties and problems confronting tourism development in Zhanglang. The first is the remote location of the village. Zhanglang is more than 40 kilometres from Menghai county town and more than 100 kilometres from Jinghong city, and there are no scenic spots in its vicinity, making it difficult for Zhanglang to take advantage of economies of scale.

Second, Bulang people traditionally engaged mainly in agriculture, and the autarkic lifestyle and mode of production make them lack awareness of trade. According to the data collected, the 57 sample households have a total labour force of 190 people, an average of 3.3 people per household. There are 134 engaged in agriculture, 70.5 percent, 48 going outside, mainly to Thailand, to seek jobs (25.3 percent)<sup>12</sup> and only six (3.2 percent) providing tourism services.

Third, in general, the villagers have not much school education. This makes it difficult for them to participate in tourism, which usually requires a relatively high education level. Among the 57 sample households, there are 231 people above the age of seven, of which 139, or 60.2 percent, received elementary school education, only 32 (13.9 percent) have junior high school education, just 7 received senior high school education and 53 (22.9) percent have never gone to school.

Fourth, poor infrastructure presents many difficulties of tourism development, although 39 households (88.6 percent of the sample) think that the village infrastructure has improved markedly in the last one or two years. However, what we saw in the village is still a far cry from what should be in place for tourism. At present, there are only two public toilets, and they are untended; there is neither a hotel nor a restaurant. There are only a few primitive small shops, selling daily necessities; the customers are villagers. In addition, muddy village roads and inconvenient transportation impede the development of tourism.

Fifth, a lack of investment and sophisticated business management are further constraints on tourism development. Although the provincial and prefectural governments offered much support to Zhanglang, having invested more than CNY1.4 million, these funds have mostly been absorbed by infrastructure projects like roads and repair of village houses. Little money has been spent on production capacity, especially tourism development. Lack of funds will be a bottleneck. Additionally, there is no outside business investment at present, and management in line with the special requirement of tourism still needs improvement

<sup>12</sup> It was said that working in Thailand are about 130 males and about 60 females. Most of them are young unmarried people but some are married couples. They are engaged in flower plantations, construction, animal husbandry, weaving etc.

### 6.5.1. Conclusions

- (a) Data analysis of Yunnan province reveals that tourism has become an important component of the economy, playing an increasingly important and even essential role in the economy of the whole province. Tourism already accounts for more than one-eighth of provincial GDP. With the rapid development of tourism, its positive impact on rural income, helping poor rural households, especially minority households, has been increasingly recognised by government departments and the whole society. Government policy is attaching greater importance to the development of rural tourism; specific policies have been formulated and implemented to promote its contribution to the progress of poor communities.
- (b) Xishuangbanna prefecture is one of the earliest places participating in tourism in Yunnan province. Tourism there has reached a relatively mature state. It holds not only world-famous destinations but also some tourist spots with unique scenic and ethnic characteristics. Diversified approaches for developing tourism resources have not only met the needs of tourists but also helped greatly to promote community involvement in tourism, increasing incomes and relieving pressure on land. This has made a prominent contribution to poverty alleviation in rural areas and to improving the livelihood security of rural communities.
- (c) The research on Dai Garden showed that tourism has brought a variety of benefits to the community. Directly and indirectly, it has created nearly 400 new jobs, promoting farmer net income to a level 60 percent higher than the average in the prefecture. The cash income of the villagers of the five natural villages in the project has increased by 30 percent according to village statistics, or by 60 percent according to the questionnaires. As well, the garden has made a marked contribution to improved community infrastructure like roads and communications. It has also helped considerably in improving the welfare of the villagers, such as giving relief to old people and poor households and subsidising good students.
- (d) However, there are still some problems in the development of Dai Garden. Special attention should be given to issues like benefit distribution, who represents the villagers in exercising their rights, a clearer definition of managerial responsibilities and more transparency in the management system, more attention to environmental protection and how to offer poor and marginalised people opportunities to participate in tourism activities. Based on the management concept of “enterprise plus peasant households”, the Dai Garden Tourism Development Company has realised the importance of these issues and made plans to address them. It is going to grant 20 percent of the shares to the villagers in order to resolve conflicts of interest between the enterprise and the villagers. Another 20 percent of shares will go to the staff of Dai Garden in the hope of boosting a sense of cohesion within the enterprise.
- (e) Investigation in Baka village found that the Ethnic Jino Ecological and Cultural Museum alone can not bring many tourism returns for the local community. Government support and outside help, although very important, cannot replace the role of the community in developing tourism. In the face of the growing returns from rubber planting, without self-organisation and effective management of the community, such as tying dogs and corralling pigs, tourism can not

prosper. Naturally, without chances to participate in tourism, individual peasant households will reasonably choose other options, like rubber planting.

