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Developing Cambodia's Tourism Sector

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DEVELOPING CAMBODIA'S TOURISM SECTOR¹

I. Context

1. Emerging from a long period of conflict, Cambodia is working towards reconstruction and economic development. As a member of ASEAN, Cambodia has joined a market of 550 million upward mobile people from 10 countries with flying time between 45 minutes to 2 hours from each major city.
2. Cambodia is also part of the five countries that make up the Greater Mekong Sub-region (GMS) hosting a population of 300 million people in a land area of 2.3 million square kilometres. Blessed by its location, unique history and cultural heritage that include world-class monuments, Cambodia has been tagged as the undiscovered Kingdom.
3. Since the early nineties, when the country embarked on free market and open-air policies, improved security and infrastructure, tourism grew at a remarkable rate. The number of tourist arrivals increased from 368,000 in 1999 to a milestone one million visitors in 2005, generating an excess of US\$777 million for the local economy, excluding leakage. Growth is expected to continue with an average of 30%-40% in the coming years.
4. Cambodia lies at the heart of Indochina and borders with Thailand in the West, Laos in the North, Vietnam in the East and the gulf of Thailand in the South. Its cultural traditions predate those of Thailand and unlike Vietnam, which expresses a marked Chinese influence, Cambodia's cultural roots draw heavily from the Indian sub-continent whence it drew much of the inspiration for its remarkable buildings, palaces, and temples. The Angkor Wat complex is certainly one the most attractive destinations in the world. The complex is a fascinating blend of exquisite stone carving and pristine forest. Angkor Wat complex remains the biggest pre-industrial archaeological site and one of the largest religious sites in the world. In 1992 UNESCO designated Angkor as a World Heritage Site.

II. Where We Want to Be?

5. The vision is to have "A sustainable Cambodian tourism industry to reduce poverty and improve the well-being of all citizens driven by a vibrant and innovative choice destination". The key strategic objectives are to:
 - Maximize contributions to economic and social development, poverty alleviation, and income and employment opportunities for Cambodians from TS;
 - To develop a sound, professional, profitable and sustainable tourism industry;
 - Offer diversified products by creating linkages with other economic sectors for maximum mutual benefit;
 - Enhance Cambodia's international image;
 - Increase Cambodian citizens' understanding of the social benefits of tourism;
 - Extend tourist's average length of stay; and
 - Stimulate and promote good governance.
6. These will be achieved through a cluster development approach (Figures 1.1 / 1.2), by linking existing sectors, such as agriculture, horticulture, sericulture, and handicrafts with the tourism sector, and by promoting the development of tourism packages such as:

¹ This paper is an Excerpt from the Sectoral Analysis of the Draft Cambodia National Export Strategy, dated August 29, 2005. It is intended **FOR DISCUSSION ONLY**.

- Natural Cluster: includes wildlife sanctuaries, national park, zoos, and historical and heritage sites;
- Coastal Cluster: includes coastal area, coral reef, beach, undated forest, island and submarine adventure; and
- Art and Culture Cluster: includes museums, art galleries, theatre, music, dance, festivals, religious activities, handicrafts, etc.

