

Tourism Sector in the Greater Mekong Subregion

- This report presents the findings, lessons, and recommendations of an independent assessment of ADB's assistance to the tourism sector during 1992–2007 in the Greater Mekong Subregion (GMS), comprising **Cambodia, Lao People's Democratic Republic, Myanmar**, Guangxi Zhuang Autonomous Region and Yunnan Province in the **People's Republic of China, Thailand**, and **Viet Nam**.
- The **evaluation**¹ found that ADB's support for tourism development projects has been an important GMS initiative. ADB's assistance contributed to strategic discussions, planning, and collective actions by GMS countries. However, value addition has been limited. Much needs to be done to understand key strategic and policy implications. ADB should engage in policy analysis and impact evaluation to be more effective. There is also a need to clarify whether future tourism sector activities are covered by ADB's current high-level strategies.

Background

The tourism sector contributed significantly to the national economies of the **Greater Mekong Subregion (GMS)** countries. Growth prospects for tourism look promising in the short and medium term. However, the sector faces several development challenges, such as the highly inequitable distribution of tourism benefits among GMS countries, with relatively little impact on the poor and socially disadvantaged groups. National and subregional institutions for tourism planning, development, and management are considered weak. Other constraints include weak capacity for developing marketing programs, limited private sector participation, insufficient tourism-related infrastructure, transport bottlenecks that impede cross-border travel, and weak capacity for managing negative social impacts.

Summary of Findings

The overall rating for the Asian Development Bank's (ADB) assistance for the **GMS tourism sector** is "successful." In terms of top-down assessment, ADB's strategic alignment, program and strategy positioning, and coordination have been substantial. Likewise, substantial institutional support has been provided by ADB. GMS countries have generally demonstrated good coordination and strong ownership of tourism

sector strategies, programs, and activities. ADB's performance is assessed "substantial" as its role as catalyst and honest broker brought together various stakeholders to develop a consensus on shared concerns. ADB and **UNESCAP** have collaborated very well on the GMS regional tourism program since its inception. However, value addition of the GMS tourism sector is rated "modest." The current asymmetric distribution of benefits and costs in the sector remains a challenge, including setting up a mechanism that allows for fair distribution of costs and benefits. Also, expanding the private sector's role in providing infrastructure and services through greater **private–public partnership** arrangements and bringing the poor into the mainstream of tourism development are areas that require greater attention. The weak results-monitoring information system, especially data on tourists' expenditures, makes it difficult to draw a definitive conclusion on the extent to which program objectives are being achieved.

The bottom-up assessment of ADB assistance is based on three loans under the **Mekong Tourism Development Project (MTDP)**, and on six regional tourism technical assistance (TA) projects. ADB assistance was relevant as it was consistent with the GMS countries' needs and priorities, governments' strategies and programs, and ADB's higher level

strategies at that time. The design of ADB's regional tourism sector projects generally reflected this as well. Based on available information, the GMS tourism program is rated "effective" but at the borderline with "less effective," since two of the three MTDP loans are ongoing. Good progress has been made in achieving outcomes under components A (tourism-related infrastructure improvements) and B (pro-poor community-based tourism development). However, component C (subregional cooperation for sustainable tourism) is progressing more slowly. On the other hand, TA projects fully accomplished their objectives upon completion. The GMS tourism operation is rated "efficient" but at the borderline with "less efficient," primarily due to delays in several subprojects. The TA projects were largely implemented without significant problems or delay. The MTDP design includes specific mechanisms to help ensure sustainable project outcome and outputs. With measures to mitigate risks, sustainability of outcomes and outputs of ongoing tourism projects is deemed "likely." Impact was not rated since the tourism loan projects are still ongoing and direct evidence on development impact is not available.

While overall performance was rated "successful," there is scope for improvements. There has been very little synergy between ADB assistance to national and subregional projects (e.g., infrastructure and trade facilitation, cross-border agreements) and its assistance activities to the GMS tourism sector. More assistance is also required for human resource development because of the poor quality of services in the GMS tourism industry (especially among small- and medium-sized tourism enterprises) and weak capacity of provincial and district tourism officials. ADB should also facilitate policy dialogue and related advisory assistance to GMS countries to facilitate single-visa and simplified border-crossing arrangements for international and regional tourists. A key issue facing future tourism operations is the need to clarify whether future tourism sector activities are covered by ADB's current high-level strategies. Finally, efforts should also be made to liaise more with international agencies such as **Association of South East Asian Nations** and **World Trade Organization**.

The evaluation identified a number of lessons, including need to further simplify visa and border-crossing arrangements, importance of developing community-based tourism, need to improve cross-sector coordination to build synergies, and critical role

of demand analysis for tourism to help inform project design.

Recommendations

The evaluation made recommendations in relation to the following areas of ADB's operations:

- **Clarify alignment with *Strategy 2020*.** Tourism is not specifically identified as a core area of operation in the *Strategy 2020*. Management guidance is needed on whether ADB should finance projects in the sector in the future.
- **Improve effectiveness of ADB assistance for tourism.** ADB should continue its intellectual leadership by focusing more on nonlending products and services geared to strengthen policy analysis and positioning of the tourism assistance strategic focus and sector selectivity in ADB operations.
- **Encompass all GMS members in tourism project initiatives.** Major project activities have so far been limited to just three GMS countries—Cambodia, Lao PDR, and Viet Nam. Additional modalities and approaches that would allow other GMS countries to be involved as well should be investigated.
- **Provide better opportunities for inclusiveness.** It is essential to build the capacity of public sector tourism officials, especially in the provinces that can have an impact on inclusiveness and poverty reduction.

Feedback

ADB Management's response appreciates the study and agrees with the overall assessment, conclusions, and recommendations made. Management noted the study's recognition of strong ownership by GMS countries of the tourism program and the important role that ADB has played as financier, mediator, and advisor in determining program directions. Specifically, Management plans to clarify the intention of *Strategy 2020* as regards ADB's involvement in noncore areas of operation with respect to regional cooperation and integration. ADB will also continue to work closely with institutions and development partners to enhance effectiveness of its assistance.

¹ ADB. 2008. *Tourism Sector in the Greater Mekong Subregion*. Sector Assistance Program Evaluation. Manila. Available: www.adb.org/Documents/SAPE/REG/SAP-REG-2008-58/SAP-REG-2008-58.pdf