- (f) The case study of Baka also demonstrates that tourism can become a means of reducing poverty in rural areas and improving a community's livelihood security, but a series of prerequisites have to be satisfied. First, basic tourism infrastructure such as roads, signage and lodging conditions should be in place. Second, tourists should have easy access to sufficient information. Third, localised management systems and modes of operation should be in place. Fourth, human resources meeting the needs of development ought to be available. Fifth, support and care from government at different levels and from civil society must be secured. Rich and colourful ethnic cultures and beautiful natural environment are important assets in attracting tourists, but alone are not enough.
- (g) Zhanglang village of the ethnic Bulang has rich tourism resources, such the Ethnic Bulang Ecological Museum, the 1700-year-old Buddhist temple, the Burmese-style Buddhist temple and other natural highlights. Favourable factors also include the awareness some villagers have of tourism and the recently increased support from the government. However, there are also some limitations, some of them critical, such as poor infrastructure, a traditional mind-set of depending on agriculture, limited education and lack of funds, technology and management skills. These negative factors continue to bind the villagers to work on the farm, or they go abroad illegally looking for a change. This case study demonstrates that the development of tourism requires many important conditions.
- (h) Through the above analysis, we can conclude that our research has reached its objectives. We have analysed, on both macro and micro levels, the impacts of tourism on a region, even households, particularly its contribution to poverty alleviation in rural areas. We have analysed the differences in benefits to the communities brought about by different tourism approaches. We also have analysed the impacts of government policies and measures on community access to and exploitation of tourism resources. On this basis, we would like to put forward some pertinent policy recommendations.

## 6.5.2. Policy Recommendations

### 6.5.2.1. Recommendations for the Three Case Study Sites

Considering the disparities and different problems the three communities face, we recommend:

#### *For Dai Garden*

- (1) Carry out an asset appraisal and make clear the shares of property rights. Before transferring shares to the community and staff, it is necessary for the enterprise to conduct an asset appraisal, to determine the value of the five ethnic Dai villages as a whole, including the ethnic folk houses and the Dai culture, and then offer a share of assets accordingly. It is arbitrary to say that the shares should be 20 percent or another figure; the percentage should be determined through professional appraisal or democratic negotiation.
- (2) Improving the management structure of the enterprise is crucial. At the least, the community should be taken into account as an important part and should be offered positions on the board of directors and board of supervisors in accordance with the percentage of shares it holds, and its special role as landowner should also be taken into consideration. On this basis, a sound and transparent management system should be set up in order to institutionalise the coordination of internal relations.

- (3) The community should democratically elect representatives to the board of directors and the board of supervisors. In principle, members from the villagers' committee and village CCP committee should not join the board of directors, but they can take part in the board of supervisors. Reasonable regulations and rules should be stipulated to let villagers monitor the representatives on the board of directors and board of supervisors.
- (4) Efforts should be made to conduct strategic planning based on the principle of "enterprise plus peasant households". This requires taking into consideration village households' interests and the tourism activities in which they are able to participate within overall strategic planning. It is also necessary to formulate appropriate regulations and rules to strengthen the management of Dai Garden in order to provide first-class services to tourists.
- (5) An important step is to set up a platform for dialogue in order to improve the exchange of views and avoid misunderstandings. Besides the board of directors reporting the situation of the enterprise regularly to shareholders, including villagers and staff, and the board of supervisors executing its monitoring functions, other means of communication, such as a public mailbox, or a fixed date for meetings with villagers, should also be considered, to offer easy channels for villagers to express their views and suggestions on tourism development in the community, as well as on the enterprise and its staff.
- (6) Using participatory approaches, with the community taking part in the development and management of tourism, is key. Through a combination of the above measures, it is recommended that the community participate in the development and management of tourism together with the enterprise, including devising plans, stipulating and implementing regulations, distributing benefits etc. in a concerted way to establish a real democratic mode of management in line with the "enterprise plus peasant households" principle.