Figure 1.1: The Tourism Sector's Destination Cluster

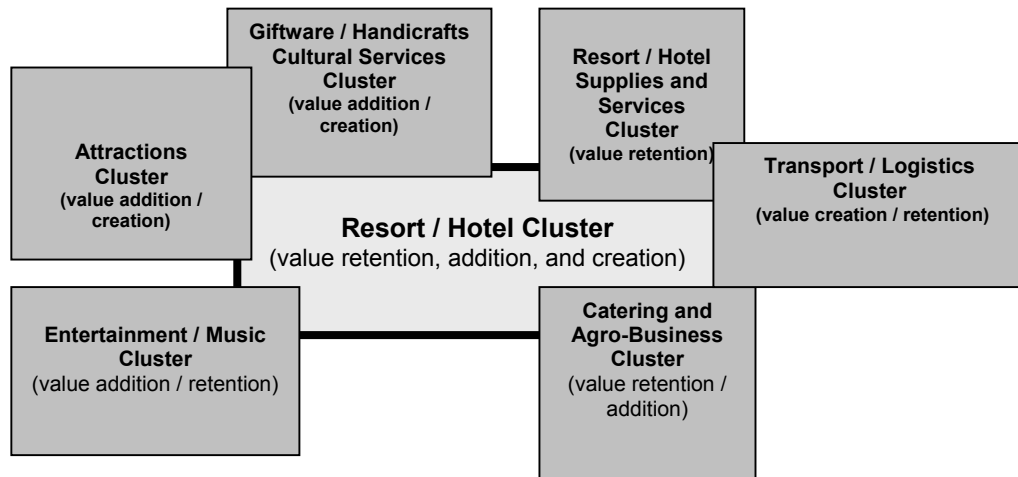


Figure 1.2: Developing the 'product offer' of Cambodia's tourism sector



III. Where We Are Now?

7. Currently, Cambodia has no direct long-haul flight connections with the world.² All flights to/from Cambodia must make a transit in cities like: Bangkok, Thailand; Singapore, Singapore; Ho Chi Minh City, Vietnam; etc. Cambodia attracts four main types of leisure tourist markets:

- As part of a medium or long haul multi-destination tour program, which normally includes: Vietnam, Thailand, Singapore, Malaysia, Hong Kong and some other nearby regional destination;
- Cambodia, and principally the temples of Angkor, sold as an add-on to a nearby single destination program. This is principally Thailand, but it also includes other destinations.
- Cambodia sold in the region as a single destination, in a short-haul program.
- Cambodia sold as a single destination for medium and long-haul individual tourists, often includes adventure or backpackers program.

8. The following tables provide a snapshot of Cambodia's current tourism profile (Tables 1.1, 1.2, and 1.3):

GMS Countries	Vol. of Intl. Tourists	Avg. stay/days	T. Tourist days	Avg. Exp. per Day (US\$)	T. Exp. (US\$ Million)
Cambodia	1,055,202	6.3	6,647,773	87.0	587.4
Lao PDR	500,000	3.8	1,900,000	85.0	161.5
Myanmar	241,948	7.0	1,693,566	86.9	147.2
Thailand	11,277,000	8.0	90,216,000	100.0	9,021.6
Vietnam	2,554,000	8.0	20,432,000	80.0	1,634.6

GMS Countries	Dir. Tourism Empl.	Indir. Tourism Empl.	T. Tourism Empl.
Cambodia	32,500	67,500	100,000
Lao PDR	17,000	5,000	22,000
Myanmar	-	-	-
Thailand	1,411,000	439,000	1,850,000
Vietnam	220,000	450,000	670,000

GMS Countries	T. Output / Tourism (US\$ millions)	Forex Leakage Multiplier	Forex Leakage (US\$ millions)	Dir. + Indir. Income X	Est. Income / Int. Tourism (\$US millions)
Cambodia	924.9	0.40	370.0	0.60	555.9
Laos	189.8	0.40	75.9	0.60	113.9
Myanmar	301.9	0.40	120.8	0.60	181.2
Thailand	15,781.5	0.035	552.4	0.965	15,229.1
Vietnam	3,749.1	0.35	1,312.2	0.65	2,436.9

² At this writing Cambodia has no national flag carrier to serve either domestic or international flight to/from the country.

IV. The Way Forward

A. Development Perspective

9. Sustainable tourism development in Cambodia will embrace the five fundamental values established for sustainable development by the United Nations World Commission on Environment and Development (1987), namely:

- To conserve, protect and where appropriate restore historic, cultural, and natural resources that are the foundation for tourism;
- To promote equity in development;
- To improve the quality of life of the host community and respect their needs and values;
- To provide a high quality experience for the visitor in order to enhance the satisfaction levels of tourists; and
- To maintain the quality of all resources in ways which foster long-term productivity and development able to be sustained for future generations (inter-generational equity).

i) Sustainability

10. It is essential to maintain an effective balance between the economy and conservation of natural and cultural heritage. A major objective for sustainable tourism development in Cambodia is to achieve an effective balance between economic development and conservation, its peoples and the environment, based on respect for its cultural heritage and maintenance of biodiversity.

11. Sustainable tourism development in Cambodia will be designed to maximize benefits economically, socially, culturally, gender equality, and environmentally while minimizing adverse impacts, with a balance between costs and benefits, and demand and supply.

ii) Quality and Safety

12. To ensure that Cambodia's tourism sector develops according to international best practice and that it is consistent with the values of sustainability, a national standards accreditation system such as 'Green Globe' will be introduced. This will not be restricted to eco-tourism enterprises but will cover all tourism business activities and include, but not be limited to, assessment of such operational areas as environmentally sound sewage systems, waste management control, anti-pollution mechanisms, efficient alternative renewable energy, wise water usage, noise abatement, integration into the local economy, provision of training for local and indigenous people, and support for the development aspirations of local communities.

13. The Royal Government of Cambodia is resolutely opposed to child sex tourism and other forms of child exploitation. The RGC will use all of its powers to prevent and/or ban inappropriate forms of tourism, especially those which may promote drugs or other banned substances, and those which may result in the spread of HIV/Aids.

iii) Linkages with Other Economic Sectors (some examples)

- **Agriculture:** Because of the over-riding importance of the agricultural sector to the lives of Cambodia's people, especially rural communities and the rural poor, special emphasis will be placed on planning for agro-tourism, and for strengthening linkages between tourism and agriculture. Such linkages could encompass agricultural festivals and special events such as the annual Royal Ploughing Festival held each May.

- **Silk Handicrafts:** Similar programmes will be organized to the silk-producing regions whereby visitors will be guided through the entire silk-production clusters. This will put silk yarn producers, weavers and silk product manufacturers directly in contact with tourists, thereby considerably enhancing their sales prospects.
- **Wood, Stone Carving and Silver Handicrafts:** Such backward linkages will be actively encouraged in order to provide increased employment and income generating opportunities for local people, and also for efficient import to lessen the high leakage factor associated with some forms of tourism activity.

B. Competitiveness Perspective

i) Supply-Side

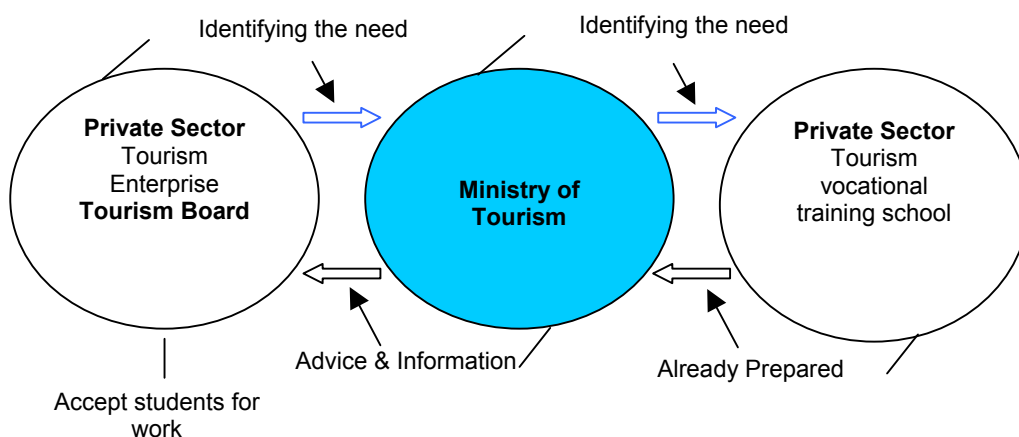
14. Product development is a strategic priority for Cambodia's tourism industry. While the country has a number of key attractions, it is essential that the product offer be diversified to attract a range of tourists. Apart from agro-tourism (and linkages with the agriculture and sericulture sector) new areas should be explored. Sports tourism and other special interest niche markets offer new opportunities for Cambodia to diversify its tourism product.
15. The following are particularly noteworthy:
 - **Natural Cluster:** includes wildlife sanctuaries, national park, zoos, and natural historical-sites;
 - **Coastal Cluster:** includes coastal area, coral reef, beach, undated forest, and island submarine adventure;
 - **Art and Culture Cluster:** includes museums, art galleries, theatre, music, dance, festivals, religious activities, and handicrafts.
16. The development of such tourism packages is a major determinant in meeting and exceeding tourist satisfaction and creating an overall experience.
17. This must be accompanied by continuous efforts to improve the quality of the product:
 - Ensuring that international standards are met, or exceeded in areas such as accommodation, food and beverage services, transportation, and infrastructure; and
 - Strengthening quality hospitality services and social order, city and destination hygiene and cleanness, safety, security, health and other social services.