#### *For Baka*

- (1) It is important to make clear the property rights of the ethnic ecological museum and establish an effective management system. According to the principle of "where it belongs is where it should be governed" and the popular practice for internationally funded projects, all villagers in Baka should be the owners of the museum. As to whether the villagers' committee should have some shares in it, villagers' groups and the villagers' committee can find a proper solution through negotiation.
- (2) Through participatory approaches, all villagers should be allowed to participate in designing tourism development plans for the village and put the plans into the village charter, and to create an institutionalised environment in which village tourism can develop, for example, to control the number of dogs and corral the cattle.
- (3) Efforts should be made to get support from the government and society and improve infrastructure. At the beginning, support could be given to some households with proper conditions and enthusiasm to operate trial tourism projects like "Happy Farmhouse". But attention should be paid to the development of the whole village, and certain management fees could be charged.
- (4) It would be worthwhile to resume and improve the functions of the youth ethnic song and dance team and further develop other tourist products. It is also advised to develop tourism souvenirs with ethnic Jino characteristics. A big Jino drum mock-up may be suitable, for instance.

- (1) When considering the construction plan of the village for building a socialist new countryside, it may be possible to provide a chance to the villagers to discuss the pros and cons of developing village tourism, in order to enhance awareness of the role tourism can play in development.
- (2) A 10-year tourism development plan based on the reality of the community is essential. The plan will mobilise the internal resources of the community in carrying out some exemplary household-based tourism activities such as “Happy Farmhouse” and in experimenting with collectively organised tourism services such as horse riding and ethnic song and dance performances. It will also give outsiders ideas about the tourism resources of the village and the views of the village on how to develop tourism. This will be helpful in attracting investors.
- (3) The village should not neglect to try to obtain more support from the government and society. It is especially important to take advantage of the newly launched plan for building a socialist new countryside and the poverty alleviation project targeting minorities. It is necessary to utilise all kinds of resources to promote tourism in the village. In the meantime, it is helpful to encourage young people who went abroad to seek work, and who may have accumulated money and experiences, to return and participate in tourism development.
- (4) It is essential to enhance community residents’ capability of participating in tourism. It is a gradual process to maximise residents’ capability of participating in tourism, which should include lifting the educational level, enhancing business awareness, fostering professional capacities and raising awareness of protecting tourism resources.

#### ***6.5.2.2. Recommendations for Provincial Government Bodies and Decision Makers***

Presently rural tourism has drawn attention from relevant government bodies and society, and some experiences in developing it have been accumulated. On this basis, we think the following specific policies and measures are necessary to ensure its further development.

- (1) It is important to formulate specific policies aimed at promoting rural tourism in the whole province and to include tourism in poverty alleviation plans and provincial cultural development plans so as to make it an effective means of supporting the development of minority areas.
- (2) A comprehensive approach should be used, including provincial surveys on rural tourism resources, in virtue of the results of provincial surveys on non-material cultural heritage.
- (3) Assistance should be provided from the provincial tourism development fund to support rural tourism, and, if possible, a Yunnan Rural Tourism Development Fund should be established and contributions to it sought from all circles and international society.
- (4) The selection of places for exemplary experiments can be very useful. The selection standards should comprehensively consider a series of factors—the importance of ethnic culture as well as other important elements such as infrastructure, natural scenery and so on.
- (5) A special department in charge of administering rural tourism should be established within the provincial tourism bureau and the tourism offices of prefectures, cities and counties. This department should be responsible for preparing tailor-made administrative plans to direct and administer rural tourism.

- (6) Time should be devoted to drafting and compiling a manual for developing rural tourism, with contents including rural tourism operational approaches, business management characteristics, rural tourism development plans, tourism service types and basic technical requirements.
- (7) An important endeavour could be to commend and publicise excellent and exemplary developments in rural tourism so as to enhance the awareness of rural tourism as a new type of tourism. This would promote Yunnan's tourism towards diversified development, improve rural community residents' livelihood security and contribute to the construction of a socialist new countryside.

### ***6.5.2.3. Recommendations for the Whole GMS***

Considering that tourism has become an important area of cooperation between GMS countries, many of which have successful experience in developing rural tourism, we suggest as follows.

- (1) Taking the Mekong Administrative Committee as a technical platform, we propose to establish a GMS rural tourism home page and to exchange views and share experiences and information through the internet.
- (2) We propose to seek support from international organisations to sponsor transnational and inter-ethnic promotions for rural tourist spots.
- (3) We recognise the importance of demonstrating the experiences of some successful exemplary tourism development cases with support from the Mekong Administration Institute, and of strengthening human resources.
- (4) We propose to hold GMS rural tourism workshops by taking advantage of the GMS annual meeting or other symposiums.





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