ii) Competency Development

18. In terms of competency development, this is required across all sectors/levels, encompassing the institutional level of public/private sectors. In following, ADB's recommendations, The Ministry of Tourism is currently considering the following approaches:
 - Strengthening links with the private sector in vocational tourism training and education;
 - Developing a formal curriculum for tourism education that is up to international standards and that meets the market's labour requirements;
 - Enhance the quality of teaching by further training the teachers;
 - Establish linkages between local tourism training centres and international institutions to benefit from 'best practice' guidelines;

- Launch a programme “Quality Person, Quality Work” to provide employment opportunities to recent graduates at all levels within the tourism industry and supporting agencies;
 - Strengthen capacity building for existing employees in the Ministry of Tourism and provincial offices to increase skills; and
 - Establish a national institute of tourism through partnership with other stakeholders (to achieve funding requirements and technical assistance).
19. HRD and capacity building within the Ministry of Tourism will enhance its internal ability to meet the challenges of developing the sector. In this context, it will develop and encourage expertise through higher education and postgraduate training of key officials, and a range of short executive development training programs.
20. For Cambodia to be able to cope with a larger tourism market, it is essential that there are sufficient human resources (Figure 1.3).

Figure 1.3: HRD



iii) Capacity Development

21. The critical question here is: how much can Cambodia produce to feed the growing market, especially in view of the projected growth of the sector (Table 1.4)?

Table 1.4: Projected Growth of Tourism Sector			
GMS Countries	2006	2010	2015
Cambodia	1,359,000	2,138,000	3,769,000
Laos	264,398	387,105	667,119
Myanmar	304,209	705,443	1,1136,123
Thailand	14,374,127	21,420,714	30,043,660
Vietnam	3,084,724	4,196,733	7,396,077

iv) Operating Environment

22. **Infrastructure:** cooperation with the Public Works departments at national, provincial and municipality levels will be an important component of the strategy, since basic infrastructure

for the tourism industry such as power and water/sewage need to be reliable and continuously maintained.

23. It is essential that technical assistance and funding be forthcoming from partners and donors to establish and upgrade tourism infrastructure (ports, airports, road, power grid and electricity supply, and water/sewage/drainage) in major destinations such as:
- Rattanakiri and Stung Treng Airport rehabilitation;
 - Road from Phnom Penh to Cheung Eak Genocide Museum;
 - Implementing drainage project in Siem Reap;
 - National road 6 (Poi Pet – Siem Reap);
 - National road 67 (Cham Srongam – Siem Reap);
 - National road 48 (Koh Kong – Sre Ambel);
 - National road 78 (Oyadao – Banloun);
 - Constructing coastal national road – scenery highway/byway;
 - Road to other tourism sites;
 - Road from Kratie to Kampi's dolphin area;
 - Rehabilitate and constructing Koh Kong's airport; and
 - Stimulate Korng Keing's airport operation.
24. Cooperation with the Ministry of Environment and the Ministry of Culture will also be continuously maintained because of the fundamental importance of cultural sites and national parks and other protected areas, sanctuaries and reserves. As resources that are often fragile or under threat they require careful management regimes for sustainable tourism and, appropriate recreational activities to minimize adverse impacts.
25. **Visitor entry formalities:** strengthen cooperation with front line public services such as border police, immigration, customs, and police to develop a welcoming environment on first entry for visitors to Cambodia. A Tourism Police Service (TPS) will provide visitors with in-country assistance in times of need. These measures are designed to increase visitor safety and security.

v) Demand Side

26. Tourism marketing should be undertaken in partnership with the private sector (perhaps through a National Tourism Marketing and Promotion Board) and will be responsible for conveying the image of Cambodia's unique cultural attractions and natural beauty, while at the same time projecting the country as a vibrant, innovative and creative center that achieves high visitor satisfaction.
27. Marketing must also be carried out at the national and local levels by way of awareness programmes aimed at increasing understanding among all Cambodians of the benefits of tourism to future economic and social development, and to raise awareness on the role of the citizen to protect and further develop tourism.
28. Incentives to encourage local and foreign investment into sustainable forms of tourism development will be offered. Joint ventures and other strategic alliances between foreign and local interests will also be promoted.

29. Build a tourist information system that enables stakeholder institutions to extract intelligence that feeds into improving visitor satisfaction and experience and that helps improve the participation of nationals in the development of the sector.
30. Maximizing the level of value-retention and the extent of value-addition: how much of the foreign exchange associated with sustained growth in tourism sector actually comes into the country? How much can Cambodia produce to feed the growing market, and how fast the human resource would be able to cope with that demands?

V. Summary of Strategic Objectives

- Stimulate the preparation of correct tourism statistics and geographical information database system for tourism.
- Continue to manage and improve resorts, tourism villages, and other tourism sites.
- Establish tourism industry inventories and support small and medium-sized business in Cambodia.
- Stimulate the establishment of rural tourism communities in order to increase tourism activities through develop and supply own agriculture and other products.
- Keep on finding financial and technical assistant in order to prepare master plan in major tourism destinations such as:
 - Siem Reap Angkor;
 - Phnom Penh and the vicinity;
 - Costal areas;
 - Emerald triangle areas (Cambodia, Lao, Thailand);
 - Triangle areas (Cambodia, Vietnam, Lao);
 - Kratie's dolphin area;
 - Anlong Veng's historical area;
 - Koh Kong's land use; and
 - The approval of North East's eco-tourism Master Plan;
- Identify other tourism destinations.
- Stimulate the implementation of hotel and accommodation classification and establish resorts and restaurant classification system.
- Continue to promote domestically and internationally attractive tourism events.
- Stimulate the establishment of tourism marketing and promotion boards in order to attract private sectors contribute in marketing and promotion activities.
- Strengthen prevention against child sex exploitation, HIV, and drugs usage in tourism sector.
- Improve and strengthen tourism industry focusing on quality and regional and international competitive advantage.
- Continue to cooperate in Asean framework (Asean tourism agreement); Asean + 3, Asean + 3 + India; Great Mekong Sub region (GMS); CLMT, CLMTV, CLMV, and Mekong Ganga Corporation; Asia Corporation Dialogue (ACD).
- Obtain support funds, determine policy and strengthen the process of economy impact evaluation activities and poverty alleviation strategies in tourism.

31. The following diagram (Figure 1.4) represents the key to implementing the strategy at both national and provincial level.

Figure 1.4: Cross Sector Support Services for National and Provincials

